ORION EQUITIES LIMITED

ANNUAL REPORT 2006

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CORPORATE DIRECTORY

BOARD

Farooq Khan	(Chairman)
William Johnson	(Director)
Victor Ho	(Director)
Yaqoob Khan	(Director)

COMPANY SECRETARY

Victor Ho

PRINCIPAL & REGISTERED OFFICE

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Perth Western Australia 6000

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Nedlands Western Australia 6009
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Website: www.asrshareholders.com

STOCK EXCHANGE

Australian Stock Exchange
Perth, Western Australia

ASX CODE

OEQ

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COMPANY PROFILE

Orion Equities Limited has been listed on the Australian Stock Exchange (**ASX**) since November 1970. The Company's ASX code is "OEQ".

Since 8 July 2004, the Company has been admitted to ASX as an investment entity.

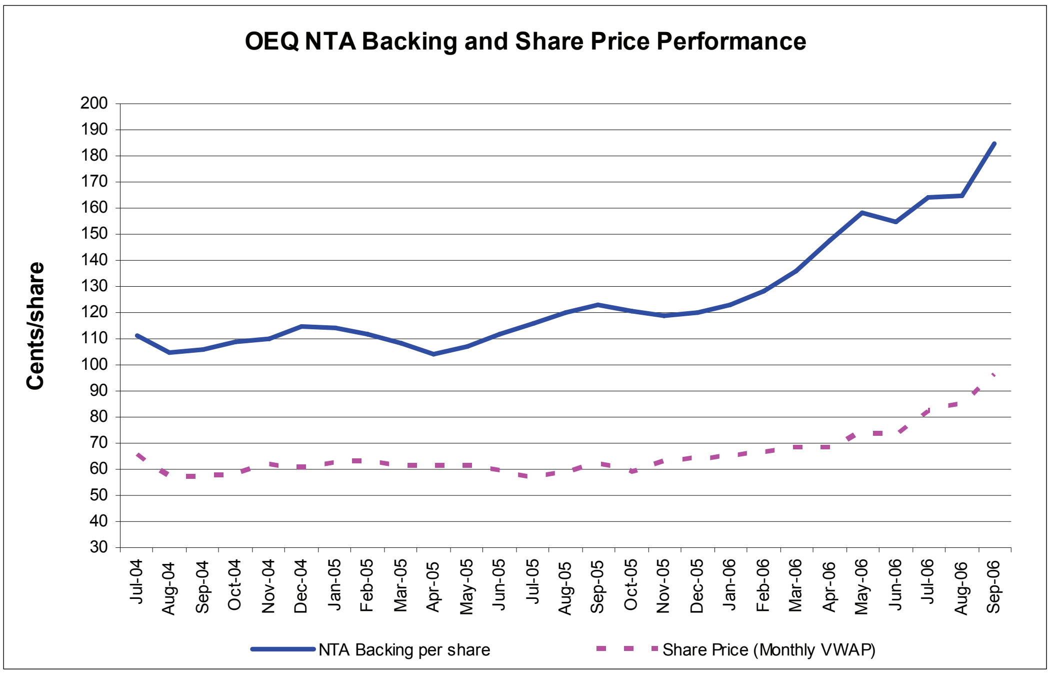
Orion Equities increased its net profit during the current reporting period to $8.8 million (pre tax) (up 568% from 2005: $1.3 million) and $6.5 million (post tax) (up 564% from 2005: $0.98 million). The profit was generated from total revenues of $9.5 million and total expenses of $0.7 million.

Earnings per share increased 535% from 6 cents for the 2005 financial year to 37 cents for the 2006 financial year.

At 30 June 2006, OEQ had a market capitalisation of $13.09 million (at $0.735 per share), net assets of $25.4 million (at $1.43 NTA backing per share) 17,814,389 fully paid ordinary shares on issue and 1,377 shareholders (30 June 2005: market capitalisation of $8.83 million (at $0.525 per share), net assets of $18.8 million (at $1.12 NTA backing per share), 16,812,156 shares on issue and 612 shareholders).

The Company has paid regular dividends as an investment company:

Dividend Rate per share	Record Date	Payment Date	Franking	Total Dividends Paid
3.0 cents	12 October 2006	19 October 2006	Fully franked	$534,432
1.5 cent	31 March 2006	7 April 2006	Fully franked	$267,216
1.5 cent	30 September 2005	13 October 2005	Fully franked	$267,216
5 cents	6 July 2004	9 July 2004	60% franked	$861,000



Source: IRESS

COMPANY PROFILE

INVESTMENT OBJECTIVES

The Investment Objectives of the Company are to:

- Achieve a consistent high real rate of return, comprising both income and capital growth, whilst operating within acceptable risk parameters set by the Board;
- Deliver a regular income stream for shareholders in the form of franked dividends;
- Preserve and protect the capital of the Company.

INVESTMENT STRATEGY

The Company will implement an actively managed investment strategy undertaking investments typically into one of two broad investment categories:

- Strategic Investments; and
- Non-strategic Investments.

The Company does not allocate a fixed proportion of funds into each or any of the above investment categories, since it believes that complete flexibility to invest across these categories is key to maximising long-term value growth for shareholders.

(a) Strategic Investments

The Company will seek to undertake investments in which it can reasonably expect to exert a degree of influence, including board representation or through playing an active role alongside management in order to enhance or realise shareholder value.

Investments will include those that have the potential for turnaround in profitability or capital appreciation through the introduction of new management, capital, improved business practices, industry rationalisation, and/or improved investor relations.

Strategic investments by their nature will rely heavily on the Company's ability to identify, attract and exploit unique opportunities.

(b) Non-Strategic Investments

The Company will seek to make non-strategic investments in entities where attractive investment opportunities develop due to market sentiment or mispricing or where the Company sees other potential for generating positive returns. In contrast to strategic investments, with non-strategic investments the Company does not envisage that it will take an active role in the management of the investment.

For each strategic and non-strategic investment, the Company will expect to receive a level of return that is commensurate with the level of risk associated with such investment. In each investment and for the investment Portfolio in aggregate, the Company will at least aim to achieve a return that is consistently in excess of an appropriate benchmark share index and or a return which could be earned from investments in cash, bills of exchange or negotiable instruments drawn or endorsed by a bank, non-bank financial institution or a government.

OVERVIEW OF PERFORMANCE

Orion Equities increased its net profit during the current reporting period to $8.8 million (pre tax) (up 568% from 2005: $1.3 million) and $6.5 million (post tax) (up 564% from 2005: $0.98 million).

The profit was generated from total revenues of $9.5 million and total expenses of $0.7 million.

Earnings per share increased 535% from 6 cents for the 2005 financial year to 37 cents for the 2006 financial year.

The Company began the year fully invested, with a portfolio comprising 3 Strategic and 30 Non-Strategic investments in listed securities and a development property in Western Australia. Through the active management of such investments, the Company added a total of 45 cents value per share (pre-tax), increasing the Company's NTA backing from $1.14 to $1.56 by year end and paying 3 cents of fully franked dividends during the year.

Major contributors of value growth during the year were the successful spin-off of tenements from subsidiary, Hume Mining NL, into Strike Resources Limited (**SRK**), investments in Associate investment entities, Bentley International Limited (**BEL**) and Scarborough Equities Limited (**SCB**), and in oil and gas junior Oilex Limited (**OEX**).

Both the Company's Strategic and Non-Strategic Portfolios contributed strongly to the Company's overall profit, with absolute pre-tax returns of 64% and 55% respectively.

Across the total asset base of the Company, an absolute pre-tax return of 39% was achieved on $1.14 of NTA per share at the beginning of the year.

This result compares very favourably with the ASX All Ordinaries Index which returned 19% for the same period.

Consolidated Entity	**2006 Year** $	**2005 Year** $	**% Change**	**Up / Down**
Total revenues	9,552,565	2,363,939	304%	Up
Total expenses	(761,397)	(1,047,128)	27%	Down
Profit before tax	**8,791,168**	**1,316,811**	**568%**	**Up**
Income tax expense	(2,253,500)	(332,347)	578%	Up
Profit after tax attributable to members	**6,537,668**	**984,464**	**564%**	**Up**
Basic and diluted earnings per share	$0.367	$0.058	535%	Up
Pre-tax NTA backing per share	$1.557	$1.139	37%	Up
Post-tax NTA backing per share	$1.426	$1.119	28%	Up

OVERVIEW OF PERFORMANCE

DIVIDENDS

The Directors have paid final and interim dividends as follows:

Dividend Rate	Record Date	Payment Date	Franking	Dividends Paid
3 cents per share	12 October 2006	19 October 2006	Fully franked	$534,432
1.5 cent per share	31 March 2006	7 April 2006	Fully franked	$267,216

BRIEF EXPLANATION OF RESULTS

Total revenues of $9,552,565 (2005: $2,363,939) include:

(1) $7,546,039 net income from the Company's share trading portfolio including:

(a) $5,536,239 unrealised gains on securities (2005: $726,509 unrealised loss);

(b) $1,868,639 realised gains on sale of securities (2005: $2,119,016 realised gain);

(c) $141,161 dividend income (2005: $98,766);

(2) $126,579 net income from the Company's options portfolio (2005: $111,965);

(3) $1,146,453 share of Associate entities' net profits (2005:167,225) and $343,080 dividend income received from Associate entities (2005: $81,407);

(4) $313,493 net income from resource projects (2005: nil).

Total expenses of $761,397 (2005: $1,047,128) include:

(1) $269,693 personnel costs (including Directors' fees) (2005: $261,180);

(2) $88,184 brokerage costs (2005: $68,348);

(3) $105,060 legal and other professional fees (2005: $337,347);

(4) $62,065 exploration and evaluation expenses (2005: $37,988);

(5) $21,978 costs in relation to share investments (2005: $150,149).

Orion Equities Limited has accounted for the following investments at balance date as investments in an Associate entity (on an equity accounting basis):

(1) 27.86% interest in ASX listed Scarborough Equities Limited (**SCB**) (30 June 2005: 20.4%);

(2) 27.928% interest in ASX listed Bentley International Limited (**BEL**) (30 June 2005: 19.0%).

THE BOARD'S REPORT

Dear Shareholders,

I am pleased to report that the Company made a significant profit for the year of $8.8 million before tax and $6.5 million after tax.

The Company began the year fully invested, with a portfolio comprising 3 Strategic and approximately 30 Non-Strategic investments in listed securities and a development property in Western Australia. Through the active management of both our Strategic and Non-Strategic portfolios, the Company added a total of 45 cents of value per share, increasing the Company's NTA backing from $1.14 to $1.56 by year end and paying 3 cents of fully franked dividends during the year.

This equates to a 39% pre-tax return for the year.

This strong profit was the result of significant activity by the Investment Committee in accordance with the investment objectives of the Company which have been stated earlier in this annual report.

Major contributors of value growth for the Company were the successful spin-off of mining assets from Orion's mining subsidiary, Hume Mining NL, to Strike Resources Limited (**SRK**) for a combination of cash and shares in SRK, ($3.0 million contribution to NTA growth) and an investment in oil and gas junior Oilex Limited ($3.2 million contribution). In addition, its investments in Associate investment entities, Bentley International Limited (**BEL**) and Scarborough Equities Limited (**SCB**) provided both capital and dividend returns.

The Company's Strategic and Non-Strategic Portfolios contributed strongly to the Company's overall profit, with absolute pre-tax returns of 64% and 55% respectively.

Strategic Investments

During the year, the Company increased its holdings in two of its Strategic Investments, SCB (from 19.0% to 27.9%) and BEL (from 25.5% to 27.9%). The Company's investments in both BEL and SCB are accounted for under the equity method in the consolidated financial statements. Under the equity method, the carrying amount of each investment is cost plus a share of that Associate entity's net profit or loss (after tax) for the financial year.

SCB reported a sound year and the Company's share of profit from SCB for the year was $0.71 million.

In contrast, BEL's performance was somewhat disappointing. BEL is one of only a few listed investment companies in Australia that invests solely in international equities. The relatively

THE BOARD'S REPORT

poor performance of international stocks in general coupled with currency exchange rate effects played a large role in BEL's poor return for the year. The Company's share of profit from BEL for the year was $0.44 million.

The Company continues to monitor the performance of both such companies, the independent managers of each Company and their respective investment mandates with a view to maximising shareholder return.

During the year, the Company added a third company to its Strategic Investment portfolio; namely Strike Resources Limited (**SRK**).

In September 2005, Hume Mining NL (**Hume**), a wholly owned subsidiary of the Company, sold to SRK (at that time known as Fast Scout Limited (**FSL**)) a 75% interest in a series of Australian exploration tenements which Hume had previously acquired over a period of several years. As consideration for the sale, the Company received shares and options in SRK and retains a 25% free carried interest in these tenements.

During the year, SRK raised additional funds and acquired further exploration projects including iron-ore projects in Peru.

SRK's activity has caused a significant re-rating of that company's share price, to the extent that as of 30 June 2006 the Company's shares and options in SRK was valued at $3.29 million.

The absolute pre-tax return generated from these three Strategic investments over the year was 64%.

Non-Strategic Investments

During the year, the Company traded in approximately 50 listed securities. The most significant investment return was in Oilex Limited (OEX). The Company had acquired a substantial holding in OEX during the previous financial year when a buying opportunity occurred following a significant fall in the share price of OEX. The Company formed the view that OEX had in effect been "oversold" by the market and accordingly the Company acquired a total of 3.98 million OEX shares at an average price of approximately 28 cents per share.

Following the appointment of a new executive team and the implementation of an exploration programme focused towards India and Oman, the OEX share price returned to above $1. In May 2006, the Company sold approximately one million shares in OEX at $1.20 per share essentially repaying back its investment for the whole OEX share parcel of 3.98

million shares and crystallizing a profit of approximately $0.92 million on such investment. As at 30 June 2006, the Company held an unrealised gain on its remaining OEX holdings of $2.36 million.

Regarding the remainder of the Company's Non-Strategic share portfolio, it remained weighted towards the resource sector throughout the year.

The absolute return from the Company's Non-Strategic Investment portfolio (i.e. excluding the Company's Strategic Investments and its property investment) including cash, over the year was 55 % (pre-tax).

Koorian Olives

The Company has for several years been evaluating opportunities in the olive industry in Western Australia.

Subsequent to 30 June 2006, the Company made an investment (settlement of which is still pending as of the date of release of this annual report) in a commercial olive oil grove in Western Australia. The Koorian Olive Grove was set up as a managed investment scheme approximately 7 years ago with over $10 million having been invested into the scheme. It was determined by the scheme investors to sell the land, trees and various infrastructure items comprising the Koorian Grove earlier this year and in July 2006 these assets were acquired at public auction by the Company for $1.2 million.

The Koorian Grove consists of a 143 hectare property located approximately 100 kilometres north of Perth with plantings of approximately 64,500, 7 year old trees. The grove has to date had two commercial harvests of oil and table olives. The Company's plans for Koorian are to continue to operate it as a commercial olive grove producing high quality extra virgin olive oil and table olives.

The Koorian Grove, as well as being potentially a profitable business in its own right, gives the Company a platform to potentially exploit the consolidation opportunities that are expected to arise in the Australian olive industry.

In addition to the acquisition of the Koorian Grove, the Company has the option (expiring April 2007) to acquire water rights of one gigalitre per annum, various grove infrastructure, an olive harvester and additional land for future grove expansion.

THE BOARD'S REPORT

The Year Ahead

The Company will continue to carry out investment activities in accordance with the investment objectives of the Company which have been stated earlier in this annual report. This will include its Strategic Investments in BEL, SCB and SRK together with a continuation of trading activities in Non-Strategic Investments.

A determination will be made on whether to commence development of its property holding in Mandurah, Western Australia for commercial resale of developed units or whether to continue to hold the property as a "land-bank" for potential capital appreciation. This will be a function of a number of matters including the state of the building market at the time, the availability of building contractors and development costs. At present, it is not envisaged that any building activity will be capable of completion within the current 2006/2007 financial year even if a development go-ahead on such property is made by the Company.

With respect to the Koorian Grove, the Company expects to settle on the purchase of the grove prior to the end of the 2006 calendar year. It expects that olive maturity will occur in April/May of 2007 and that harvesting of the grove will commence thereafter. As with all agricultural enterprises there is a high degree of uncertainty regarding crop sizes and yields though the expectation of the Company is that the 2007 crop will exceed the 2006 grove production.

Finally, given the successful spin-off of a number of its mining assets to SRK, the Company will continue to expend monies on a number of mining assets held by its subsidiaries including assets held in Pakistan and in Australia. If deemed appropriate and depending upon the results of exploration expenditure applied towards such assets, the Company will consider the commercial exploitation of such assets including the potential sale or spin-off of such assets in a similar manner to that previously undertaken with SRK.

I thank all shareholders for their continuing support of the Company.

On behalf of the Board,

Farooq Khan
Chairman

27 October 2006

CHANGES TO THE BOARD
Post Balance Date

On 23 October 2006, the Company was pleased to announce the appointment of Mr Farooq Khan to the Board as Executive Chairman.

Mr Khan's qualifications and experience are as follows:

Farooq Khan

Appointed	— 23 October 2006 (standing for re-election at 2006 Annual General Meeting)
Qualifications	— BJuris , LLB. (*Western Australia*)
Experience	— Mr Khan is a qualified lawyer having previously practised principally in the field of corporate law. Mr Khan has extensive experience in the securities industry, capital markets and particularly capital raisings, mergers and acquisitions and investments. Mr Khan has also led the executive management of a number of ASX listed companies through their establishment and growth.
Relevant interest in shares	— 2,000 shares - directly 8,558,127 shares - indirectly[1]
Special Responsibilities	— Chairman of the Company and the Investment Committee
Other current directorships in listed entities	— Current Chairman of: (1) Bentley International Limited (director since 2 December 2003). (2) Scarborough Equities Limited (since 29 November 2004) Current Chairman and Managing Director of: (3) Queste Communications Ltd (since 10 March 1998). Current Director of: (4) Strike Resources Limited (since 9 September 1999);
Former directorships in other listed entities in past 3 years	— (1) Altera Capital Limited (26 November 2001 to 18 October 2005) (2) Sofcom Limited (3 July 2002 to 18 October 2005)

Other executive members of the Board are Mr William Johnson and Mr Victor Ho. Mr Yaqoob Khan is Non-Executive Director.

[1] Held by Queste Communications Ltd (**QUE**); Farooq Khan (and associated companies) have a deemed relevant interest in the OEQ shares in which QUE has a relevant interest by reason of having >20% voting power in QUE.

DIRECTORS' REPORT

The Directors present their report on Orion Equities Limited (**"Company"** or **"Orion Equities"** or **"OEQ"**) and its controlled entities (the **"Consolidated Entity"**) for the year ended 30 June 2006 (**"Balance Date"**).

Orion Equities is a company limited by shares that was incorporated in New South Wales and has been listed on the Australian Stock Exchange (**"ASX"**) since November 1970.

On 9 December 2005, the Company changed its name from Central Exchange Limited to Orion Equities Limited.

Orion Equities has prepared a consolidated financial report incorporating the entities that it controlled during the financial year. Controlled entities are Silver Sands Developments Pty Ltd (formerly Central Exchange Operations Pty Ltd) ABN 16 094 097 122 (controlled throughout the financial year) and Hume Mining NL ABN 52 063 994 945 (controlled throughout the financial year).

Orion Equities has accounted for the following investments at Balance Date as investments in an Associate entity (on an equity accounting basis):

(1) 27.86% interest in ASX listed Scarborough Equities Limited (**SCB**) (30 June 2005: 20.4%);

(2) 27.928% interest in ASX listed Bentley International Limited (**BEL**) (30 June 2005: 19.0%).

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the financial year were the management of its investments, including investments in listed securities, real estate and resource projects.

OPERATING RESULTS

Consolidated	**2006 $**	**2005 $**
Total revenues	9,552,565	2,363,939
Total expenses	(761,397)	(1,047,128)
Profit before tax	**8,791,168**	**1,316,811**
Income tax expense	(2,253,500)	(332,347)
Profit after income tax	**6,537,668**	**984,464**

Orion Equities increased its net profit during the current reporting period to $8.8 million (pre tax) (up 568% from 2005: $1.3 million) and $6.5 million (post tax) (up 564% from 2005: $0.98 million).

Total revenues include:

(1) $7,546,039 net income from the Company's share trading portfolio including:

- (a) $5,536,239 unrealised gains on securities (2005: $726,509 unrealised loss);
- (b) $1,868,639 realised gains on sale of securities (2005: $2,119,016);
- (c) $141,161 dividend income (2005: $98,766);

(2) $126,579 net income from the Company's options portfolio (2005: $111,965);

(3) $1,146,453 share of Associate entities' net profits (2005: $167,225) and $343,080 dividend income received from Associate entities (2005: $81,407);

(4) $313,493 net income from resource projects (2005: nil).

DIRECTORS' REPORT

Total expenses include:

(1) $269,693 personnel costs (including Directors' fees) (2005: $261,180);

(2) $88,184 brokerage costs (2005: $68,348);

(3) $105,060 legal and other professional fees (2005: $337,347);

(4) $62,065 exploration and evaluation expenses (2005: $37,988);

(5) $21,978 costs in relation to share investments (2005: $150,149).

EARNINGS PER SHARE

Consolidated Entity	**2006**	**2005**
Basic and diluted earnings per share	$0.367	$0.058
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted earnings per share	17,814,389	17,030,960

FINANCIAL POSITION

Consolidated	**2006** **$**	**2005** **$**
Cash	1,102,658	69,092
Investments in listed securities	12,636,778	8,134,740
Investments in listed Associate entities	9,726,370	7,085,260
Inventory	3,821,038	3,796,552
Receivables	589,312	374,817
Deferred tax assets	-	227,053
Other assets	35,450	43,001
	27,911,606	19,730,515
Tax liabilities	(2,338,534)	(571,336)
Other payables and liabilities	(167,776)	(348,176)
Net assets	**25,405,296**	**18,811,003**
Issued Capital	19,375,598	28,717,469
Retained earnings / (Accumulated losses)	6,029,698	(9,906,466)
Reserves	-	-
Total Issued Capital	**25,405,296**	**18,811,003**

DIRECTORS' REPORT

NET TANGIBLE ASSET BACKING (NTA)

Consolidated	**2006** **$**	**2005** **$**
Net tangible assets (before tax)	27,743,830	19,155,286
Pre-Tax NTA Backing per share	**1.557**	**1.139**
Less: net tax	(2,338,534)	(344,283)
Net tangible assets (after tax)	25,405,296	18,811,003
Post-tax NTA Backing per share	**1.426**	**1.119**
Based on total issued share capital	17,814,389	16,812,156

Monthly Reporting of NTA Information

To assist shareholders to assess the value of the Company's shares, within 14 days after the end of each month the Company lodges an ASX market announcement detailing a statement of the NTA backing of its shares as at the end of the preceding month.

Such announcements are also emailed to shareholders who have registered their email addresses with the Company and posted on the Company's website.

DIVIDENDS

The Directors have declared a final dividend as follows:

Dividend Rate	**Record Date**	**Expected Payment Date**	**Franking**	**Estimated Total Dividends Payable**
3.0 cent per share	12 October 2006	19 October 2006	Fully franked	$534,432

Recent dividends paid by the Company were:

Dividend Rate	**Record Date**	**Payment Date**	**Franking**	**Total Dividends Paid**
1.5 cent per share	31 March 2006	7 April 2006	Fully franked	$267,216
1.5 cent per share	30 September 2005	13 October 2005	Fully franked	$267,216
5 cents per share	6 July 2004	9 July 2004	60% franked	$861,000

Dividend Policy

It is the objective of the Company to provide a regular and stable dividend payment to shareholders after the announcement of its half year and full year operating results. These results are normally announced in February and August each year and the Company will endeavour to announce its dividend payments at this time.

The Company intends to distribute annually to shareholders at least 50% of the available net profits arising from the dividend, interest and other income it receives from its investments and the gains on its investments, to the extent permitted by law and subject to prudent business practices. Dividends will be franked to the extent that available franking credits permit and in accordance with the stated objective of providing 2 dividend payments a year.

DIRECTORS' REPORT

Dividend Reinvestment Plan

The Constitution of the Company authorises the Directors to establish and maintain a Dividend Reinvestment Plan ("**DRP**") (whereby any member may elect that dividends payable by the Company be reinvested by way of subscription for shares in the Company). The Company does not presently have a DRP.

The Directors propose to develop and implement a DRP in the future, subject to there being a reduction in the current discount between the Company's share price and its NTA backing.

SECURITIES IN THE COMPANY

At Balance Date and the date of this report, the Company had 17,814,389 shares on issue (30 June 2005: 16,812,156)

The Company does not have other securities on issue at the date of this report.

A summary of changes in the share capital structure of the Company during and since the financial year are:

Date	Shares	Description
1-Jul-2005	1,002,233	Issue of shares (at $1.0343 per share, being the Company's reported NTA (post tax) backing as at 31 May 2005) as consideration for the settlement of the acquisition of 2,300,000 shares in Bentley International Limited (**BEL**) from Sofcom Limited (**SOF**) pursuant to a Second Tranche BEL Share Sale Agreement between SOF and the Company (dated 30 May 2005) – the total consideration was $1,036,610 (based on BEL's last published NTA backing (post tax) as at 31 May 2005 of $0.4507 per share) satisfied by the issue of 1,002,233 fully paid ordinary shares in the Company to SOF, as approved by SOF shareholders on 30 June 2005 and BEL shareholders on 1 July 2005.

Unmarketable Parcel Sale Facility

The Company has a large number of shareholders on its register that hold less than A$500 worth of shares (an **"Unmarketable Parcel"**). These Unmarketable Parcels represent significant registry costs for the Company (in relation to share registry fees, annual report and other mail-out printing costs, and associated postage). Furthermore, for shareholders, the costs of selling their Unmarketable Parcel of shares may result in a proportionally high transaction cost compared to the gross proceeds of sale. In order to efficiently manage these costs and pursuant to clause 152 of its Constitution and Australian Stock Exchange Listing Rule 15.13, on 2 August 2006, the Company implemented an Unmarketable Parcel Sale Facility for affected shareholders.

Under this facility, the Company provided 6 weeks notice for affected shareholders to advise the Company of their wish to retain their Unmarketable Parcel shareholding. Shareholders who fail to return a Share Retention form by the deadline of 15 September 2006 will have their Unmarketable Parcel shareholding aggregated and sold on-market (subject to a minimum sale price[2]).

2 Minimum Sale Price means the weighted average sale price of OEQ shares sold on ASX during a period of 5 consecutive trading days immediately preceding 2 August 2006 (the date of the Unmarketable Parcel Sale Facility notice to affected shareholders), rounded off to the nearest half cent or, if there are no sales of OEQ shares on ASX during that period the sale price which in the opinion of the directors is a fair and reasonable sale price for OEQ shares immediately prior to 2 August 2006.

DIRECTORS' REPORT

The Board will sell such Unmarketable Parcels by way of an on-market sale through nominated broker(s) as soon as practicable after 15 September 2006 having regard to liquidity in OEQ shares and as market conditions dictate. Affected shareholders who have had their Unmarketable Parcel shares sold will receive a pro-rata share of the total proceeds of sale without any deduction for brokerage or other costs of sale (which will be borne by the Company).

On-Market Share Buy-Back

The Company has obtained shareholder approval at the 2005 Annual General Meeting for the implementation of an on-market buy back scheme for up to 20% of the Company's issued share capital between any 2 consecutive AGMs, in accordance with section 257C(1) of the Corporations Act. The Company has not implemented such buy-back scheme during the financial and as at the date of this report.

However, as foreshadowed in the Unmarketable Parcel Sale Facility notice to affected shareholders, the Company may concurrently undertake an on market buy-back through a different broker(s) nominated by the Board.

REVIEW OF OPERATIONS

1. Portfolio Details As At 30 June 2006

Asset Weighting

	% of Net Assets
Australian equities	71%
Property	15%
International equities *	* 16%
Net cash/other assets and provisions	-2%
TOTAL	100%

* BEL is an ASX listed investment company with investments in securities listed on overseas markets. The Company's investment in BEL represents an indirect interest in international equities

DIRECTORS' REPORT

Top 20 Holdings in Trading Portfolio

Equities		Fair Value $'million	% of Net Assets	ASX Code	Industry Sector Exposures
1.	Scarborough Equities Limited *	5.32	20.8	SCB	Diversified Financials
2.	Bentley International Limited *	4.19	16.4	BEL	Diversified Financials
3.	Strike Resources Limited +	3.29	12.9	SRK	Energy
4.	Oilex NL	3.19	12.5	OEX	Energy
5.	Katana Capital Limited	1.12	4.4	KAT	Diversified Financials
6.	Telstra Corporation Limited	0.55	2.2	TLS	Diversified Telecommunication Services
7.	Rio Tinto Limited	0.54	2.1	RIO	Diversified Metals & Mining
8.	BHP Billiton Limited	0.52	2.0	BHP	Materials
9.	Zinifex Limited	0.48	1.9	ZFX	Materials
10.	Anzon Australia Limited	0.26	1.0	AZA	Energy
11.	Medusa Mining Limited	0.25	1.0	MML	Materials
12.	Arc Energy Limited	0.23	0.9	ARQ	Energy
13.	Macquarie Bank Limited	0.21	0.8	MBL	Diversified Financials
14.	Mount Gibson Iron Limited	0.18	0.7	MGX	Materials
15.	Gloucester Coal Limited	0.17	0.7	GCL	Energy
16.	Integrated Group Limited	0.15	0.6%	IWF	Commercial Services & Supplies
17.	Monarch Resources Ltd	0.14	0.6%	MRS (to be listed)	Materials
18.	MMC Contrarian Limited	0.14	0.5%	MMA	Diversified Financials
19.	Woodside Petroleum Ltd.	0.13	0.5%	WPL	Energy
20.	Magma Metals Limited	0.13	0.5%	MMB	Materials
TOTAL		**21.19**	**80.327**		

* BEL and SCB have been accounted for as Associate entities

\+ The investment in Strike Resources Limited comprise:

		Fair Value $'million	% of Net Assets	ASX Code	
(a)	Listed shares	1.26	4.9%	SRK	
(b)	Listed 20c (30 Jun 2008) Options	0.40	1.6%	SRKO	
(c)	Unlisted 20 cent (9 Feb 2011) Options	0.90	3.5%	Unlisted and escrowed to 9 Feb 2007	Fair value is based on a Black-Scholes options pricing valuation model applying the following assumptions: (i) SRK's share price being 62 cents (the last bid price as at 30 June 2006). This compares with a last bid price of 88.5 cents as at 8 September 2006. (ii) A risk free rate of return of 5.78% (based on the Commonwealth 10 year bond rate as at 30 June 2006). (iii) An estimated future volatility of SRK's share price of 60%.
(d)	Unlisted 20 cent (9 Feb 2011) Options	0.73	2.9%		
		3.29	12.9%		

DIRECTORS' REPORT

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year not otherwise disclosed in this Directors' Report or the financial statements.

FUTURE DEVELOPMENTS

In the opinion of the Directors, it may prejudice the interests of the Consolidated Entity to provide additional information (beyond that reported in this Directors' Report) in relation to future developments and the business strategies and operations of the Consolidated Entity and the expected results of those operations in subsequent financial years.

ENVIRONMENTAL REGULATION AND PERFORMANCE

To the extent that any aspect of the activities of the Consolidated Entity are subject to any environmental regulation under either Commonwealth or State legislation, the Directors are not aware of any breach by the Consolidated Entity of such regulations during or since the financial year.

DIRECTORS AND COMPANY SECRETARY

Information concerning Directors in office during or since the financial year are:

William M. Johnson	—	**Executive Chairman**
Appointed	—	Executive Chairman since 3 July 2003; Director since 28 February 2003.
Qualifications	—	MA (Oxon), MBA
Experience	—	Mr Johnson commenced his career in resource exploration and has most recently held senior management and executive roles in a number of public companies in Australia, New Zealand and Asia. As Regional Director Asia Pacific for Telecom New Zealand Ltd, Mr Johnson was responsible for identifying, evaluating and implementing investment strategies that included start-up technology ventures, a technology focussed venture capital fund and strategic investments and acquisitions in Asia and Australia. As Executive Chairman of Orion Equities Limited, Mr Johnson is part of the Investment Committee of the Company and has been actively involved in the strategic analysis of a diverse range of business and investment opportunities and the execution of a number of corporate transactions. Mr Johnson brings a considerable depth of experience in business strategy and investment analysis and execution
Relevant interest in shares	—	None
Special Responsibilities	—	Chairman of the Board and Chairman of the Investment Committee
Other current directorships in listed entities	—	Current Director of: (1) Strike Resources Limited (since 14 July 2006) (2) Scarborough Equities Limited (since 29 November 2004) (3) Sofcom Limited (since 18 October 2005)
Former directorships in other listed entities in past 3 years	—	Altera Capital Limited (18 October 2005 to 8 August 2006)

DIRECTORS' REPORT

Victor P. H. Ho	—	**Executive Director and Company Secretary**
Appointed	—	Executive Director since 4 July 2003; Company Secretary since 2 August 2000
Qualifications	—	BCom, LLB (*Western Australia*)
Experience	—	Mr Ho has been in company secretarial/executive roles with a number of public listed companies since early 2000. Previously, Mr Ho had 9 years experience in the taxation profession with the Australian Tax Office and in a specialist tax law firm. Mr Ho has been actively involved in the structuring and execution of a number of corporate transactions, capital raisings and capital management matters and has extensive experience in public company administration, corporations law and stock exchange compliance and shareholder relations
Relevant interest in shares	—	None
Special Responsibilities	—	Member of Investment Committee
Other positions held in listed entities	—	Current Executive Director and Company Secretary of: (1) Strike Resources Limited (Secretary since 9 March 2000 and Director since 12 October 2000) (2) Sofcom Limited (Director since 3 July 2002 and Company Secretary since 23 July 2003) Current Company Secretary of: (3) Queste Communications Limited (since 30 August 2000) (4) Bentley International Limited (since 5 February 2004) (5) Scarborough Equities Limited (since 29 November 2004)
Former directorships in other listed entities in past 3 years	—	Altera Capital Limited (Director between 9 November 2001 and 8 August 2006 and Secretary between 26 November 2001 and 8 August 2006)

Yaqoob Khan	—	**Non-Executive Director**
Appointed	—	5 November 1999
Qualifications	—	BCom (*Western Australia*), Master of Science in Industrial Administration (*Carnegie Mellon*)
Experience	—	After working for several years in the Australian Taxation Office, Mr Khan completed his postgraduate Masters degree and commenced work as a senior executive responsible for product marketing, costing systems and production management. Mr Khan has been founding Executive Director of 2 ASX floats – Queste Communications Limited in 1998 and Fast Scout Limited in 2000. He was an integral member of the team responsible for the pre-IPO structuring and IPO promotion and has been actively involved in the executive management of such companies since their floats. Mr Khan brings considerable international experience in key aspects of corporate finance and the strategic analysis of listed investments
Relevant interest in shares	—	None
Special Responsibilities		None
Other current directorships in listed entities	—	Queste Communications Limited (since 10 March 1998)
Former directorships in other listed entities in past 3 years	—	Strike Resources Limited (9 September 1999 to 26 September 2005)

DIRECTORS' REPORT

DIRECTORS' MEETINGS

The following table sets out the numbers of meetings of the Company's Directors held during the financial year (including Directors' circulatory resolutions), and the numbers of meetings attended by each Director of the Company, including meetings of the Investment Committee:

Name of Director	Meetings Attended	Maximum Possible Meetings
William Johnson	13	13
Victor Ho	12	12
Yaqoob Khan	12	13

Board Committees

During the financial year and as at the date of this Directors' Report, the Company did not have separate designated Audit or Remuneration Committees. In the opinion of the Directors, in view of the size of the Board and nature and scale of the Consolidated Entity's activities, matters typically dealt with by an Audit or Remuneration Committee are dealt with by the full Board.

Investment Committee

The Board has established an Investment Committee comprising Executive Chairman, William Johnson and Executive Director and Company Secretary, Victor Ho and Farooq Khan (a nominee of the Company's controlling shareholder, Queste Communications Limited). Farooq Khan was Chairman and Managing Director of the Company from 4 October 1999 until his resignation on 1 July 2003. Mr Khan is Chairman and Managing Director of Queste Communications Limited.

REMUNERATION REPORT

This report details the nature and amount of remuneration for each Director of the Company and Executive Officer of the Consolidated Entity.

(1) Remuneration Policy

The Board determines the remuneration structure of all Directors and Executive Officers having regard to the Consolidated Entity's nature, scale and scope of operations and other relevant factors, including the frequency of Board meetings, length of service, particular experience and qualifications.

The Executive and Non-Executive Directors of the Company are paid a fixed base salary/fee per annum plus employer superannuation contributions (for Australian resident directors only).

Pursuant to the Company's Constitution, each Director is also entitled to receive:

(1) Payment for the performance of extra services or the undertaking of any executive or other work for the Company beyond his or her general duties.

(2) Payment for travelling and other expenses properly incurred by a Director in attending meetings of the Company or the Board or in connection with the Company's business.

The Company does not presently have any equity (shares or options) based remuneration arrangements pursuant to any executive or employee share or option plan or otherwise.

DIRECTORS' REPORT

However, the Board is investigating adding an appropriate equity based component to the Directors' remuneration to provide an equity holding opportunity for each Director which is linked to the future growth and share price performance of the Company.

The Company does not presently provide retirement benefits or incentive/performance based benefits to Directors or the sole Executive Officer.

The Company does not presently have formal service agreements or employment contracts with the Directors or the current sole Executive Officer.

The Company has not had during the financial year and does not currently have a directors' and officers' liability insurance policy which covers all Directors and officers of the Company and its wholly-owned subsidiaries. The Company is investigating obtaining such directors' and officers' liability insurance policy as at the date of this report.

There is no link between the remuneration of the directors and Company earnings and shareholder wealth.

(2) Details of Remuneration of Directors

Details of the nature and amount of each element of remuneration of each Director of the Company paid or payable by the Consolidated Entity during the financial year are as follows:

Name of Director	Office Held	Salary / Fees $	Employer Superannuation $	Other Benefits $	Total $
William Johnson	Executive Chairman	149,215	13,429	-	162,644
Victor Ho	Executive Director and Company Secretary	60,000	5,400	-	65,400
Yaqoob Khan	Non-Executive Director	25,000	-	-	25,000

(3) No Executive Officers

The Company did not have any Executive Officers (other than Executive Directors) during the financial year.

(4) Directors' Deeds

In addition to the rights of indemnity provided under the Company's Constitution (to the extent permitted by the Corporations Act), the Company has also entered into a deed with each of the Directors to regulate certain matters between the Company and each Director, both during the time the Director holds office and after the Director ceases to be an officer of the Company, including the following matters:

(i) The Company's obligation to indemnify a Director for liabilities or legal costs incurred as an officer of the Company (to the extent permitted by the Corporations Act);

(ii) Subject to the terms of the deed and the Corporations Act, the Company may advance monies to the Director to meet any costs or expenses of the Director incurred in circumstances relating to the indemnities provided under the deed and prior to the outcome of any legal proceedings brought against the Director; and

Such deeds (in respect of Messrs Johnson, Ho and Khan) were approved by shareholders at the 2005 AGM.

DIRECTORS' REPORT

(5) Other Directors' Benefits

No Director of the Company has, since the end of the previous financial year, received or become entitled to receive a benefit, other than a remuneration benefit as disclosed above, by reason of a contract made by the Company or a related entity with the Director or with a firm of which he is a member, or with a Company in which he has a substantial interest.

LEGAL PROCEEDINGS ON BEHALF OF CONSOLIDATED ENTITY

No person has applied for leave of a court to bring proceedings on behalf of the Consolidated Entity or intervene in any proceedings to which the Consolidated Entity is a party for the purpose of taking responsibility on behalf of the Consolidated Entity for all or any part of such proceedings. The Consolidated Entity was not a party to any such proceedings during and since the financial year.

ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORT STANDARDS (AIFRS)

The Consolidated Entity's financial statements have been prepared in accordance with AIFRS. Where necessary, comparative information (i.e. in relation to the previous financial year ended and previous balance date as at 30 June 2005) has been adjusted for reporting under the applicable AIFRS. A reconciliation of adjustments arising on the transition to AIFRS is included in note 2 to the financial statements.

AUDITOR

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the financial year are set our below:

Audit & Review Fees $	Fees for Other Services $	Total $
17,741	165	17,906

The Board is satisfied that the provision of non audit services by the auditor during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Board is satisfied that the nature of the non-audit services disclosed above did not compromise the general principles relating to auditor independence as set out in the Institute if Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

AUDITORS' INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 forms part of this Directors Report and is set out on page 23. This relates to the Audit Report, where the Auditors state that they have issued an independence declaration.

DIRECTORS' REPORT

EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matters or circumstances at the date of this Directors' Report, other than those referred to in this Directors' Report (in particular, in Review of Operations) or the financial statements or notes thereto (in particular Subsequent Events Note 26), that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Company in subsequent financial years.

Signed for and on behalf of the Directors in accordance with a resolution of the Board.

William Johnson
Chairman

Victor Ho
Director

Perth, Western Australia

13 September 2006

BDO
Chartered Accountants
& Advisers

Level 8, 256 St George's Terrace Perth WA 6000
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www.bdo.com.au

13 September 2006

The Directors
Orion Equities Ltd
Level 14, The Forrest Centre
221 St Georges Terrace
PERTH WA 6000

Dear Sirs

DECLARATION OF INDEPENDENCE BY BDO TO THE DIRECTORS OF ORION EQUITIES LIMITED

To the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully
BDO
Chartered Accountants

M Shafizadeh
Partner

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Company 2006 $	Company 2005 $
Revenue from continuing operations		9,475,644	1,851,870	6,519,650	1,851,870
Other income		76,921	512,069	76,921	512,069
	3 a	9,552,565	2,363,939	6,596,571	2,363,939
Expenses	3 b				
Personnel		(269,693)	(261,180)	(269,693)	(261,180)
Communications		(20,125)	(22,627)	(20,125)	(22,627)
Occupancy		(21,780)	(18,826)	(20,813)	(18,826)
Corporate		(34,286)	(56,544)	(34,074)	(56,544)
Financing		(4,199)	(4,652)	(3,831)	(4,470)
Borrowing cost		(1,426)	(1,791)	(1,426)	(1,791)
Costs in relation to investments		(21,978)	(150,149)	(21,978)	(150,149)
Administration expenses					
– legal and other professional fees		(105,060)	(337,347)	(105,060)	(337,347)
– exploration and evaluation expenditure		(62,065)	(37,988)	(39,485)	(18,813)
– provision for impairment		-	-	(46,229)	(36,928)
– other		(220,785)	(156,024)	(220,785)	(156,025)
Profit before income tax expense		8,791,168	1,316,811	5,813,072	1,299,239
Income tax expense	4	(2,253,500)	(332,347)	(1,280,587)	(342,840)
Profit after income tax expense		6,537,668	984,464	4,532,485	956,399
Dividends per share (cents) per share	7	3.0	-	3.0	-
Basic earnings per share (cents)	8	36.7	5.8	25.4	5.6

The accompanying notes form part of these financial statements

BALANCE SHEET
AS AT 30 JUNE 2006

	Note	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Company 2006 $	Company 2005 $
CURRENT ASSETS					
Cash and cash equivalents	**9**	1,102,658	69,092	1,094,633	68,037
Trade and other receivables	**10**	556,489	341,994	4,382,622	4,137,567
Financial assets at fair value	**11**	12,636,778	8,134,740	9,642,611	8,134,740
Other	**12**	1,083	843	1,083	843
TOTAL CURRENT ASSETS		14,297,008	8,546,669	15,120,949	12,341,187
NON CURRENT ASSETS					
Trade and other receivables	**10**	32,823	32,823	32,823	32,823
Investments in controlled entities	**13**	-	-	-	-
Investments in Associate entities - equity accounted	**14**	9,726,370	7,085,260	9,726,370	7,085,260
Inventory	**15**	3,821,038	3,796,552	-	-
Plant and equipment	**16**	34,367	26,536	34,367	26,536
Deferred tax assets	**19**	-	227,053	-	227,053
Other	**17**	-	15,622	-	-
TOTAL NON CURRENT ASSETS		13,614,598	11,183,846	9,793,560	7,371,672
TOTAL ASSETS		27,911,606	19,730,515	24,914,509	19,712,859
CURRENT LIABILITIES					
Trade and other payables	**18**	167,776	348,176	166,431	348,176
Current tax liabilities	**19**	538,860	564,127	452,190	574,620
TOTAL CURRENT LIABILITIES		706,636	912,303	618,621	922,796
NON CURRENT LIABILITIES					
Deferred tax liability	**19**	1,799,674	7,209	923,924	7,209
TOTAL NON CURRENT LIABILITIES		1,799,674	7,209	923,924	7,209
TOTAL LIABILITIES		2,506,310	919,512	1,542,545	930,005
NET ASSETS		25,405,296	18,811,003	23,371,964	18,782,854
EQUITY					
Issued capital	**20**	19,375,598	28,717,469	19,375,598	28,717,469
Retained earnings / (Accumulated losses)	**-**	6,029,698	(9,906,466)	3,996,366	(9,934,615)
TOTAL EQUITY		25,405,296	18,811,003	23,371,964	18,782,854

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

Consolidated Entity	Note	Issued Capital	Retained Earnings / (Accumulated Losses)	Reserves	Total Equity
At 1 July 2004		28,973,124	(13,014,930)	2,124,000	18,082,194
Profit for the year		-	984,464	-	984,464
Total recognised income and expense for the year		-	984,464	-	984,464
Share buy back		(746,554)	-	-	(746,554)
Issue of shares		490,899	-	-	490,899
Transfer of Option Application and Asset Realisation reserves to Accumulated Losses		-	2,124,000	(2,124,000)	-
At 30 June 2005		28,717,469	(9,906,466)	-	18,811,003
At 30 June 2005		28,717,469	(9,906,466)	-	18,811,003
Profit for the year		-	6,537,668	-	6,537,668
Total recognised income and expense for the year		-	6,537,668	-	6,537,668
Dividend paid		-	(534,693)	-	(534,693)
Issue of shares		591,318	-	-	591,318
Reduction of share capital to the extent not represented by assets	**20**	(9,933,189)	9,933,189	-	-
At 30 June 2006		19,375,598	6,029,698	-	25,405,296

Company	Note	Issued Capital	Retained Earnings / (Accumulated Losses)	Reserves	Total Equity
At 1 July 2004		28,973,124	(13,015,014)	2,124,000	18,082,110
Profit for the year		-	956,399	-	956,399
Total recognised income and expense for the year		-	956,399	-	956,399
Share buy back		(746,554)	-	-	(746,554)
Issue of shares		490,899	-	-	490,899
Reduction of share capital to the extent not represented by assets	**20**	-	2,124,000	(2,124,000)	-
At 30 June 2005		28,717,469	(9,934,615)	-	18,782,854
At 30 June 2005		28,717,469	(9,934,615)	-	18,782,854
Profit for the year		-	4,532,485	-	4,532,485
Total recognised income and expense for the year		-	4,532,485	-	4,532,485
Dividend paid		-	(534,693)	-	(534,693)
Issue of shares		591,318	-	-	591,318
Reduced share capital to the extent not represented by assets	**20**	(9,933,189)	9,933,189	-	-
At 30 June 2006		19,375,598	3,996,366	-	23,371,964

The accompanying notes form part of these financial statements

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

		Consolidated Entity		Company	
		2006	2005	2006	2005
	Note	$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		22,060	-	22,060	-
Sale proceeds from trading portfolio		18,187,240	11,910,799	18,187,240	11,910,799
Payments for trading portfolio		(15,337,708)	(16,464,611)	(15,337,708)	(16,258,717)
Proceeds from options portfolio		137,579	240,140	137,579	240,140
Payments for options portfolio		(29,333)	(81,794)	(11,000)	(81,794)
Payments to suppliers and employees		(748,078)	(1,032,258)	(764,963)	(1,245,807)
Payments for exploration and evaluation		3,904	(10,404)	-	(3,074)
Interest received		54,861	512,069	54,861	512,069
Interest paid		(1,426)	(1,792)	(1,426)	(1,791)
Income tax paid		(259,250)	(991,500)	(259,250)	(991,500)
Dividends received		257,682	180,173	257,682	180,173
NET CASH (OUTFLOW)/ INFLOW FROM OPERATING ACTIVITIES	9 (a)	2,287,531	(5,739,178)	2,285,075	(5,739,502)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for:					
equity investments		(680,531)	(6,918,035)	(680,531)	(6,918,035)
property, plant and equipment		(10,749)	-	(10,749)	-
inventory - land		(24,486)	(3,797,109)	-	(557)
Loans to subsidiaries		-	-	(29,000)	(3,797,283)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(715,766)	(10,715,144)	(720,280)	(10,715,875)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments to unmarketable parcel shareholders		-	(1,548)	-	(1,548)
Payments for share buy back		(2,531)	(746,554)	(2,531)	(746,554)
Payments for dividends		(535,668)	(835,723)	(535,668)	(835,723)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(538,199)	(1,583,825)	(538,199)	(1,583,825)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS ASSETS HELD		1,033,566	(18,038,147)	1,026,596	(18,039,202)
Cash at beginning of the financial year		69,092	18,107,239	68,037	18,107,239
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	9	1,102,658	69,092	1,094,633	68,037

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2006

1. SUMMARY OF ACCOUNTING POLICIES

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report (comprising the financial statements and notes thereto) is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report includes separate financial statements for Orion Equities Limited as an individual parent entity (the **"Company"**) and the consolidated entity consisting of Orion Equities Limited and its subsidiaries. Orion Equities Limited is a company limited by shares, incorporated in Western Australia, Australia.

Compliance with IFRS
The financial report complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety. Compliance with AIFRS ensures that the consolidated financial statements of Orion Equities Limited comply with International Financial Reporting Standards (**IFRS**) save that the parent and consolidated entities have elected to apply the relief provided in respect of certain disclosure requirements pursuant to *AASB 132 Financial Instruments: Disclosure and Presentation*.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

First-time Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS)

The consolidated entity and the Company have prepared financial statement in accordance with AIFRS from 1 July 2005. In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the Company and the consolidated entity's accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied.

The parent and consolidated entities have however elected to adopt the exemptions available under AASB 1 relating to *AASB 132: Financial Instruments: Disclosure and Presentation*, and *AASB 139: Financial Instruments: Recognition and Measurement* and have not restated comparative information for the 30 June 2005 financial year.

Reconciliations of the transition from previous Australian GAAP to IFRS have been included in Note 2 to this report.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

1.1. Principles of Consolidation

A controlled entity is any entity the Company has the power to control the financial and operating policies of so as to obtain benefits from its activities. A list of controlled entities is contained in note 13 to the financial statements. All controlled entities have a June financial year-end. All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Company.

1.2. Investments in Associates

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post-acquisition profits or losses of associates is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control. A list of associates is contained in note 14 to the financial statements. All associated entities have a June financial year-end.

1.3. Mineral Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. Under AASB 6 "Exploration for and Evaluation of Mineral Resources", if facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Company must perform impairment tests on those assets and measure any impairment in accordance with AASB 136 "Impairment of Assets". Any impairment loss is to be recognised as an expense. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. The directors have expensed all exploration, evaluation and development expenditure incurred during the financial year.

1.4. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. The consolidated entity's segment reporting is contained in note 22 of the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

1.5. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. All revenue is stated net of the amount of goods and services tax (“**GST**”). The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods and Disposal of Assets - Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer.

Contributions of Assets - Revenue arising from the contribution of assets is recognised when the consolidated entity gains control of the asset or the right to receive the contribution.

Interest Revenue - Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend Revenue - Dividend revenue is recognised when the right to receive a dividend has been established. The consolidated entity brings dividend revenue to account on the applicable ex-dividend entitlement date.

Other Revenues - Other revenues are recognised on a receipts basis.

1.6. Income Tax

The income tax expense or revenue for the period is the tax payable on the current period’s taxable income based on the notional income tax rate for each taxing jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses (if applicable).

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each taxing jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The amount of deferred tax assets benefits brought to account or which may be realised in the future, is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

The consolidated entity has implemented the tax consolidation legislation as of 29 June 2004.

The head entity, Orion Equities Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets (as appropriate) arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements within the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group.

Any differences between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

1.7. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

1.8. Employee Benefits

Provision is made for the consolidated entity’s liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Employer superannuation contributions are made by the consolidated entity in

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2006

accordance with statutory obligations and are charged as an expense when incurred.

1.9. Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts (if any) are shown within short-term borrowings in current liabilities on the balance sheet.

1.10. Receivables

Trade and other receivables are recorded at amounts due less any provision for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when considered non-recoverable.

1.11. Investments and Other Financial Assets

From 1 July 2005 to 30 June 2006
Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss - A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: *Recognition and Measurement of Financial Instruments*. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments - These investments have fixed maturities, and it is the consolidated entity's intention to hold these investments to maturity. Any held-to-maturity investments held by the consolidated entity are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets - Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities - Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

At each reporting date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

From 1 July 2004 to 30 June 2005
The consolidated entity has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The consolidated entity has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139. The accounting policy applying to such 2005 comparatives are:

The Company has three portfolios of investments in securities, the investments portfolio, the options portfolio and the trading portfolio. The investment portfolio relates to holdings of securities which the Directors intend to retain on a long-term basis, which is classified as a "non-current asset". The options portfolio contains exchange traded options contracts that are entered into in relation to underlying listed securities. The trading portfolio comprises securities held for trading purposes, which is classified as a "current asset".

Valuation of Options Portfolio - Options written against underlying listed securities are initially brought to account at the amount received upfront for entering into the options contract (the option premium), which are included in Net Profit.

Valuation of Trading Portfolio - Securities, including listed and unlisted shares, units and notes, are initially brought to account at cost and are revalued to market values at each balance date. Any unrealised gains or losses at balance date are included in the Net Profit of the Company. Where disposals are made from the trading portfolio the gain or loss arising from the difference between the proceeds and the carrying value is included in the Net Profit of the Company.

Determination of Market Value - Market value for the purpose of valuing securities is determined by reference to market prices prevailing at balance date, where the securities are traded on an organised market. Where a security is unlisted or suspended, its fair value is determined by its net tangible asset value.

Income from Holdings of Securities - Distributions relating to listed securities are recognised as income when those securities are quoted in the market on an ex-distribution basis. Distributions relating to unlisted securities are recognised as income when received. The premium received on options written against underlying listed securities (the options portfolio) is offset against these underlying listed securities until the option expires, is exercised or is repurchased from the holder. When one of these events occurs, the net gain or loss arising on the option contract is included in Net Profit.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2006

1.12. Fair value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the consolidated entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques, including but not limited to recent arm's length transactions, reference to similar instruments and option pricing models. The consolidated entity may use a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for other financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments.

1.13. Property held for Resale

Property held for development and sale is valued at lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development. Finance costs and holding charges incurred after development are expensed. Profits are brought to account on the signing of an unconditional contract of sale.

1.14. Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present value in determining recoverable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate	Depreciation Method
Plant and Equipment	15-33.3%	Diminishing Value
Furniture and Equipment	15-20%	Diminishing Value
Leasehold Improvements	15%	Diminishing Value

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

1.15. Impairment of Assets

At each reporting date, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.16. Payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

1.17. Issued Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

1.18. Earnings Per Share

Basic Earnings per share is determined by dividing the operating result after income tax by the weighted average number of ordinary shares on issue during the financial period.

Diluted Earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial period.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2006

1.19. Research and Development Costs

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technically feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

1.20. Changes in Accounting Policy

The consolidated entity has adopted the following accounting standards for application on or after 1 January 2005:

(i) AASB 132: Financial Instruments: Disclosure and Presentation; and

(ii) AASB 139: Financial Instruments: Recognition and Measurement.

The changes resulting from the adoption of AASB 132 relate primarily to increased disclosures required under the standard and do not affect the value of amounts reported in the financial statements.

The adoption of AASB 139 has not resulted in material differences in the recognition and measurement of the consolidated entity's financial instruments.

The following Australian Accounting Standards have been issued or amended and are applicable to the Company and Consolidated Entity but are not yet effective. They have not been adopted in preparation of the preparation of the financial statements at reporting date.

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard	Application date for Consolidated entity
2005-1	AASB 139: *Financial Instruments: Recognition and Measurement*	No change to accounting policy required. Therefore no impact	1 Jan 06	1 Jul 06
2005-4	AASB 139: *Financial Instruments: Recognition and Measurement,* AASB 132: *Financial Instruments: Disclosure and Presentation,*	No change to accounting policy required. Therefore no impact	1 Jan 06	1 Jul 06
2005-5	AASB 1: *First-time adoption of AIFRS* AASB 139: *Financial Instruments: Recognition and Measurement*	No change to accounting policy required. Therefore no impact	1 Jan 06	1 Jul 06
2005-10	AASB 132: *Financial Instruments: Disclosure and Presentation,* AASB *101: Presentation of Financial Statements,* AASB 114: *Segment Reporting* AASB *133: Earnings per Share* AASB 139:*Financial Instruments: Recognition and Measurement* AASB 1: *First-time adoption of AIFRS* AASB 4: *Insurance Contracts*	No change to accounting policy required. Therefore no impact	1 Jan 07	1 Jul 07
New standard	AASB 7 *Financial Instruments: Disclosures*	No change to accounting policy required. Therefore no impact	1 Jan 07	1 Jul 07
New standard	AASB 119: *Employee Benefits*	No change to accounting policy required. Therefore no impact	1 Jan 06	1 Jul 06

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

2. FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

(i) Reconciliation of Income for 30 June 2005

	Consolidated Entity			Company		
	AGAAP	AIFRS Impact	AIFRS	AGAAP	AIFRS Impact	AIFRS
	$	$	$	$	$	$
Revenue from continuing operations	1,851,870		1,851,870	1,851,870		1,851,870
Other income	512,069		512,069	512,069		512,069
	2,363,939	-	2,363,939	2,363,939	-	2,363,939
Expenses						
Personnel	(261,180)		(261,180)	(261,180)		(261,180)
Communications	(22,627)		(22,627)	(22,627)		(22,627)
Occupancy	(18,826)		(18,826)	(18,826)		(18,826)
Corporate	(56,544)		(56,544)	(56,544)		(56,544)
Financing	(4,652)		(4,652)	(4,470)		(4,470)
Borrowing cost	(1,791)		(1,791)	(1,791)		(1,791)
Costs in relation to investments	(218,497)		(218,497)	(218,497)		(218,497)
Administration expenses			-			-
– legal and other professional fees	(337,347)		(337,347)	(337,347)		(337,347)
– exploration and evaluation expenditure	(37,988)		(37,988)	(18,813)		(18,813)
– provision for impairment			-	(36,928)		(36,928)
– other	(87,676)		(87,676)	(87,677)		(87,677)
Profit before income tax expense	1,316,811	-	1,316,811	1,299,239	-	1,299,239
Income tax expense	(330,922)	(1,425)	(332,347)	(341,415)	(1,425)	(342,840)
Profit after income tax expense	985,889	(1,425)	984,464	957,824	(1,425)	956,399

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

(ii) Reconciliation of Equity at 1 July 2004

	Consolidated Entity			Company		
	AGAAP $	AIFRS Impact $	AIFRS $	AGAAP $	AIFRS Impact $	AIFRS $
CURRENT ASSETS						
Cash and cash equivalents	18,107,239		18,107,239	18,107,239		18,107,239
Trade and other receivables	5,675		5,675	5,591		5,591
Investments in trading portfolio	1,985,295		1,985,295	1,985,295		1,985,295
Other	-		-	-		-
TOTAL CURRENT ASSETS	20,098,209	-	20,098,209	20,098,125	-	20,098,125
NON CURRENT ASSETS						
Trade and other receivables	14,106		14,106	14,106		14,106
Plant and equipment	31,599		31,599	31,599		31,599
Other	24,031		24,031	24,031		24,031
TOTAL NON CURRENT ASSETS	69,736	-	69,736	69,736	-	69,736
TOTAL ASSETS	20,167,945	-	20,167,945	20,167,861	-	20,167,861
CURRENT LIABILITIES						
Trade and other payables	221,315		221,315	221,315		221,315
Short term provisions	861,000		861,000	861,000		861,000
Current tax liabilities	1,003,436		1,003,436	1,003,436		1,003,436
TOTAL CURRENT LIABILITIES	2,085,751	-	2,085,751	2,085,751	-	2,085,751
TOTAL LIABILITIES	2,085,751	-	2,085,751	2,085,751	-	2,085,751
NET ASSETS	18,082,194	-	18,082,194	18,082,110	-	18,082,110
EQUITY						
Issued capital	28,973,124		28,973,124	28,973,124		28,973,124
Reserves	2,124,000		2,124,000	2,124,000		2,124,000
Accumulated losses	(13,014,930)	-	(13,014,930)	(13,015,014)	-	(13,015,014)
TOTAL EQUITY	18,082,194	-	18,082,194	18,082,110	-	18,082,110

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

(iii) Reconciliation of Equity at 30 June 2005

	Consolidated Entity			Company		
	AGAAP	AIFRS Impact	AIFRS	AGAAP	AIFRS Impact	AIFRS
CURRENT ASSETS	$	$	$	$	$	$
Cash and cash equivalents	69,092		69,092	68,037		68,037
Trade and other receivables	341,994		341,994	4,137,567		4,137,567
Financial assets at fair value	8,134,740		8,134,740	8,134,740		8,134,740
Other	843		843	843		843
TOTAL CURRENT ASSETS	8,546,669	-	8,546,669	12,341,187	-	12,341,187
NON CURRENT ASSETS						
Trade and other receivables	32,823		32,823	32,823		32,823
Investments	-		-	-		-
Investments in Associate entities	7,085,260		7,085,260	7,085,260		7,085,260
Inventory	3,796,552		3,796,552	-		-
Plant and equipment	26,536		26,536	26,536		26,536
Deferred tax assets	227,053		227,053	227,053		227,053
Other	15,622		15,622	-		-
TOTAL NON CURRENT ASSETS	11,183,846	-	11,183,846	7,371,672	-	7,371,672
TOTAL ASSETS	19,730,515	-	19,730,515	19,712,859	-	19,712,859
CURRENT LIABILITIES						
Trade and other payables	348,176		348,176	348,176		348,176
Current tax liabilities	562,702	1,425	564,127	573,195	1,425	574,620
TOTAL CURRENT LIABILITIES	910,878	1,425	912,303	921,371	1,425	922,796
NON CURRENT LIABILITIES						
Deferred tax liability	7,209		7,209	7,209		7,209
TOTAL NON CURRENT LIABILITIES	7,209	-	7,209	7,209	-	7,209
TOTAL LIABILITIES	918,087	1,425	919,512	928,580	1,425	930,005
NET ASSETS	18,812,428	(1,425)	18,811,003	18,784,279	(1,425)	18,782,854
EQUITY						
Issued capital	28,717,469		28,717,469	28,717,469		28,717,469
Accumulated losses	(9,905,041)	(1,425)	(9,906,466)	(9,933,190)	(1,425)	(9,934,615)
TOTAL EQUITY	18,812,428	(1,425)	18,811,003	18,784,279	(1,425)	18,782,854

(iv) Notes to the reconciliation of equity at 1 July 2004, 30 June 2005 and income for the year 30 June 2005

	30 Jun 05	1 Jul 04
	$	$
Deferred tax and income tax expense	(1,425)	-

Under AGAAP, the Consolidated Entity adopted the liability method of tax-effect accounting whereby the income tax expense was based on the accounting profit adjusted for any permanent differences. Timing differences were brought to account as either a provision for deferred income tax or future income tax benefit.

Under AIFRS (*AASB112: Income Taxes)* , the Consolidated Entity is required to adopt a "balance sheet approach" under which temporary differences are identified for each asset and liability rather than the effects of timing and permanent differences between taxable income and accounting profit. A deferred tax liability is provided on the upward revaluation of investments less a provision for tax expense

(v) Cash Flow Statement

There are no material impacts on the Cash Flow Statement as a consequence of the adoption of AIFRS.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

3. PROFIT FOR THE YEAR

Profit for the half year includes the following items that are unusual because of their nature, size or incidence:

	Consolidated Entity		Company	
(a) Revenue	**2006**	**2005**	**2006**	**2005**
Trading portfolio	**$**	**$**	**$**	**$**
Proceeds from sale of securities	18,420,880	12,152,191	18,420,880	12,152,191
Cost of securities sold	(16,552,241)	(10,033,175)	(16,552,241)	(10,033,175)
Unrealised gains/(losses) on securities	5,536,239	(726,509)	2,893,738	(726,509)
Dividends received from securities	141,161	98,766	141,161	98,766
	7,546,039	1,491,273	4,903,538	1,491,273
Options portfolio				
Proceeds from sale of options	137,579	240,140	137,579	240,140
Cost of options sold	(11,000)	(87,155)	(11,000)	(87,155)
Cost of lapsed options	-	(41,020)	-	(41,020)
	126,579	111,965	126,579	111,965
Associate entities				
Share of Associate entities net gain	1,146,453	167,225	1,146,453	167,225
Dividends received from Associate	343,080	81,407	343,080	81,407
	1,489,533	248,632	1,489,533	248,632
Resource Projects				
Proceeds from sale of resource projects	333,333	-	-	-
Cost of resource projects sold	(19,840)	-	-	-
	313,493	-	-	-
Other income				
Interest received - other	54,861	512,069	54,861	512,069
Other income	22,060	-	22,060	-
	76,921	512,069	76,921	512,069
Total revenue	9,552,565	2,363,939	6,596,571	2,363,939
(b) Expenses				
Occupancy expenses	21,780	18,826	20,813	18,826
Finance expenses	4,199	4,652	3,831	4,470
Borrowing cost	1,426	1,791	1,426	1,791
Corporate expenses	34,286	56,544	34,074	56,544
Administration expenses				
- Communications	20,125	22,627	20,125	22,627
- Personnel - employee entitlements	7,413	7,274	7,413	7,274
- other	262,280	253,906	262,280	253,906
- Legal and other professional fees	105,060	337,347	105,060	337,347
- Costs in relation to investments	21,978	150,149	21,978	150,149
- Brokerage fees	88,184	68,348	88,184	68,348
- Write off fixed assets disposed	493	-	493	-
- Exploration and evaluation expenses	62,065	37,988	39,485	18,813
- Depreciation expenses	7,116	5,619	7,116	5,619
- Doubtful debts provision	-	-	46,229	36,928
- Other expenses	124,992	82,057	124,992	82,058
	761,397	1,047,128	783,499	1,064,700

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

4. INCOME TAX EXPENSE

	Consolidated Entity		Company	
(a) The major component of income tax expenses are:	2006	2005	2006	2005
	$	$	$	$
Current income tax				
Current income tax charge	538,860	562,702	452,190	573,195
(Over)/under provision in prior years	(312,087)	8,734	(322,580)	8,734
Deferred income tax	2,026,727	(239,089)	1,150,977	(239,089)
	2,253,500	332,347	1,280,587	342,840

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
(b) The prima facie income tax on profit from ordinary activities is reconciled to the income tax provided in the accounts as follows:				
Profit from ordinary activities	8,791,168	1,316,811	5,813,072	1,299,239
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2005:30%)	2,637,350	395,044	1,756,330	389,772
Permanent differences				
Other assessable income	44,553	-	44,553	-
Other non-deductible items	12,897	26,850	12,897	26,850
Other deductible items	(5,131)	-	(5,131)	-
Share of Associates' profits	(343,936)	(50,168)	(343,936)	(50,168)
Temporary differences				
Other non-deductible items	17,304	892	42,783	11,970
Other deductible items	(30,719)	(4,687)	(39,070)	-
Unrealised gains on securities	(1,660,872)	217,953	(868,121)	217,953
Income tax expense attributable to operating profit	671,446	585,884	600,305	596,377
Provision for deferred income tax	1,792,465	(228,498)	916,715	(228,498)
Overprovision of income tax payable	(61,900)	(1,957)	(87,922)	(1,957)
Franking credits	(148,511)	(23,082)	(148,511)	(23,082)
Net income tax	2,253,500	332,347	1,280,587	342,840
The applicable weighted average effective tax rates are as follows:	26%	25%	22%	26%

(c) The Company and controlled entities of the Company have elected to consolidate for taxation purposes and have entered into a tax sharing and funding agreement in respect of such arrangements.

5. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of key management personnel - directors (consolidated and parent entity)

William M Johnson — Executive Chairman
Victor P H Ho — Executive Director and Company Secretary
Yaqoob Khan — Non-Executive Director

	Consolidated Entity		Company	
	2006	2005	2006	2005
Number of employees (including key management personnel)	3	3	3	3

(b) Compensation of key management personnel - directors (consolidated and parent entity)

2006	Performance Related	Short term Benefits Salaries & Fees	Short term Benefits Other Benefits	Post Employment Superannuation	Total
Directors	%	$	$	$	$
William M Johnson	-	149,215	-	13,429	162,644
Victor P H Ho	-	60,000	-	5,400	65,400
Yaqoob Khan	-	25,000	-	-	25,000
		234,215	-	18,829	253,044

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2006

2005 Directors	Performance Related %	Short term Benefits Salaries & Fees $	Short term Benefits Other Benefits $	Post Employment Superannuation $	Total $
William M Johnson	-	138,461	-	12,462	150,923
Victor P H Ho	-	57,692	-	5,192	62,884
Yaqoob Khan	-	25,398	-	-	25,398
		221,551	-	17,654	239,205

(c) Compensation of other key management personnel (consolidated and parent entity)
The Consolidated Entity and Company does not have any key executives (other than executive directors).

(d) Shareholdings of key management personnel - directors (consolidated and parent entity)

Directors	Balance at 1 July 2005	Net Change Other	Balance at 30 June 2006
William M Johnson	-	-	-
Victor P H Ho	-	-	-
Yaqoob Khan	8,391,779	259,577	8,651,356
	Balance at 1 July 2004	**Net Change Other**	**Balance at 30 June 2005**
William M Johnson	-	-	-
Victor P H Ho	-	-	-
Yaqoob Khan	8,407,334	(15,555)	8,391,779

The disclosures of equity holdings above are in accordance with the accounting standards which requires a disclosure of direct and indirect holdings of spouses, relatives, spouses of relatives and entities under the control or significant influence of each of the same.

(e) Compensation policy
The Company's policy for determining the nature and amount of emoluments to directors of the Company is as follows: The Board determines the remuneration structure of all Directors and Executive Officers having regard to the Consolidated Entity's nature, scale and scope of operations and other relevant factors, including the frequency of Board meetings, length of service, particular experience and qualifications.

6. AUDITORS REMUNERATION

	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Company 2006 $	Company 2005 $
Amounts received or due and receivable by:				
(a) Auditor of the Consolidated Entity				
Auditing of the financial report	15,791	11,833	15,791	11,833
Underprovision for prior year	1,950	-	1,950	-
(b) Related practice of the Consolidated Entity Auditor				
Other services	165	6,520	165	6,520
	17,906	18,353	17,906	18,353

7. DIVIDENDS

Declared and paid during the year	Date paid				
Dividends on ordinary shares					
1.5 cent per share fully franked	07-Apr-06	267,218	-	267,218	-
1.5 cent per share fully franked	13-Oct-05	267,218	-	267,218	-
		534,436	-	534,436	-

On 8 September 2006, the Directors resolved to declare payment of a final dividend of 3.0 cents per share fully franked dividend. The record date will be 12 October 2006 with payment to be effected on 19 October 2006.

Dividends declared post balance date				
Dividends on ordinary shares				
3 cent per share fully franked				
to be paid on 19 October 2006	534,432	-	534,432	-

Franking credit balance	1,026,714	847,995
Balance of franking account at year end adjusted for franking credits arising from:		
Payment of provision for income tax	452,190	573,195
Franking debits arising from payment of proposed dividends	(229,042)	
	1,249,862	1,421,190

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

	Consolidated Entity		Company	
8. EARNINGS PER SHARE	**2006**	**2005**	**2006**	**2005**
Basic earnings per share (cents)	36.7	5.8	25.4	5.6
Net profit for the year	6,537,668	984,464	4,532,485	956,399
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	17,814,389	17,030,960	17,814,389	17,030,960

Diluted earnings per share is not materially different from basic earnings per share and therefore is not disclosed in the Financial Statements.

9. CASH AND CASH EQUIVALENTS	Consolidated Entity		Company	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Cash at bank	1,102,658	69,092	1,094,633	68,037
	1,102,658	69,092	1,094,633	68,037

The effective interest rate on cash at bank was 5.17%.

(a) Reconciliation of Net Profit after Tax to Net Cash Flows from Operations

	Consolidated Entity		Company	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Operating income after income tax expense	6,537,668	984,464	4,532,485	956,399
Depreciation - plant & equipment	7,116	5,619	7,116	5,619
Write off fixed assets disposed	493	-	493	-
Unrealised gains/(losses) on securities	(5,536,239)	726,509	(2,893,738)	726,509
Share of Associate entities' profits	(1,146,453)	(167,225)	(1,146,453)	(167,225)
Increase in income tax payable	(32,476)	(432,100)	(129,639)	(421,607)
Increase in deferred income tax	2,026,727	(227,053)	1,150,977	(227,053)
(Increase)/decrease in assets:				
Receivables	(219,426)	(113,643)	(220,984)	(112,018)
Trading portfolio	1,385,868	(6,631,808)	1,385,868	(6,425,914)
Strategic portfolio	(574,476)		(222,809)	
Options portfolio	-	5,361	-	5,361
Current assets	-	(843)	-	(843)
Exploration expenditure	15,622	8,409	-	24,031
Increase/(decrease) in liabilities:				
Payables	(184,306)	95,858	(185,654)	(110,035)
Provisions	7,413	7,274	7,413	7,274
Net cash flows from operating activities	2,287,531	(5,739,178)	2,285,075	(5,739,502)

(b) Disclosure of non-cash financing and investing activities

On 1 July 2005, the Company issued 1,002,233 shares (at $1.0343 per share, being the Company's reported NTA (post tax) backing as at 31 May 2005) as consideration for the settlement of the acquisition of 2,300,000 shares in Bentley International Limited (BEL) from Sofcom Limited (SOF) pursuant to a Second Tranche BEL Share Sale Agreement between SOF and the Company (dated 30 May 2005) – the total consideration was $1,036,610 (based on BEL's last published NTA backing (post tax) as at 31 May 2005 of $0.4507 per share) satisfied by the issue of 1,002,233 fully paid ordinary shares in the Company to SOF, as approved by SOF shareholders on 30 June 2005 and BEL shareholders on 1 July 2005.

On 9 February 2006, subsidiary Hume Mining NL received 1,666,667 shares at an deemed issue price of 20 cents per share (valuing the shares issued at $333,333) from Strike Resources Limited (SRK) as consideration pursuant to settlement of an agreement with SRK dated 15 September 2005 (as amended) for the sale by Hume of a 75% interest in a suite of resource projects in the Northern Territory and Western Australia.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2006

10. TRADE AND OTHER RECEIVABLES	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Company 2006 $	Company 2005 $
Current				
Amount receivable from controlled entities	-	-	3,911,213	3,835,983
Less provision for non recovery	-	-	(84,928)	(38,700)
	-	-	3,826,285	3,797,283
Receivables on sale of investments	440,473	241,392	440,473	241,392
Amounts receivable from related parties	97,602	75,355	97,602	75,355
Other receivables	18,414	17,877	18,262	17,877
GST receivable	-	7,370	-	5,660
	556,489	341,994	4,382,622	4,137,567
Non Current				
Bonds and guarantees	32,823	32,823	32,823	32,823

11. FINANCIAL ASSETS

	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Company 2006 $	Company 2005 $
Financial assets at fair value comprise:				
Listed investments, at fair value	11,005,112	8,134,740	9,642,611	8,134,740
Unlisted options in listed corporations- at cost	10,000	-	-	-
Add: net change in fair value	1,621,666	-	-	-
	1,631,666	-	-	-
Total financial assets at fair value	12,636,778	8,134,740	9,642,611	8,134,740

12. OTHER CURRENT ASSET

	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Company 2006 $	Company 2005 $
Prepayments	1,083	843	1,083	843

13. NON-CURRENT INVESTMENTS

	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Company 2006 $	Company 2005 $
Shares in controlled entities at cost	-	-	225,100	225,100
Less: Provision for impairment	-	-	(225,100)	(225,100)
	-	-	-	-

Investment in Controlled Entities:	Ownership interest 2006	Ownership interest 2005
Hume Mining NL (ACN 064 994 945)		
Incorporated in Australia on 29 March 1994	100%	100%
This company is currently engaged in resource related activities.		
Silver Sands Developments Pty Limited (ACN 094 097 122)		
Incorporated in Australia on 10 August 2000	100%	100%
This company is currently engaged in property development activities and holds the Inventory.		

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name of Associate	Principal Activity	Ownership Interest 2006	Ownership Interest 2005	Carrying Amount 2006 $	Carrying Amount 2005 $
Bentley International Limited	Investments	27.93%	25.49%	4,357,549	2,799,771
Scarborough Equities Limited	Investments	27.86%	19.03%	5,368,821	4,285,489
				9,726,370	7,085,260

On 1 July 2005, the Company settled on the acquisition of 2,300,000 shares in BEL , increasing its shareholding in BEL to 24.9%. The Company has accounted for its investment in BEL on an equity accounting basis as an Associate entity from 30 June 2005.

Between January 2006 to June 2006, the Company purchased 1,267,996 shares in BEL for $1,119,912 and 305,718 shares in SCB for $374,745 (including participation under dividend reinvestment plans), increasing its shareholding in BEL and SCB to 27.93% and 27.86% respectively.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2006

	2006	2005
Movement in Investments in Associates	**$**	**$**
Shares in listed Associate entities - at cost		6,918,035
Shares in listed Associate entities brought forward	7,085,260	-
Share of profit before income tax expense	1,869,980	80,411
Share of income tax expense	(380,427)	86,814
Dividends received	(343,100)	-
Acquisition of shares	1,494,657	-
Carrying amount at the end of the financial year	9,726,370	7,085,260
Fair value of listed investments in associates		
Bentley International Limited	4,226,113	2,444,944
Scarborough Equities Limited	5,316,972	2,399,865
	9,543,085	4,844,809
Net tangible asset backing value of listed investments in associates		
Bentley International Limited	5,414,913	3,339,941
Scarborough Equities Limited	5,272,310	4,079,770
	10,687,223	7,419,711
Share of Associates' profits		
Profit before income tax	1,869,980	-
Income tax expense	(380,427)	167,225
Profit after income tax	1,489,553	167,225

Summarised Financial Position of Associates	**Group share of:**			
	Bentley International Limited		**Scarborough Equities Limited**	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Current assets	5,461,429	4,502,990	1,025,519	559,261
Non current assets	2,527	3,546	4,716,645	2,559,369
Total assets	5,463,955	4,506,536	5,742,164	3,118,630
Current liabilities	(50,030)	(33,088)	(22,170)	(68,753)
Non current liabilites	-	(1,567)	(446,688)	-
Total liabilities	(50,030)	(34,655)	(468,858)	(68,753)
Net assets	5,413,926	4,471,881	5,273,306	3,049,877
Revenues	791,176	-	1,920,920	707,519
Profit after income tax of associates	538,998	-	950,555	167,225

Contingent Liabilities

Scarborough Equities Limited - Indemnity
SCB has provided indemnities to IWL Ltd ("IWL") and IWL Broking Solutions Ltd ("IWLB") with respect to the acquisition by IWLB of SCB's shareholding in Avcol Stockbroking Pty Ltd ("Avcol") on 29 April 2005. This indemnity covers contingent claims in relation to the operations of Avcol. The directors of SCB have stated that they believe that these contingent claims are not material (not exceeding $100,000 in aggregate) in terms of its potential negative effect on its net asset position.

Scarborough Equities Limited and Bentley International Limited - Lease Commitments
SCB and BEL has the same lease commitments disclosed in note 24(a)

	Consolidated Entity		**Company**	
	2006	**2005**	**2006**	**2005**
15. INVENTORY	**$**	**$**	**$**	**$**
Property held for development and resale	3,821,038	3,796,552	-	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2006

16. PLANT AND EQUIPMENT

Consolidated Entity & Company	Plant & Equipment	Leasehold Improve-ments	Total
	$	$	$
At 1 July 2005, net of accumulated depreciation and impairment	17,340	9,196	26,536
Additions	15,441	-	15,441
Depreciation expense	(5,737)	(1,379)	(7,116)
Disposal	(494)	-	(494)
At 30 June 2006, net of accumulated depreciation and impairment	26,550	7,817	34,367
At 1 July 2005			
Cost	56,364	21,788	78,152
Accumulated depreciation and impairment	(39,024)	(12,592)	(51,616)
Net carrying amount	17,340	9,196	26,536
At 30 June 2006			
Cost	70,177	21,788	91,965
Accumulated depreciation and impairment	(43,627)	(13,971)	(57,598)
Net carrying amount	26,550	7,817	34,367
At 1 July 2004, net of accumulated depreciation and impairment	20,780	10,819	31,599
Additions	557	-	557
Depreciation expense	(3,997)	(1,623)	(5,620)
At 30 June 2005, net of accumulated depreciation and impairment	17,340	9,196	26,536
At 1 July 2004			
Cost	55,808	21,788	77,596
Accumulated depreciation and impairment	(35,028)	(10,969)	(45,997)
Net carrying amount	20,780	10,819	31,599
At 30 June 2005			
Cost	56,364	21,788	78,152
Accumulated depreciation and impairment	(39,024)	(12,592)	(51,616)
Net carrying amount	17,340	9,196	26,536

17. OTHER NON-CURRENT ASSETS

	Consolidated Entity		Company	
	2006	2005	2006	2005
	$	$	$	$
Deferred Exploration Expenditure				
Balance at beginning of the year	15,622	24,031	-	24,031
Direct expenditure	4,217	10,404	-	3,074
Direct expenditure written off	-	(18,813)	-	(18,813)
Sale of tenements	(19,839)	-	-	-
Transfer asset to subsidiary	-	-	-	(8,292)
Balance at end of the year	-	15,622	-	-

The directors have expensed all exploration, evaluation and development expenditure incurred during the financial year. Please refer to note 1.3.

18. TRADE AND OTHER CREDITORS

	Consolidated Entity		Company	
	2006	2005	2006	2005
	$	$	$	$
Trade creditors	34,580	16,836	33,235	16,836
Pending settlements on share investment purchases	-	205,894	-	205,894
Other creditors - related parties	16,304	-	16,304	-
Other creditors and accruals	88,391	100,169	88,391	100,169
Dividend payable	28,501	25,277	28,501	25,277
	167,776	348,176	166,431	348,176

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

19. TAX	**Consolidated Entity 2006**	**Consolidated Entity 2005**	**Company 2006**	**Company 2005**
	$	**$**	**$**	**$**
Current tax asset				
Deferred tax on fair value gain adjustments	-	227,053	-	227,053
Current tax liabilities				
Income tax	538,860	564,127	452,190	574,620
Non current tax liabilities				
Deferred tax on fair value gain adjustments	1,799,674	7,209	923,924	7,209
	2,338,534	571,336	1,376,114	581,829
<u>Reconciliations</u>				
Gross movements				
The overall movement in the deferred tax account is as follows:				
Opening balance	234,262	12,036	234,262	12,036
(Credited)/charged to income statement	1,565,412	222,226	689,662	222,226
Closing balance	1,799,674	234,262	923,924	234,262
Deferred tax asset - fair value adjustments				
The movement in deferred tax asset for each temporary difference during the year are as follows:				
Opening balance	227,053	-	227,053	-
(Credited)/charged to income statement	(227,053)	227,053	(227,053)	227,053
Closing balance	-	227,053	-	227,053
Deferred tax liability - fair value adjustments				
The movement in deferred tax liability for each temporary difference during the year are as follows:				
Opening balance	7,209	12,036	7,209	12,036
Charged/ (credited) to income statement	1,792,465	(4,827)	916,715	(4,827)
Closing balance	1,799,674	7,209	923,924	7,209

20. ISSUED CAPITAL	**Consolidated Entity 2006**	**Consolidated Entity 2005**	**Company 2006**	**Company 2005**
	$	**$**	**$**	**$**
Fully paid ordinary shares	19,375,598	28,717,469	19,375,598	28,717,469

Movements in Ordinary Share Capital	**Date of movement**	**Number of shares**		
At 1 July 2004		17,219,996	28,973,124	28,973,124
Issue of shares	30-Jun-05	812,810	490,899	490,899
Share buy back	Apr - Jun 05	(1,220,650)	(746,554)	(746,554)
At 1 July 2005		16,812,156	28,717,469	28,717,469
Issue of shares	01-Jul-05	1,002,233	591,318	
Reduction of share capital to the extent not represented by assets	29-Nov-05		(9,933,189)	
At 30 June 2006		17,814,389	19,375,598	

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

At the Annual General Meeting held on 29 November 2005, shareholders approved a reduction in the value of the Company's share capital against accumulated losses by $9,933,190, being an amount not represented by available assets, pursuant to section 258F of the Corporations Act. This was essentially an accounting entry that allowed the Company to remove from retained earnings historical carried forward losses that effects the ability of the Company to retain earnings from which future dividends may be paid. The reduction has no effect on the carried forward tax losses of the Company nor did it change the number of shares on issue or the net asset position of the Company.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

21. RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year.

Consolidated Entity	Note	Amount owed by related parties	Amount owed to related parties
Entity deemed to control the parent entity (Orion Equities Limited)			
Queste Communications Ltd (QUE)	18		(16,304)
Associates of Orion Equities Limited			
Bentley International Limited (BEL)	10	60,425	
Scarborough Equities Limited (SCB)	10	37,177	

At balance date, QUE holds **48%** of the ordinary shares in the Company. During the financial year, there were transactions between the Company, QUE, BEL and SCB, pursuant to shared office and administration expense arrangements on a cost recovery basis. Interest is not charged on such outstanding amounts.

Company	Note	Amount owed by related parties	Amount owed to related parties
Subsidiaries of Orion Equities Limited			
Hume Mining NL	10	84,929	
Silver Sands Developments Pty Ltd	10	3,826,283	

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 13 to the financial statements. The following amounts remain outstanding at balance date. Interest is not charged on such outstanding amounts. For the year ended 30 June 2006 the Company has made provision for non recovery relating to the amounts owed by Hume Mining NL of $84,929. However the Company has not made any provision for doubtful debts for amounts owed by Silver Sands Development Pty Ltd as it has assets to the total of $3.8 million as at 30 June 2006.

22. SEGMENT REPORTING

The Consolidated Entity operates primarily in one geographical segment (Australia) in the investment and resource sectors.

	2006			2005		
	Investments	Resources	Consolidated	Investments	Resources	Consolidated
Revenue	$	$	$	$	$	$
Total segment revenue	8,037,758	313,493	8,351,251	1,684,645	-	1,684,645
Share of associates' profit	1,146,453	-	1,146,453	167,225	-	167,225
Unallocated revenue	-	-	54,861	-	-	512,069
	9,184,211	313,493	9,552,565	1,851,870	-	2,363,939
Result						
Segment result	9,074,049	251,428	9,325,477	1,366,731	(39,638)	1,327,093
Unallocated result	-	-	(534,309)	-	-	(10,282)
Profit before tax	9,074,049	251,428	8,791,168	1,366,731	(39,638)	1,316,811
Assets						
Segment assets	26,624,659	-	26,624,659	19,257,944	15,622	19,273,566
Unallocated assets	-	-	1,286,947	-	-	456,949
Total assets	26,624,659	-	27,911,606	19,257,944	15,622	19,730,515
Liabilities						
Segment liabilities	1,799,674	-	1,799,674	205,894	2,838	208,732
Unallocated liabilities	-	-	706,636	-	-	710,780
Total liabilities	1,799,674	-	2,506,310	205,894	2,838	919,512

	2006		2005	
Other	Investments	Resources	Investments	Resources
	$	$	$	$
Acquisition of segment assets	11,624,134	-	23,873,546	10,404
Other non-cash expenses				
Unrealised gains/(losses) on securities	5,536,239	-	(726,509)	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2006

23. FINANCIAL INSTRUMENTS

The consolidated entity's financial instruments mainly consist of listed and unlisted securities, deposits with banks, accounts receivable and payable and loans to related parties. The consolidated entity's investments are subject to price (which includes interest rate and market risk), credit and liquidity risks.

(a) Interest Rate Risk Exposure

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The consolidated entity's exposure to market risk for changes in interest rates relate primarily to investments held in interest bearing instruments. The consolidated entity has no borrowings.

2006	Average Interest Rate	Variable Interest Rate	Fixed Interest Rate (less than 1 year)	Non-Interest Bearing	Total
Financial assets		$	$	$	$
Cash	5.17%	1,102,658	-	-	1,102,658
Receivables		-	-	589,312	589,312
Investments		-	-	12,636,778	12,636,778
		1,102,658	-	13,226,090	14,328,748
Financial liabilities					
Payables		-	-	(167,776)	(167,776)
Net financial assets		1,102,658	-	13,058,314	14,160,972
2005					
Financial assets					
Cash	5.63%	69,092	-	-	69,092
Receivables		-	-	374,817	374,817
Investments		-	-	8,134,740	8,134,740
		69,092	-	8,509,557	8,578,649
Financial liabilities					
Payables		-	-	(328,751)	(328,751)
Net financial assets		69,092	-	8,180,806	8,249,898

Reconciliation of net financial assets to net assets	**2006**	**2005**
Net financial assets as above	14,160,972	8,249,898
Non-financial assets and liabilities		
Inventory	3,821,038	3,796,552
Investments in Associate companies	9,726,370	7,085,260
Property, plant and equipment	34,367	26,536
Other current assets	1,083	843
Other non-current assets	-	15,622
Net tax liabilities	(2,338,534)	(344,283)
Provisions	-	(19,425)
Net Assets per Balance Sheet	25,405,296	18,811,003

(b) Credit Risk Exposure

Credit risk refers to the risk that a counterparty under a financial instrument will default (in whole or in part) on its contractual obligations resulting in financial loss to the consolidated entity. Concentrations of credit risk are minimised primarily by undertaking appropriate due diligence on potential investments, carrying out all market transactions through approved brokers, settling non-market transactions with the involvement of suitably qualified legal and accounting personnel (both internal and external), and obtaining sufficient collateral or other security (where appropriate) as a means of mitigating the risk of financial loss from defaults.

Market prices of listed financial instruments generally incorporate credit assessments into valuations and risk of loss is implicitly provided or in the carrying value of such assets in the financial statements as they are marked to market at balance date. The consolidated entity measures credit risk on a fair value basis. The carrying amount of financial assets recorded in the financial statements, net of any provision for losses, represents the consolidated entity’s maximum exposure to credit risk without taking account of the value of any collateral or other security obtained (if any).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2006

23. FINANCIAL INSTRUMENTS (continued)

(c) Market Price Risk Exposure
Market price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments in the market. Market risk is minimised through ensuring that investment activities are undertaken in accordance with Board established mandate limits and investment strategies.

At the investment portfolio level, the Consolidated Entity is not overly exposed to one company or one particularly industry sector of the market.

(d) Liquidity Risk Exposure
Liquidity risk is the risk that the consolidated entity will encounter difficulty in meeting obligations associated with financial liabilities. The consolidated entity has no borrowings. The consolidated entity's non-cash investments can be realised to meet accounts payable arising in the normal course of business.

Net Fair Value of Financial Assets and Liabilities

The carrying amount of financial instruments recorded in the financial statements represent their fair value determined in accordance with the accounting policies disclosed in note 1. The aggregate fair value and carrying amount of financial assets and financial liabilities at balance date are set out in Note 11.

24. COMMITMENTS

	Consolidated Entity 2006 $	Consolidated Entity 2005 $
(a) Lease Commitments		
Non-cancellable operating lease commitments:		
Not longer than one year	24,960	124,033
Between 12 months and 5 years	99,840	-
Greater than 5 years	49,920	-
	174,720	124,033

The lease commitment is the Company's share of the office premises at Level 14, The Forrest Centre, 221 St Georges Terrace, Perth, Western Australia, and includes all outgoings (exclusive of GST). The lease is for a 7 year term expiring 30 June 2013 and contains a rent review increase each year alternating between 5% and the greater of market rate or CPI + 1%.

(b) Exploration Tenement Leases - Commitments for Expenditure

(i) In order to maintain current rights of tenure to its Australian exploration tenements, the consolidated entity is required to outlay lease rentals and meet minimum expenditure commitments. Based on tenements which have been granted as at the date of this report, the consolidated entity has a 12 month commitment of $45,154.

(ii) The consolidated entity has also committed to spend A$250,000 on exploration and evaluation over a 12 month period (from date of grant on 21 March 2006) in respect of a reconnaissance licence over a 5,000 square kilometre area in the Chitral Region, North-West Frontier Province, Pakistan, prospective for gold and copper.

Financial commitments for subsequent periods are contingent upon future exploration and evaluation results and cannot be estimated. These obligations are subject to renegotiation upon expiry of the tenement lease or when application for a mining lease is made and have not been provided for in the accounts.

25. CONTINGENT LIABILITIES AND ASSETS

(a) Hume Mining NL (Hume) and Strike Resources Limited (SRK) Agreement - By an agreement dated 15 September 2005 (as amended), Hume disposed of an interest in various tenements located in the Northern Territory and in Western Australia to SRK. Under the agreement, Hume is entitled to receive a royalty of 2% of gross revenues (exclusive of GST) arising from any commercial exploitation of any minerals from the tenements.

(b) Native Title - the consolidated entity’s mining tenements in Australia may be subject to native title applications in the future. At this stage it is not possible to quantify the impact (if any) that native title may have on the operations of the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

26. EVENTS AFTER BALANCE SHEET DATE

(a) On 8 September 2006, the Directors of the Company declared a final dividend of 3.0 cents per share fully franked dividend. The record date will be 12 October 2006 with payment to be effected on 19 October 2006.

(b) On 7 July 2006, OEQO Pty Ltd (a wholly owned subsidiary incorporated on 7 July 2006), acquired a 143 hectare property in Gingin, Western Australia (approximately 100 km north of Perth) comprising the Koorian Olive Grove (which has approximately 64,500, 7 year old olive tree plantings) and certain grove related equipment/infrastructure, for a consideration of $1.2 million. OEQO also entered into an option deed (with a 9 month term) to acquire 200 hectares of nearby land, the transfer of a water licence, water bore/equipment, shed, harvester and other equipment which services the grove, from an adjacent property owner. The grove acquisition is subject to obtaining relevant Waters and Rivers Commission (WR&C) of Western Australia approvals and subject to receipt of such consent(s), is expected to settle by 3 October 2006 (subject to extension by agreement of the parties pending WR&C consent).

(c) On 2 August 2006, the Company implemented an Unmarketable Parcel Sale Facility for affected shareholders holding less than A$500 worth of shares (an Unmarketable Parcel). Under this facility, the Company provided 6 weeks notice for affected shareholders to advise the Company of their wish to retain their Unmarketable Parcel shareholding. Shareholders who fail to return a Share Retention form by the deadline of 15 September 2006 will have their Unmarketable Parcel shareholding aggregated and sold on-market by the Company on their behalf.

The Board will sell such Unmarketable Parcels by way of an on-market sale through nominated broker(s) as soon as practicable after 15 September 2006 having regard to liquidity in OEQ shares and as market conditions dictate. Affected shareholders who have had their Unmarketable Parcel shares sold will receive a pro-rata share of the total proceeds of sale without any deduction for brokerage or other costs of sale (which will be borne by the Company).

The Company may concurrently undertake an on market buy-back through a different broker(s) nominated by the Board.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements, comprising the Income Statement, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement and accompanying notes as set out on pages 24 to 47, are in accordance with the *Corporations Act 2001* and:
   (a) comply with Accounting Standards and the Corporations Regulations 2001; and
   (b) give a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2006 and of their performance for the year ended on that date;
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* by the Executive Chairman, the person who performs the chief executive function, and by the Company Secretary, the person who performs the chief financial officer function, for the purposes of section 295A, who have each declared that:
   (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
   (b) the financial statements are in accordance with the *Corporations Act 2001,* comply with Accounting Standards and the Corporations Regulations 2001 and give a true and fair view of the Company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
   (c) the financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board. The Company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

This declaration is made in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act 2001*.

William Johnson
Chairman

Victor Ho
Director

Perth, Western Australia

13 September 2006

Chartered Accountants
& Advisers

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ORION EQUITIES LIMITED

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for both Orion Equities Limited (the company) and the consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We have conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

The independence declaration given to the directors in accordance with section 307C would be in the same terms if it had been given at the date of this report.

Audit Opinion

In our opinion, the financial report of Orion Equities Limited is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

BDO
Chartered Accountants

M Shafizadeh
Partner

Perth, Western Australia
Dated this 13th day of September 2006

CORPORATE GOVERNANCE

COMPLIANCE WITH CORPORATE GOVERNANCE COUNCIL'S PRINCIPLES

The extent to which the Company has followed the ASX Corporate Governance Council's 10 principles of good corporate governance and best practice recommendations are as follows:

Principle 1: Lay solid foundations for management and oversight	**Compliance**	**CGS References / Comments**
1.1 Formalise and disclose the functions reserved to the board and those delegated to management.	Yes	2, 3.3, 4.1
1.2 Provide the information indicated in Guide to reporting on Principle 1. The following material should be included in the corporate governance (**CG**) section of the annual report: • an explanation of any departure from best practice recommendation 1.1. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked CG section: • the statement of matters reserved for the board or a summary of the board charter or the statement of delegated authority to management.	Yes	Annual Reports Website CGS
Principle 2: Structure the board to add value		
2.1 A majority of the board should be independent directors.	No	3.5
2.2 The chairperson should be an independent director	No	3, 3.3, 3.5
2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual.	N/A	3, 3.2, 3.3, 4.1
2.4 The board should establish a nomination committee	No	4.2
2.5 Provide the information indicated in Guide to reporting on Principle 2. The following material should be included in the CG section of the annual report: • the skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report • the names of the directors considered by the board to constitute independent directors and the company's materiality thresholds • a statement as to whether there is a procedure agreed by the board for directors to take independent professional advice at the expense of the company • the term of office held by each director in office at the date of the annual report • the names of members of the nomination committee and their attendance at meetings of the committee • an explanation of any departures from best practice recommendations 2.1, 2.2, 2.3, 2.4 or 2.5. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked CG section: • a description of the procedure for the selection and appointment of new directors to the board • the charter of the nomination committee or a summary of the role, rights, responsibilities and membership requirements for that committee • the nomination committee's policy for the appointment of directors.	Yes	Annual Reports Website CGS

CORPORATE GOVERNANCE

Principle 3: Promote ethical and responsible decision-making	**Compliance**	**CGS References / Comments**
3.1 Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:	No	6
3.1.1 the practices necessary to maintain confidence in the company's integrity		
3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		
3.2 Disclose the policy concerning trading in company securities by directors officers and employees.	Yes	3.8
3.3 Provide the information indicated in Guide to reporting on Principle 3. The following material should be included in the CG section of the annual report: • explanation of any departures from best practice recommendations 3.1, 3.2 or 3.3. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked CG section: • any applicable code of conduct or a summary of its main provisions. This disclosure may be the same as that required under Principle 10. • the trading policy or a summary of its main provisions.	Yes	Annual Reports Website CGS 3.8
Principle 4: Safeguard integrity in financial reporting		
4.1 Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.	Yes	4.1, 7
4.2 The board should establish an audit committee.	No	4.2
4.3 Structure the audit committee so that it consists of:	No	4.2, 3
• only non-executive directors		
• a majority of independent directors		
• an independent chairperson, who is not chairperson of the board		
• at least three members.		
4.4 The audit committee should have a formal charter.	No	4.2
4.5 Provide the information indicated in Guide to reporting on Principle 4. The following material should be included in the CG section of the annual report: • details of the names and qualifications of those appointed to the audit committee, or, where an audit committee has not been formed, those who fulfil the functions of an audit committee • the number of meetings of the audit committee and the names of the attendees • explanation of any departures from best practice recommendations 4.1, 4.2, 4.3, 4.4 or 4.5. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked CG section: • the audit committee charter • information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.	Yes	Annual Reports Website CGS

CORPORATE GOVERNANCE

Principle 5: Make timely and balanced disclosure	**Compliance**	**CGS References / Comments**
5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	Yes	7, 8.2
5.2 Provide the information indicated in Guide to reporting on Principle 5. The following material should be included in the CG section of the annual report: • explanation of any departures from best practice recommendation 5.1 or 5.2. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked CG section: • a summary of the policies and procedures designed to guide compliance with Listing Rule disclosure requirements.	Yes	Annual Reports Website CGS
Principle 6: Respect the rights of shareholders		
6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	Yes	8.1
6.2 Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	Yes	Annual General Meetings
6.3 Provide the information indicated in Guide to reporting on Principle 6. The following material should be included in the CG section of the annual report: • explanation of any departures from best practice recommendations 6.1 or 6.2. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked CG section: • a description of the arrangements the company has to promote communication with shareholders.	Yes	Annual Reports Website CGS
Principle 7: Recognise and manage risk		
7.1 The board or appropriate board committee should establish policies on risk oversight and management.	Yes	7
7.2 The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that:	Yes	7
7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.		
7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.		
7.3 Provide the information indicated in Guide to reporting on Principle 7. The following material should be included in the CG section of the annual report: • explanation of any departures from best practice recommendations 7.1, 7.2 or 7.3. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked CG section: • a description of the company's risk management policy and internal compliance and control system.	Yes	Annual Reports Website CGS

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Principle 8: Encourage enhanced performance	**Compliance**	**CGS References / Comments**
8.1 Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.	Yes	3.11
8.2 Provide the information indicated in Guide to reporting on Principle 8. The following material should be included in the CG section of the annual report: • whether a performance evaluation for the board and its members has taken place in the reporting period and how it was conducted • an explanation of any departure from best practice recommendation 8.1. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked CG section: • a description of the process for performance evaluation of the board, its committees and individual directors, and key executives.	Yes	Annual Reports Website CGS
Principle 9: Remunerate fairly and responsibly		
9.1 Provide disclosure in relation to the company's remuneration polices to enable investors to understand (i) the costs and benefits of those policies and (ii) the report link between remuneration paid to directors and key executives and corporate performance.	Yes	Annual Reports
9.2 The board should establish a remuneration committee.	No	4.2
9.3 Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Yes	Annual Reports
9.4 Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	N/A	No equity-based executive remuneration
9.5 Provide the information indicated in Guide to reporting on Principle 9. The following material should be included in the CG section of the annual report: • disclosure of the company's remuneration policies referred to in best practice recommendation 9.1 and in Box 9.1 • the names of the members of the remuneration committee and their attendance at meetings of the committee • the existence and terms of any schemes for retirement benefits, other than statutory superannuation, for non-executive directors • an explanation of any departures from best practice recommendations 9.1, 9.2, 9.3, 9.4 or 9.5. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked CG section: • the charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee.	Yes	Annual Reports Website CGS
Principle 10: Recognise the legitimate interests of stakeholders		
10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations.	No	6
10.2 Provide the information indicated in Guide to reporting on Principle 10. The following material should be included in the CG section of the annual report: • an explanation of any departure from best practice recommendation 10.1. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked CG section: • any applicable code of conduct or a summary of its main provisions.	Yes	Annual Reports Website CGS

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT (CGS)

1. Framework and Approach to Corporate Governance and Responsibility

The Board is committed to maintaining the highest standards of Corporate Governance. Corporate Governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders.

The Board of Directors supports the Principles of Good Corporate Governance and Best Practice Recommendations developed by the ASX Corporate Governance Council (**"Council"**). The Company's practices are largely consistent with the Council's guidelines - the Board considers that the implementation of some recommendations are not appropriate having regard to the nature and scale of the Company's activities and size of the Board. The Board uses its best endeavours to ensure exceptions to the Council's guidelines do not have a negative impact on the Company and the best interests of shareholders as a whole.

Details of all of the Council's recommendations can be found on the ASX website at http://www.asx.com.au/supervision/governance/index.htm

2. Board of Directors - Role and responsibilities

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. The Board is also responsible for the overall corporate governance of the Company, and recognises the need for the highest standards of behaviour and accountability in acting in the best interests of the Company as a whole. The Board also ensures that the Company complies with all of its contractual, statutory and any other legal or regulatory obligations. The Board has the final responsibility for the successful operations of the Company.

Where the Board considers that particular expertise or information is required, which is not available from within their number, appropriate external advice may be taken and reviewed prior to a final decision being made by the Board.

Without intending to limit the general role of the Board, the principal functions and responsibilities of the Board include the following.

(1) formulation and approval of the strategic direction, objectives and goals of the Company;

(2) the prudential control of the Company's finances and operations and monitoring the financial performance of the Company;

(3) the resourcing, review and monitoring of executive management;

(4) ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;

(5) the identification of significant business risks and ensuring that such risks are adequately managed;

(6) the timeliness, accuracy and effectiveness of communications and reporting to shareholders and the market;

(7) the establishment and maintenance of appropriate ethical standards;

(8) responsibilities typically assumed by an audit committee including:
   - (a) reviewing and approving the audited annual and reviewed half yearly financial reports;
   - (b) reviewing the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal;

(9) responsibilities typically assumed by a remuneration committee including:
   - (a) reviewing the remuneration and performance of both Executive and Non-Executive Directors;
   - (b) setting policies for Executives' remuneration, setting the terms and conditions of employment for Executives, undertaking reviews of Executive's performance, including, setting goals and reviewing progress in achieving those goals;
   - (c) reviewing the Company's Executive and employee incentive schemes and making recommendations on any proposed changes.

(10) responsibilities typically assumed by a nomination committee including:
   - (a) devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors;
   - (b) oversight of Board and Executive succession plans.

3. Board of Directors – Composition, Structure and Process

The Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and the scale and nature of the Company's activities. The names of the Directors and their qualifications and experience are stated in the Directors' Report for the year ended 30 June 2006.

3.1. Skills, knowledge and experience

Directors are appointed based on the specific corporate and governance skills and experience required by the Company. The Board should contain Directors with a relevant blend of personal experience in accounting and finance, law, financial and investment markets, financial management and

CORPORATE GOVERNANCE

public company administration, and Director-level business or corporate experience, having regard to the scale and nature of activities of the Company.

3.2. Non-Executive Directors

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. One of the current Board's four Directors is a Non-Executive Director – Mr Yaqoob Khan, whose qualifications and experience are stated in the Directors' Report for the year ended 30 June 2006.

3.3. Chairman

The Chairman leads the Board and has responsibility for ensuring the Board receives accurate, timely and clear information to enable Directors to perform their duties as a Board. The Company's current Executive Chairman is Mr Farooq Khan (appointed 23 October 2006) whose qualifications and experience are stated at page 10 of the 2006 Annual Report. Mr William Johnson was Executive Chairman between 3 July 2003 and 23 October 2006 and his qualifications and experience are stated in the Directors' Report for the year ended 30 June 2006.

3.4. Company Secretary

The Company Secretary is appointed by the Board and is responsible for developing and maintaining the information systems and processes that are appropriate for the Board to fulfil its role and is responsible to the Board for ensuring compliance with Board procedures and governance matters. The Company Secretary is also responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. The Company Secretary is currently Mr Victor Ho (also an Executive Director), whose qualifications and experience are stated in the Directors' Report for the year ended 30 June 2006.

3.5. Independence

An independent Director, in the view of the Company, is a Non-Executive Director who:

(1) is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;

(2) within the last 3 years has not been employed in an Executive capacity by the Company , or been a Director after ceasing to hold any such employment;

(3) within the last 3 years has not been a principal of a material professional adviser or a material consultant to the Company , or an employee materially associated with a service provider;

(4) is not a material supplier or customer of the Company , or an officer of or otherwise associated directly or indirectly with a material supplier or customer;

(5) has no material contractual relationship with the Company other than as a Director of the Company;

(6) has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and

(7) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Mr Farooq Khan (Executive Chairman), William Johnson (Executive Director) and Mr Victor Ho are not regarded as independent Directors, being Executive Officers of the Company. Mr Yaqoob Khan is not regarded as an independent Director, being a Director of the controlling shareholder of the Company, Queste Communications Limited (QUE). Mr Farooq Khan is also Executive Chairman and Managing Director of QUE and Mr Ho is also Company Secretary of QUE.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the appointment and further expense of a majority of independent Non-Executive Directors. The Board believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues.

If the Company's activities increase in size, nature and scope the size of the Board will be reviewed periodically and the optimum number of Directors required for the Board to properly perform its responsibilities and functions.

3.6. Conflicts of Interest

To ensure that Directors are at all times acting in the interests of the Company, Directors must:

(1) disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and

(2) if requested by the Board, within 7 days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself from the room when Board discussion and/or voting occurs on matters about which the conflict relates (save with the approval of the remaining Directors and subject to the Corporations Act).

3.7. Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company as defined in the Corporations Act or the ASX Listing Rules. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction,

CORPORATE GOVERNANCE

the Board cannot approve the transaction. The Company also discloses related party transactions in its financial report as required under relevant Accounting Standards.

3.8. Share Dealings and Disclosures

The Company's policy regarding Directors, Executives and employees dealing in its securities, is set by the Board. The Board restricts Directors, Executives and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices. Executives and employees and Directors are required to consult the Chairman and the Board respectively, prior to dealing in securities in the Company or other companies in which the Company has a relationship.

Dealings are not permitted at any time whilst in the possession of price sensitive information not already available to the market. In addition, the Corporations Act prohibits the purchase or sale of securities whilst a person is in possession of inside information.

3.9. Board Nominations

The Board will consider nominations for appointment or election of Directors that may arise from time to time having regard to the corporate and governance skills required by the Company and procedures outlined in the Constitution and the Corporations Act.

3.10. Terms of Appointment as a Director

The current Directors of the Company have not been appointed for fixed terms. The constitution of the Company provides that a Director other than the Managing Director may not retain office for more than three calendar years or beyond the third annual general meeting following his election, whichever is longer, without submitting himself for re-election. One third of the Directors (save for a Managing Director) must retire each year and are eligible for re-election. The Directors who retire by rotation at each annual general meeting are those with the longest length of time in office since their appointment or last election.

3.11. Performance Review and Evaluation

It is the policy of the Board to ensure that the Directors and Executives of the Company be equipped with the knowledge and information they need to discharge their responsibilities effectively, and that individual and collective performance is regularly and fairly reviewed. Although the Company is not of a size to warrant the development of formal processes for evaluating the performance of its Board, individual Directors and Executives, there is on-going monitoring by the Chairman and the Board. The Chairman also speaks to Directors individually regarding their role as a Director.

3.12. Meetings of the Board

The Chairman and Company Secretary generally schedules monthly formal Board meetings. In addition, the Board meets whenever necessary to deal with specific matters requiring attention between scheduled monthly meetings. Circulatory Resolutions are also utilised where appropriate either in place or in addition formal Board meetings. Board meetings are held predominantly by telephone conferencing as not all Directors are resident in the one city. However, the Board will convene face to face meetings from time to time as is appropriate based on the particular items of business for consideration.

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company. It is recognised and accepted that Board members may also concurrently serve on other boards, either in an executive or non-executive capacity.

3.13. Independent Professional Advice

Subject to prior consultation with the Chairman, each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

3.14. Access to Company Information and Confidentiality

All Directors have the right of access to all relevant Company books and to the Company's Executive Management. In accordance with legal requirements and agreed ethical standards, Directors and Executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

3.15. Directors' Deeds

The Company has also entered into a deed with each of the current Directors to regulate certain matters between the Company and each Director, both during the time the Directors holds office and after the Director ceases to be an officer of the Company (or wholly owned subsidiaries). A summary of the terms of such deed is contained within the Remuneration Report in the Director's Report for the year ended 30 June 2006.

4. Management

4.1. Executives

The Company does not presently have a Managing Director, Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"). The Company's executive team comprise the Executive Chairman and two Executive Directors (one of whom also acts as the Company Secretary). The Board has determined that the Executive Chairman and the Company Secretary are the appropriate persons to make the chief executive and CFO declarations required under section 295A and recommended by the Council.

CORPORATE GOVERNANCE

4.2. Board and Management Committees

In view of the current composition of the Board (which comprises three Executive and one Non-Executive Directors) and the nature and scale of the Company's activities, the Board has considered that establishing formally constituted committees for audit, board nominations and remuneration would contribute little to its effective management.

Accordingly audit matters, the nomination of new Directors and the setting, or review, of remuneration levels of Directors and Executives are reviewed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest). That is, matters typically dealt with by an audit, nominations and remuneration committee are dealt with by the full Board.

4.3. Investment Committee

The Company's implementation of its investment strategies in accordance with its investment objectives will be carried out by the Board and the Investment Committee (in conjunction with external consultants and advisers where appropriate). The Investment Committee comprises Executive Chairman, Farooq Khan and Executive Directors, William Johnson and Victor Ho.

Where necessary, the Investment Committee will engage additional specialist resource(s) to assist with the identification, evaluation and management of particular investment opportunities. This includes specialist consultants and advisers, analysts and brokers.

5. Remuneration Policy

Please refer to the Remuneration Report in the Director's Report for the year ended 30 June 2006.

6. Code of Conduct and Ethical Standards

The Company is not of a size that warrants the establishment of a formal code of conduct that guides compliance with all levels of legal and other obligations to stakeholders. However, the Company's policies are focussed on ensuring that all Directors, Executives, and employees act with the utmost integrity and objectivity in carrying out their duties and responsibilities, striving at all times to enhance the reputation and performance of the Company.

7. Internal Control and Risk Management

The Board is responsible for the identification, monitoring and management of significant business risks and the implementation of appropriate levels of internal control, recognising however that no cost effective internal control system will preclude all errors and irregularities. The Board regularly reviews and monitors areas of significant business risk.

The Board has determined that the Executive Chairman and the Company Secretary are the appropriate persons to make the chief executive and CFO declarations on the risk management and internal compliance and control systems recommended by the Council.

8. Communications

8.1. Communications to Market and Shareholders

The Board recognises its duty to ensure that its shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders and the market through:

(1) The Annual Report which is distributed to shareholders (usually with the Notice of Annual General Meeting);

(2) The Annual General Meeting and other general meetings called to obtain shareholder approvals as appropriate;

(3) The Half-Yearly Directors' and Financial Reports;

(4) Other announcements released to ASX as required under the continuous disclosure requirements of the ASX Listing Rules and other information that may be mailed to shareholders.

The Company actively promotes communication with shareholders through a variety of measures, including the use of the Company's website and email. The Company's reports and ASX announcements may be viewed and downloaded from its website: www.orionequities.com.au or the ASX website: www.asx.com.au under ASX code "OEQ". The Company also maintains an email list for the distribution of the Company's announcements via email in a timelier manner.

8.2. Continuous Disclosure to ASX

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules the Company immediately notifies the ASX of information:

(1) concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and

(2) that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

27 October 2006

ABOUT THE COMPANY

The Company has been listed on the Australian Stock Exchange (**ASX**) since November 1970.

Since 8 July 2004, the Company has been admitted to ASX as an investment entity (as defined under the ASX Listing Rules).

On 2 December 2005, the Company changed its name from Central Exchange Limited to Orion Equities Limited.

The Company's ASX code is "OEQ" (formerly "CXL").

1. INVESTMENT OBJECTIVES

The Investment Objectives of the Company are to:

- Achieve a consistent high real rate of return, comprising both income and capital growth, whilst operating within acceptable risk parameters set by the Board;
- Deliver a regular income stream for shareholders in the form of franked dividends;
- Preserve and protect the capital of the Company.

2. INVESTMENT STRATEGY

The Company will implement an actively managed investment strategy undertaking investments typically into one of two broad investment categories:

- Strategic Investments; and
- Non-strategic Investments.

The Company does not allocate a fixed proportion of funds into each or any of the above investment categories, since it believes that complete flexibility to invest across these categories is key to maximising long-term value growth for shareholders.

(c) Strategic Investments

The Company will seek to undertake investments in which it can reasonably expect to exert a degree of influence, including board representation or through playing an active role alongside management in order to enhance or realise shareholder value.

Investments will include those that have the potential for turnaround in profitability or capital appreciation through the introduction of new management, capital, improved business practices, industry rationalisation, and/or improved investor relations.

Strategic investments by their nature will rely heavily on the Company's ability to identify, attract and exploit unique opportunities.

(d) Non-Strategic Investments

The Company will seek to make non-strategic investments in entities where attractive investment opportunities develop due to market sentiment or mispricing or where the Company sees other potential for generating positive returns. In contrast to strategic investments, with non-strategic investments the Company does not envisage that it will take an active role in the management of the investment.

For each strategic and non-strategic investment, the Company will expect to receive a level of return that is commensurate with the level of risk associated with such investment. In each investment and for the investment Portfolio in aggregate, the Company will at least aim to achieve a return that is consistently in excess of an appropriate benchmark share index and or a return which could be earned from investments in cash, bills of exchange or negotiable instruments drawn or endorsed by a bank, non-bank financial institution or a government.

3. PORTFOLIO ALLOCATION

In executing its Investment Strategy, the Company may, from time to time, hold a high proportion of net assets in cash, preferring to be patient and selective rather than filling its Investment Portfolio with mediocre or underperforming investments for the sake of becoming "fully-invested".

The Company will not be limited to the principles of broad diversification; in other words, the Company may invest a significant proportion of funds in any single investment that represents an exceptional opportunity.

Every investment made by the Company will be continuously monitored and formally reviewed on a periodic basis. The Company will be willing to move quickly to realise investments when a view is formed that an investment is overvalued or there has been a material adverse change in an investment's circumstances or prospects – the Company recognises the importance of being nimble and responsive to material changes affecting its investments.

The Company recognises that in some cases, investments take significant periods of time to provide acceptable returns. As such investments may be relatively illiquid, the Company will seek to minimise potential loss in the investment's value where a rapid or unplanned exit from that investment is sought.

The Company may also decide to dispose of shares in an entity if in the Company's view, maintaining the

ABOUT THE COMPANY

investment is not in the best long-term interests of the Company or an alternative, superior investment opportunity arises.

The Company's investment decisions in this regard will be carried out by the Board of Directors and the Investment Committee (in conjunction with external consultants and advisers where appropriate) and not an external investment manager. Further information about the management of the Company's investment activities are disclosed below.

4. INVESTMENT SECTORS

Investments may be made by the Company in Australia or an overseas market and into any underlying industry, business or sector, in accordance with the Company's stated Investment Objectives and Strategies.

In this regard, the Company has a history of activity in the resource sector. Investments undertaken in this sector will continue to provide the Company with a window into the highly prospective resources sector domestically and globally. This sector will provide the initial focus for the Company, in part due to current market conditions and opportunities. Such opportunities can provide the possibility for exceptional growth and returns for relatively small levels of investment.

Resource investments may span large mining companies that produce base metals and precious metals, industrial minerals and bulk commodities to junior explorers with exposure to highly prospective projects or tenements. From time to time the Portfolio may have exposure to oil and gas opportunities.

Investments in the resources sector component of the Portfolio may be undertaken:

- Directly – through pegging of tenements, entering into joint ventures, taking options over and acquiring tenements, projects and joint venture interests;
- Indirectly – through placements and initial public offerings in existing companies (private, listed, or those seeking admission to ASX); or
- Actively – the Company recognises funding of exploration and resources development can be a problem for small and medium-sized resource companies (in Australia and overseas) and will seek to assist carefully selected companies in this sector to optimise their opportunities through the provision of funds and a range of financial and management expertise or services as required.

The Company will also seek to engage geological consultants and other relevant advisers from time to time to assist the Directors and Executives in their assessment of investment opportunities in this sector.

5. INVESTMENT CLASSES

In pursuit of the Investment Objectives and Strategies outlined above, the Company will have absolute discretion in applying its equity and any debt funds to a universe or range of potential investments in assets, businesses, securities, hybrid securities, cash, bills of exchange, other negotiable investments, debentures and other investments and structures including but not limited to those identified below:

(a) Listed securities (being any security quoted on ASX or another domestic or international financial market) or unlisted securities (whether expected to be quoted on a recognised stock exchange or not) including, without limitation, shares, units or notes which are redeemable, preference or deferred, fully or partly paid, with or without any right, title or interest thereto or therein (including a right to subscribe for or convert to any such security whether listed on or not), and any security of whatsoever nature;

(b) Warrants and options to sell or purchase any investment;

(c) Discount or purchase of bills of exchange, promissory notes or other negotiable instruments accepted, drawn or endorsed by any bank or by the Commonwealth of Australia, any State or Territory of Australia, or by any corporation of at least an investment grade credit rating granted by a recognised credit rating agency;

(d) Deposits with any bank or corporation declared to be an authorised dealer in the short-term money market;

(e) Debentures, bonds and unsecured notes of a corporation of at least an investment grade credit rating granted by a recognised credit rating agency;

(f) Units or other interests in cash management trusts;

(g) Units or other interests in property trusts;

(h) Managed investment schemes or other similar financial products;

(i) Derivatives - both exchange-traded and over-the-counter (OTC) (including options, futures, contracts for commodity futures and commodity options) for hedging and other purposes;

(j) Participation in underwriting and sub-underwriting of securities and units in which the Company is otherwise able to invest;

ABOUT THE COMPANY

(k) Debt, hybrid debt or quasi-equity/debt, mezzanine debt, or debt funding of whatsoever nature;

(l) Investments in assets of any type, whether they be generally known as "real", "financial" "operating' or "non-operating" including without limitation, interests in tenements, projects, real estate, business enterprises, and the carrying on of business or operations or any means of commercial exploitation of the same;

(m) Investments into (and the carrying on of business or operations or any means of commercial exploitation within) any underlying industry, business or resource sector;

(n) Investments through trusts, partnerships, joint ventures;

(o) Any other investments consistent with the Company's investment objectives.

6. MANAGEMENT OF INVESTMENTS

The Company's implementation of its Investment Strategies in accordance with its Investment Objectives is carried out by the Board of Directors and the Investment Committee (in conjunction with external consultants and advisers where appropriate).

The Investment Committee comprises Executive Chairman, Farooq Khan and Executive Directors, William Johnson and Victor Ho.

Where necessary, the Investment Committee will engage additional specialist resource(s) to assist with the identification, evaluation and management of particular investment opportunities. This includes specialist consultants and advisers, analysts and brokers.

The Investment Committee's collective recent experiences in public listed companies has involved:

- identification and assessment of strategic opportunities;
- strategic review of business operations and prospects of potential investee companies;
- accumulation of strategic stakes within investee companies;
- campaigning for change to unlock strategic value and seeking Board representation to implement the same;
- strategic review of business models and operations and their subsequent rationalisation to preserve capital or endeavour to unlock value within investee companies;
- corporate restructuring, including buy-backs and capital raisings, including rights issues and public offerings by prospectus;
- the identification, assessment, construction and management of share investment portfolios;
- tenement acquisitions and joint venture arrangements;
- assessment of resource projects and transaction structuring;
- pre-IPO corporate restructuring and capital raising;
- strategic business and financial modelling;
- strategic technical development and project management;
- strategic sales and marketing;
- evaluation of investment opportunities in a diverse range of sectors, including biotechnology, agribusiness, technology, telecommunications, property and resources;
- Strategic review of corporate and business restructuring of proposed acquisitions;
- Complex transactional structuring associated with acquisitions or pursuant to deeds of company arrangements.

At some time in the future, if it believes that it is in the best interests of the Company, the Board may chose to delegate part or all of the responsibility for making investment decisions to an investment manager, subject to the investment manager having appropriate capabilities, experience and the necessary Australian Financial Services licences(s).

LIST OF SHARE INVESTMENTS
as at 30 June 2006

Equities		% of Net Assets	Stock Exchange Code	Industry Sector Exposures
1.	Scarborough Equities Limited (1)	20.8%	SCB	Diversified Financials
2.	Bentley International Limited (1)	16.4%	BEL	Diversified Financials
3.	Strike Resources Limited (2)	12.9%	SRK	Energy
4.	Oilex NL	12.5%	OEX	Energy
5.	Katana Capital Limited	4.4%	KAT	Diversified Financials
6.	Telstra Corporation Limited	2.2%	TLS	Diversified Telecommunication Services
7.	Rio Tinto Limited	2.1%	RIO	Diversified Metals & Mining
8.	BHP Billiton Limited	2.0%	BHP	Materials
9.	Zinifex Limited	1.9%	ZFX	Materials
10.	Anzon Australia Limited	1.0%	AZA	Energy
11.	Medusa Mining Limited	1.0%	MML	Materials
12.	Arc Energy Limited	0.9%	ARQ	Energy
13.	Macquarie Bank Limited	0.8%	MBL	Diversified Financials
14.	Mount Gibson Iron Limited	0.7%	MGX	Materials
15.	Gloucester Coal Limited	0.7%	GCL	Energy
16.	Integrated Group Limited	0.6%	IWF	Commercial Services & Supplies
17.	Monarch Resources Ltd	0.6%	MRS	Materials
18.	MMC Contrarian Limited	0.5%	MMA	Diversified Financials
19.	Woodside Petroleum Ltd.	0.5%	WPL	Energy
20.	Magma Metals Limited	0.5%	MMB	Materials
21.	Multimedia Limited	0.4%	MUL	Telecommunications
22.	A.B.C. Learning Centres Limited	0.3%	ABS	Commercial Services & Supplies
23.	Sylvania Resources Limited	0.3%	SLV	Materials
24.	Antares Energy Limited	0.3%	AZZ	Energy
25.	OM Holdings Limited	0.3%	OMH	Materials
26.	Elixir Petroleum Limited	0.3%	EXR	Energy
27.	Eurogold Limited	0.3%	EUG	Materials
28.	Sphere Investments Limited	0.2%	SPH	Materials
29.	LINQ Resources Fund	0.2%	LRF	Materials
30.	Golden Cross Resources Ltd	0.2%	GCR	Materials
31.	International Goldfields Limited	0.2%	IGC	Materials
32.	Macarthur Coal Limited	0.2%	MCC	Materials
33.	Medusa Mining Limited	0.2%	MMLO	Materials
34.	European Goldfields Limited	0.1%	EGU-X	Materials
35.	Straits Resources Limited	0.1%	SRL	Materials
36.	Orion Telecommunications Limited	0.1%	OTL	Telecommunications
TOTAL		**86.6%**		

Notes:

(1) BEL and SCB have been accounted for as Associate entities

(2) The investment in Strike Resources Limited comprise:

		Fair Value $'million	% of Net Assets	ASX Code
(e)	Listed shares	1.26	4.9%	SRK
(f)	Listed 20c (30 Jun 2008) Options	0.40	1.6%	SRKO
(g)	Unlisted 20 cent (9 Feb 2011) Options	0.90	3.5%	Unlisted and escrowed to 9 Feb 2007
(h)	Unlisted 20 cent (9 Feb 2011) Options	0.73	2.9%	
		3.29	12.9%	

Fair value is based on a Black-Scholes options pricing valuation model applying the following assumptions:

(i) SRK's share price being 62 cents (the last bid price as at 30 June 2006). This compares with a last bid price of 162 cents on 26 October 2006.

(ii) A risk free rate of return of 5.78% (based on the Commonwealth 10 year bond rate as at 30 June 2006).

(iii) An estimated future volatility of SRK's share price of 60%.

ADDITIONAL ASX INFORMATION
as at 20 October 2006

DISTRIBUTION OF FULLY PAID ORDINARY SHARES

Spread of Holdings	Number of Holders	Number of Shares	% of Total Issue Capital
1 – 1000	314	169,786	0.953%
1,001- 5000	288	709,384	3.982%
5,001- 10,000	101	783,794	4.399%
10,001 – 100,000	109	3,287,547	18.454%
100,001 and over	10	12,863,878	72.210%
Total	**822**	**17,814,389**	**100%**

Marketable Parcel

Spread of Holdings	Number of Holders	Number of Shares	% of Total Issue Capital
1 – 526	145	33,689	0.189%
527 and over	677	17,780,700	99.81%
TOTAL	**822**	**17,814,389**	**100%**

An unmarketable parcel is considered, for the purposes of the above table, to be a shareholding of 526 shares or less (being a value of $500 or less in total, based upon the Company's last bid share price on 20 October 2006 of $0.95 per share).

VOTING RIGHTS

Subject to any rights or restrictions for the time being attached to any class or classes of shares (at present there are none), at meetings of shareholders of the Company:

- Each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- On a show of hands, every person present who is a shareholder or a proxy, attorney or corporate representative of a shareholder has one vote;
- On a poll, every person present who is a shareholder or a proxy, attorney or corporate representative of a shareholder shall, in respect of each fully paid share held by such person, or in respect of which such person is appointed a proxy, attorney or corporate representative, have one vote for that share; and

TRANSACTIONS AND BROKERAGE

The Company entered into 233 share investment transactions during the year, incurring total brokerage fees of ~$94,861.

ON-MARKET SHARE BUY-BACK

The Company has obtained shareholder approval (at the 2005 Annual General Meeting) for the implementation of an on-market buy back scheme for up to 20% of the Company's issued share capital between any 2 consecutive AGMs, in accordance with section 257C(1) of the Corporations Act. The Company has not implemented such buy-back scheme during the financial year and as at the date of this annual report.

ADDITIONAL ASX INFORMATION
as at 20 October 2006

TOP TWENTY ORDINARY FULLY PAID SHAREHOLDERS

RANK	SHAREHOLDER	TOTAL SHARES	% ISSUED CAPITAL
1	QUESTE COMMUNICATIONS LTD *	8,558,127	48.04
2	UBS NOMINEES PTY LTD *	1,010,524	5.672
3	CELLANTE SECURITIES PTY LIMITED	784,538	4.403
4	MR ABE ZELWER	651,914	3.659
5	STRIKE RESOURCES LIMITED	505,026	2.834
6	MR DONALD GORDON MACKENZIE & MRS GWENNETH EDNA MACKENZIE	323,189	1.814
7	KATANA CAPITAL LIMITED	300,000	1.684
8	ANZ NOMINEES LIMITED <CASH INCOME A/C>	265,560	1.49
9	MR EDWARD JAMES STEPHEN DALLY	240,000	1.347
10	REDSUMMER PTY LTD	225,000	1.263
11	MR LAWRENCE BRIAN CUMMINGS & MRS FRANZIE NANETTE CUMMINGS <CUMMINGS FAMILY S/F A/C>	100,000	0.561
12	MR RODNEY MALCOLM JONES & MRS CAROL ROBIN JONES <HOPERIDGE ENT P/L SUPER A/C>	100,000	0.561
13	AGO PTY LTD <SUPERANNUATION FUND A/C>	97,470	0.583
14	PERPETUAL CUSTODIANS LIMITED	90,000	0.505
15	MS MORAG HELEN BARRETT	88,513	0.496
16	MR MARK JAMES CASEY	87,400	0.49
17	MR JOHN GORDON KELLAS	80,000	0.449
18	MR KING CHONG CHAI	76,164	0.427
19	MR LUKE FREDERICK ATKINS	74,697	0.419
20	MR ANTHONY NEALE KILLER & MRS SANDRA MARIE KILLER <THE KILLER SUPER A/C>	70,000	0.392
	TOTAL	**13,734,622**	**77.089%**

* Substantial shareholder of the Company

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