

ORION METALS LIMITED

ACN 096 142 737

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 AUGUST 2016**

Orion Metals Limited

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Corporate information

Directors	Dr Yi Yang (Chairman, Non-Executive Director) Dr Feng Wu (Executive Director) Mr Bo Wang (Non-Executive Director) Mr Bin Cai (Executive Director/CFO)
Company secretary	Bill Lyne
Registered office	35 Hamish St Calamvale QLD 4116
Share registry	Link Market Services Limited Level 15 324 Queen Street Brisbane Qld 4000 Telephone: + 61 2 8280 7111 Facsimile: + 61 2 9287 0303
Auditor	BDO Audit Pty Ltd Level 10 12 Creek Street Brisbane Qld 4000 Telephone: + 61 7 3237 5999 Facsimile: + 61 7 3221 9227
Lawyers	Ashurst Australia Level 38, Riverside Centre, 123 Eagle Street, Brisbane QLD 4000 Telephone: +61 7 3259 7000 Facsimile: +61 7 3259 7111
Stock exchange listing	Orion Metals Limited shares are quoted on the Australian Securities Exchange under the code 'ORM'
Website address	www.orionmetals.com.au

Orion Metals Limited

Directors' report

The Directors of Orion Metals Limited ('Orion' or 'the Company') submit herewith the interim financial report of the Company for the half-year ended 31 August 2016.

Directors

The names and details of the Directors of the Company in office during the half-year and until the date of this report are:

Dr Yi Yang (Non-Executive Chairman, Non-Executive Director) *Appointed 22 July 2016*

Dr Feng Wu (Executive Director) *Appointed 22 July 2016*

Bo Wang (Non-Executive Director) *Appointed 22 July 2016*

Bin Cai (Executive Director/CFO)

Conglin Yue (Chairman/Chief Executive Officer) *Resigned 22 July 2016*

Yanchun Wang (Non-Executive Director) *Resigned 22 July 2016*

Dr Michelle Li (Non-Executive Director) *Resigned 18 March 2016*

Principal activities

The principal activity of the Company during the period was exploration for rare earth metals and gold.

Review of operations

The Company recorded a loss after tax of \$274,618 for the half-year ended 31 August 2016 (31 August 2015: \$303,601). There were no impairment losses during the period (2015: \$46,654).

No tenements were surrendered or relinquished during the period.

Key exploration activities for the period included:

Tanami West Project

Rare Earth Elements (REE) and Gold

The Company was successful in its bid to have all four exploration licences granted by expedited procedure. They had been subject to objections from the Tjurabalan Native Title Lands Aboriginal Corporation, which was represented by the Kimberley Land Council. Three tenements have been under application since 28 October 2014.

On the 17th May, 2016, the Government of Western Australia granted the four leases to Rich Resources Investments Pty Ltd, a wholly owned subsidiary of Orion Metals Limited.

Orion Metals tenement holdings in the Tanami region now stands at 107 sub-blocks, covering 321 square kilometres of highly prospective REE and gold terrain.

There was no field exploration work or desktop evaluation conducted during the period, pending new budgets and exploration objectives.

Mt Surprise Project

Rare Earth Elements (REE), Tin and Tungsten

There was no field work during the Half year

Orion Metals Limited

Directors' report (Continued)

Review of operations (Continued)

Top Camp Project

Gold and Copper

There has been no further progress towards a cultural and heritage (C&H) agreement during the period while Orion Metals awaits new budgets, and an outcome from the federal court in determining the legitimate representatives for the Mitakoodi Mayi families.

The Mt Isa based traditional owners, the Mitakoodi Mayi People have a native title determination application (QC2015/009) with the federal court currently. Ahead of any determination, internal family differences need to be sorted. There is, as well, a federal court order in place directing all family concerned to sort out their genealogical structure by 30th October 2016.

There was no exploration field work scheduled or conducted during the period. The Company will continue with desk top evaluations into an alluvial gold mining venture at Top Camp, and will pursue opportunities to assist in the realisation of that concept.

Mt Ramsay Project

Rare Earth Elements (REE)

There was no field work during the Half year.

Mt Ramsay remains a high priority exploration area for REE, specialty metals, copper and gold

Corporate

Orion Metals Limited entered into an investment agreement with Excellence Holdings HK Ltd on the 17 April 2016. Under the terms of the Investment Agreement, the Company agreed to issue to Excellence Holdings:

- 20,000,000 Shares at an issue price of \$0.005 each (Initial Shares);
- a further 180,000,000 Shares at an issue price of \$0.005 each (Further Shares); and
- 200,000,000 attaching options issued for no additional consideration, convertible into Shares with an exercise price of \$0.005 each (Options)

The issue of the Initial Shares was not conditional on Shareholder approval and occurred on 22 April 2016.

The issue of the Further Shares and Options were conditional on the approval of Shareholders and were approved at the Company's Annual General Meeting on 21 July 2016. The Further Shares were then issued on 21 July 2016, making a total \$1,000,000 raised from all new shares. A total of up to \$1,000,000 in further new funds will be raised once all Options have been exercised.

Orion Metals Limited

Directors' report (Continued)

Corporate (Continued)

As a consequence of the increased shareholding by Excellence Holdings, as foreshadowed in the Investment Agreement, the following Board changes occurred effective 22 July 2016:

- Dr Yi Yang was appointed as a non-executive Director and Chairman of the Company, representing Excellence
- Dr Feng Wu, also representing Excellence, was appointed as a part-time executive Director with responsibility for compliance
- Bo Wang was appointed as an independent non-executive Director
- Bin Cai continues as a part-time executive Director and CFO
- Conglin Yue resigned as a Director and CEO
- Yanchun Wang resigned as a Director

The new Board is currently evaluating the Company's existing tenements before deciding on future strategy.

Subsequent events

Other than as disclosed in this report, no other matters or circumstances have arisen since the end of the period which significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in the period under review.

Auditor's independence declaration

The auditor's independence declaration is included on page 5 of the interim financial report.

Signed in accordance with a resolution of directors.



Mr. Bin Cai
Director

Brisbane, 3 November 2016

ORION METALS LIMITED

ACN 096 142 737

AUDITOR'S DECLARATION OF INDEPENDENCE



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DECLARATION OF INDEPENDENCE BY ANTHONY WHYTE TO THE DIRECTORS OF ORION METALS LTD

As lead auditor for the review of Orion Metals Ltd for the half-year ended 31 August 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Orion Metals Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to be 'A J Whyte', written over a circular scribble.

A J Whyte
Director

BDO Audit Pty Ltd

Brisbane, 3 November 2016

Orion Metals Limited

Consolidated statement of financial position As at 31 August 2016

	Note	\$ 31 August 2016	\$ 28 February 2016
Current assets			
Cash and cash equivalents		711,305	114,791
Trade and other receivables		5,881	6,777
Other current assets		16,133	5,578
Total current assets		733,319	127,146
Non-current assets			
Exploration and evaluation assets		2,006,403	1,904,860
Total non-current assets		2,006,403	1,904,860
Total assets		2,739,722	2,032,006
Current liabilities			
Trade and other payables		218,423	199,945
Employee benefits		34,982	50,561
Total current liabilities		253,405	250,506
Total liabilities		253,405	250,506
Net assets		2,486,317	1,781,500
Equity			
Issued capital	4	14,547,717	13,568,283
Options reserve		467,838	467,838
Accumulated losses		(12,529,238)	(12,254,620)
Total equity		2,486,317	1,781,501

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Orion Metals Limited

Consolidated statement of comprehensive income

For the half-year ended 31 August 2016

Notes	\$ 2016	\$ 2015
Other income	-	-
Consultant and contractor expense	(43,225)	(38,622)
Depreciation expense	-	(1,389)
Salaries, wages and fees	(170,720)	(89,792)
Other administrative expenses	(61,896)	(131,927)
Exploration and evaluation assets written off	-	(46,654)
	(275,841)	(308,384)
Finance income	1,223	4,783
Finance costs	-	-
Net finance income/(costs)	1,223	4,783
Profit/(Loss) before income tax	(274,618)	(303,601)
Income tax expense	-	-
Profit/(loss) after income tax	(274,618)	(303,601)
Other comprehensive income		
Other comprehensive income, net of income tax	-	-
Total comprehensive income for the period	(274,618)	(303,601)
Loss attributable to:		
Owners of the Company	(274,618)	(303,601)
Total comprehensive income attributable to:		
Owners of the Company	(274,618)	(303,601)
Earnings per share		
Basic earnings per share	\$(0.0014)	\$(0.0021)
Diluted earnings per share	\$(0.0014)	\$(0.0021)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Orion Metals Limited

Consolidated statement of changes in equity For the half-year ended 31 August 2016

	Issued capital \$	Options reserve \$	Accumulated Losses \$	Total \$
Balance at 1 March 2016	13,568,283	467,838	(12,254,620)	1,781,501
Net loss	-	-	(274,618)	(274,618)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(274,618)	(274,618)
Transactions with owners, recorded directly in equity				
Shares issued during the half-year	1,000,000	-	-	1,000,000
Share issue costs	(20,566)	-	-	(20,566)
Balance at 31 August 2016	14,547,717	467,838	(12,529,238)	2,486,317
Balance at 1 March 2015	13,568,283	467,838	(11,654,968)	2,381,153
Net loss	-	-	(303,601)	(303,601)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(303,601)	(303,601)
Transactions with owners, recorded directly in equity				
Shares issued during the half-year	-	-	-	-
Balance at 31 August 2015	13,568,283	467,838	(11,958,969)	2,077,552

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Orion Metals Limited

Consolidated statement of cash flows For the half-year ended 31 August 2016

	2016 \$	2015 \$
Cash flows from operating activities		
Receipts from customers & GST	19,365	35,938
Payments to suppliers and employees	(299,867)	(350,837)
Interest received	1,223	4,783
Net cash used in operating activities	<u>(279,279)</u>	<u>(310,116)</u>
Cash flows from investing activities		
Payments for exploration and evaluation assets	<u>(103,641)</u>	<u>(163,955)</u>
Net cash used in investing activities	<u>(103,641)</u>	<u>(163,955)</u>
Cash flows from financing activities		
Proceeds from the issue of share capital	1,000,000	-
Share issue costs	(20,566)	-
Net cash provided by/(used) by financing activities	<u>979,434</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	596,514	(474,071)
Cash and cash equivalents at the beginning of the half-year	114,791	858,708
Cash and cash equivalents at the end of the half-year	<u>711,305</u>	<u>384,637</u>

The above consolidated statement of cash flows should be read in conjunction with the accompany notes.

Orion Metals Limited

Notes to interim financial report for the half-year ended 31 August 2016

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Orion Metals Limited

Notes to interim financial report for the half-year ended 31 August 2016

1 Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 August 2016 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting. The historical cost basis has been used.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 29 February 2016 and any public announcements made by Orion Metals Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements.

2 Operating segments

Identification of reportable operating segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The consolidated entity is managed primarily on a geographic basis, that is, the location of the respective areas of interest (tenements) in Australia.

Operating segments are determined on the basis of financial information reported to the board which is at the consolidated entity level. The consolidated entity does not have any products/services it derives revenue from.

Accordingly, management currently identifies the consolidated entity as having only one reportable segment, being exploration for predominantly gold and rare earth metals (REE). There have been no changes in the operating segments during the period. Accordingly, all significant operating decisions are based upon analysis of the consolidated entity as one segment. The financial results from this segment are equivalent to the financial statements of the consolidated entity as a whole.

3 Going concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The Consolidated Entity has incurred a net loss after tax for the half-year ended 31 August 2016 of \$274,618 and a net cash outflow from operations of \$279,279. At 31 August, the Consolidated Entity's current assets exceeded its current liabilities by \$479,914.

The ability of the Consolidated Entity to maintain continuity of normal business activities and to pay its debts as and when they fall due is dependent on the ability of the Consolidated Entity to successfully raise additional capital and/or successful exploration and subsequent exploitation of areas of interest through sale or development.

Should the Group not be able to raise capital or dispose of non-core assets when required or manage its expenditure so as to conserve cash over the coming 12 months, there exists a material uncertainty regarding the Company's and Consolidated Entity's ability to continue as a going concern and realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements.

The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities which might be necessary should the Consolidated Entity not be able to continue as a going concern.

Orion Metals Limited

Notes to interim financial report for the half-year ended 31 August 2016

4 Contributed equity

	31 August 2016	28 February 2016
	\$	\$
345,097,443 (28 February 2016: 145,097,443) fully paid ordinary shares	<u>14,547,717</u>	<u>13,568,283</u>

Movements in ordinary share capital

Details	Date	Shares	Issue Price	\$
Balance		145,097,443		13,568,283
Share issue	17 April 2016	20,000,000	\$0.005	100,000
Share issue costs*	21 July 2016	180,000,000	\$0.005	900,000
Share issue costs				(20,566)
Balance at 31 August 2016		<u>345,097,443</u>		<u>14,547,717</u>

- * Shares issued on 21 July 2016 has 200,000,000 options attached to the share issue which was issued for no additional consideration, convertible into shares with an exercise price of \$0.005 and expiring on 21 July 2018.

Dividends

No dividends were declared or paid during the interim period.

5 Contingent liabilities

The possibility of native title claim applications at some future time, under the provisions of the Native Title Act (1993), may affect access to and tenure of exploration tenements. Any substantial claim may have an effect on the value of the tenement affected by the claim. No provision has been made in the financial statements for the possibility of a native title claim application.

The consolidated entity is liable to pay royalties of 1% of gross sales proceeds from the Killi Killi Hills project, capped at \$100,000. As this project is still in the early stages of exploration it is premature to determine whether a royalty will be payable in future years.

Otherwise the Directors are not aware of any contingent liabilities or contingent assets that are likely to have a material effect on the results of the consolidated entity as disclosed in these financial statements.

6 Related parties

Ultimate holding company Excellence Holdings HK Ltd a company incorporated in Hong Kong, holds 57.95% of the issued shares of the Company.

Other substantial shareholders

Conglin Group/Mr Conglin Yue 30.6%
Jien Mining Pty Ltd 6.68%

7 Events subsequent to the end of the reporting period

There have been no other significant events subsequent to the end of the reporting period.

Directors' Declaration

In the directors' opinion:

- (a) the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standard AASB 134: Interim Financial Reporting; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 August 2016 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Orion Metals Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.



Mr. Bin Cai
Director

Brisbane, 3 November 2016

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Orion Metals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Orion Metals Limited, which comprises the consolidated statement of financial position as at 31 August 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 August 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Orion Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Orion Metals Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Orion Metals Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 August 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 3 in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements, and/or sale of non-core assets. These conditions, along with other matters as set out in Note 3, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit Pty Ltd

BDO



A J Whyte
Director

Brisbane, 3 November 2016