

ORION METALS LIMITED

ACN 096 142 737

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 AUGUST 2014**

Orion Metals Limited

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Corporate information

Directors	Conglin Yue (Chairman/CEO) Bin Cai (Executive Director/CFO) Yanchun Wang (Non-Executive Director) Dr Tao Li (Non-Executive Director)
Company secretary	Bill Lyne
Registered office	Level 24 Riparian Plaza 71 Eagle Street Brisbane QLD 4000
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 2014.

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:

Conglin Yue (Chairman/Chief Executive Officer)
Bin Cai (Executive Director/Chief Financial Officer)
Yanchun Wang (Non-Executive Director)
Dr Tao Li (Non-Executive Director)

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 \$995,638 for the half-year ended 31 August 2014 (31 August 2013: \$354,224). There were impairment losses of \$661,622 during the period (2013: nil).

Key exploration activities for the period included:

Tanami West Project (previously Killi Killi Hills)

There has been no exploration field work conducted while Orion negotiates land access with the local traditional ownership group, the Tjurabalan People. All Orion's tenement responsibilities are compliant.

New tenure has been applied for, and is awaiting grant early 2015.

Mt Surprise Project

Across the tenement package, a 230 sample surface geochemical sampling and mapping program was implemented comprising of 159 stream sediments, 46 rock chips, and 25 soil samples. The stream sediment sample portion of the program was helicopter supported.

The program successfully identified several new mineralised zones that warrant follow up exploration, with anomalous rare earth elements, tin, and tungsten results.

Mt Ramsay Project

New tenement EPM 25677, located in the Baralaba District, approximately 190 km west of Gladstone, Queensland was granted. This is the first tenement in this region 100% owned by Orion, and forms the basis for the new project, Mt Ramsay Project.

Mt Ramsay is a topographic high comprising of alkaline rocks called nepheline syenites; they are considered highly prospective for rare earth elements.

Top Camp

The renewal notice to the DNR Queensland was completed for Mining Lease ML 2764, with Orion's proposed scope of work for the next period being to evaluate the alluvial gold resource opportunity, as well as exploring for the source of the gold – copper anomalism found throughout the leases.

First stage of assessing the alluvial gold opportunity has been to conduct a gravity survey which will map out the palaeo-channel geometry. Results of the processing are yet to be fully interrogated.

Broughton Creek

The Company withdrew from this farm-in project to focus on its other exploration activities. Expenditure totalling \$658,157 has been written off during the half-year.

There were no other significant changes to the Company's corporate activities during the period.

Orion Metals Limited

Directors' report (Continued)

Review of operations (Continued)

Corporate

Placement and Share Purchase Plan

On 19 September 2014 the Company announced that it has entered into agreements with two of its major shareholders, Australia Conglin International Investment Group Pty Ltd and Jien Mining Pty Ltd for the placement of a total of 50,000,000 shares at a price of \$0.02 per share, raising \$1,000,000. Shareholder approval was obtained at an Extraordinary General Meeting held on 6 November 2014.

In addition to the Share Placements, the Company is providing eligible shareholders with the opportunity to participate in a share purchase plan ("SPP") to apply for up to \$15,000 worth of shares in the Company, free from brokerage or transaction costs.

The issue price under the SPP will be the lower of:

- \$0.015, representing a 25% discount to the price offered under the Share Placements; and
- a 5% discount to the volume weighted average price of the Company's shares traded on the ASX over the 5 trading days prior to the day that shares under the SPP are to be issued.

The offer closes on 20 November 2014.

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, 6 November 2014

DECLARATION OF INDEPENDENCE BY A J WHYTE TO THE DIRECTORS OF ORION METALS LIMITED

As lead auditor for the review of Orion Metals Limited for the half-year ended 31 August 2014, 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 J Whyte
Director

BDO Audit Pty Ltd

Brisbane, 6 November 2014

Orion Metals Limited

Consolidated statement of financial position

As at 31 August 2014

	Note	\$ 31 August 2014	\$ 28 February 2014
Current assets			
Cash and cash equivalents		521,232	1,207,445
Trade and other receivables		20,433	161,438
Other current assets		57,278	8,254
Total current assets		598,943	1,377,137
Non-current assets			
Exploration and evaluation assets		1,740,694	1,829,079
Property, plant and equipment		7,684	4,769
Total non-current assets		1,748,378	1,833,848
Total assets		2,347,321	3,210,985
Current liabilities			
Trade and other payables		254,776	142,802
Employee benefits		46,532	26,532
Total current liabilities		301,308	169,334
Total liabilities		301,308	169,334
Net assets		2,046,013	3,041,651
Equity			
Issued capital	4	12,583,010	12,583,010
Options reserve		467,838	467,838
Accumulated losses		(11,004,835)	(10,009,197)
Total equity		2,046,013	3,041,651

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 2014

Notes	\$ 2014	\$ 2013
Other income	-	-
Consultant and contractor expense	(53,342)	(36,490)
Depreciation expense	(1,165)	(598)
Salaries & wage expenses	(135,435)	(206,575)
Other administrative expenses	(159,917)	(153,682)
Exploration and evaluation assets written off	(661,622)	-
Results from operating activities	(1,011,481)	(397,345)
Finance income	15,843	43,121
Finance costs	-	-
Net finance income/(costs)	15,843	43,121
Profit/(Loss) before income tax	(995,638)	(354,224)
Income tax expense	-	-
Profit/(loss) after income tax	(995,638)	(354,224)
Other comprehensive income		
Other comprehensive income, net of income tax	-	-
Total comprehensive income for the period	(995,638)	(354,224)
Loss attributable to:		
Owners of the Company	(995,638)	(354,224)
Total comprehensive income attributable to:		
Owners of the Company	(995,638)	(354,224)
Earnings per share		
Basic earnings per share	\$(0.0108)	\$ (0.004)
Diluted earnings per share	\$(0.0108)	\$ (0.004)

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 2014

	Issued capital \$	Options reserve \$	Accumulated Losses \$	Total \$
Balance at 1 March 2014	12,583,010	467,838	(10,009,197)	3,041,651
Net loss	-	-	(995,638)	(995,638)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(995,638)	(995,638)
Transactions with owners, recorded directly in equity				
Shares issued during the half-year	-	-	-	-
Balance at 31 August 2014	12,583,010	467,838	(11,004,835)	(2,046,013)
Balance at 1 March 2013	12,573,010	467,838	(9,333,508)	3,707,340
Net loss	-	-	(354,224)	(354,224)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(354,224)	(354,224)
Transactions with owners, recorded directly in equity				
Shares issued during the half-year	-	-	-	-
Balance at 31 August 2013	12,573,010	467,838	(9,687,732)	3,353,116

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 2014

	2014 \$	2013 \$
Cash flows from operating activities		
R&D tax refund	150,007	212,214
Receipts from customers & GST	45,353	33,774
Payments to suppliers and employees	(344,204)	(492,488)
Interest received	20,953	43,088
Net cash used in operating activities	<u>(127,891)</u>	<u>(203,412)</u>
Cash flows from investing activities		
Payments for investments	-	-
Payments for plant and equipment	(4,080)	(1,177)
Payments for exploration and evaluation assets	(554,242)	(158,126)
Net cash used in investing activities	<u>(558,322)</u>	<u>(159,303)</u>
Cash flows from financing activities		
Proceeds from the issue of share capital	-	-
Share issue costs	-	-
Proceeds from borrowings	-	-
Net cash provided by/(used) by financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	(686,213)	(362,715)
Cash and cash equivalents at the beginning of the half-year	1,207,445	2,298,942
Cash and cash equivalents at the end of the half-year	<u>521,232</u>	<u>1,936,227</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 2014

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Orion Metals Limited

Notes to interim financial report for the half-year ended 31 August 2014

1 Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 August 2014 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 28 February 2014 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 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.

Orion Metals Limited

Notes to interim financial report for the half-year ended 31 August 2014

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 Group has incurred a net loss after tax for the half-year ended 31 August 2014 of \$995,638, including a write off of exploration and evaluation assets of \$661,622, and a net cash outflow from operations of \$127,891. At 31 August, the Group's current assets exceeded its current liabilities by \$297,635.

Since balance date the Company has announced that it has entered into agreements with two of its major shareholders, for the placement of a total of 50,000,000 shares at a price of \$0.02 per share, raising \$1,000,000. Shareholder approval was obtained at an Extraordinary General Meeting held on 6 November 2014.

In addition to the Share Placements, the Company is providing eligible shareholders with the opportunity to participate in a share purchase plan ("SPP") to apply for up to \$15,000 worth of shares in the Company, free from brokerage or transaction costs. (See Note 7 - Events subsequent to the end of the reporting period).

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 its ability to successfully raise additional capital and/or successful exploration and subsequent exploitation of areas of interest through sale or development.

4 Contributed equity

	31 August 2014	28 February 2014
	\$	\$
92,597,443 (28 February 2014: 92,597,443) fully paid ordinary shares	12,583,010	12,583,010

Dividends

No dividends were declared or paid during the interim period.

31 August 2014	28 February 2014
\$	\$

5 Investment

a) Investment in associate

-	-
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Reconciliation

Reconciliation of the values at the beginning and end of the current and previous financial year are set out below:

Opening balance	-	1,144,058
Impairment of assets	-	(1,144,058)
Closing balance	-	-

This entity has ceased operations and this investment has been written off.

Orion Metals Limited

Notes to interim financial report for the half-year ended 31 August 2014

6 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 accounts 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 within the next seven 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.

7 Events subsequent to the end of the reporting period

On 19 September 2014 the Company announced that it has entered into agreements with two of its major shareholders, Australia Conglin International Investment Group Pty Ltd and Jien Mining Pty Ltd for the placement of a total of 50,000,000 shares at a price of \$0.02 per share, raising \$1,000,000. Shareholder approval was obtained at an Extraordinary General Meeting held on 6 November 2014.

In addition to the Share Placements, the Company is providing eligible shareholders with the opportunity to participate in a share purchase plan ("SPP") to apply for up to \$15,000 worth of shares in the Company, free from brokerage or transaction costs.

The issue price under the SPP will be the lower of:

- \$0.015, representing a 25% discount to the price offered under the Share Placements; and
- a 5% discount to the volume weighted average price of the Company's shares traded on the ASX over the 5 trading days prior to the day that shares under the SPP are to be issued.

The offer closes on 20 November 2014.

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 2014 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, 6 November 2014

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 2014, 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 2014 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 Limited, 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 2014 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*

BDO Audit Pty Ltd


A J Whyte
Director

Brisbane, 6 November 2014