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ORION METALS LIMITED

ACN 096 142 737

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 AUGUST 2019**

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 21 10 Eagle 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', 'ORM' or 'the Company') submit herewith the interim financial report of the Company for the half-year ended 31 August 2019.

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)
Dr Feng Wu (Executive Director)
Bo Wang (Non-Executive Director)
Bin Cai (Executive Director/CFO)

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 \$276,579 for the half-year ended 31 August 2019 (31 August 2018: \$336,313). Exploration and Evaluation expense during the half-year was \$63,160 (2018: \$75,339).

In August 2019, a Tenements Sale Agreement was executed between PVW Resources NL ('PVW') and Orion's wholly-owned subsidiary, Rich Resources Investments Pty Ltd ('RRI'). Under the Tenements Sale Agreement RRI has agreed to sell the 7 exploration tenements in the Tanami West Project to PVW Tanami Pty Ltd ('PVW Tanami') for a total of \$250,000.

Mt Surprise Project EPM 18331 was surrendered upon expiry June 2019.

Mt Ramsay Project EPM 25677 was surrendered upon expiry August 2019.

Exploration activities:

There was no on-ground exploration conducted this half-year by Orion, though efforts at desktop level continue to upgrade the technical information base across all four Project areas.

With renewed optimism of a metals recovery this year in the Australian mining and exploration industry, Orion's highly prospective REE, gold, and base metals tenure will provide a platform for a range of exploration investment options. Orion's exploration activities, however, remain tightly constrained while the Company's Board of Directors decides on exploration objectives and strategy.

Tanami West Project

Rare Earth Elements (REE) and Gold

This is a REE and gold exploration Project located in the Tanami region of north-eastern Western Australia. It consists of 7 granted tenements covering 107 sub-blocks over 321² km. The granted tenements are held by RRI.

Orion entered into the Tanami West Farm-In Agreement with PVW in February 2018. PVW have commenced management of exploration on the Tanami West Project tenements and have completed the Stage 1 payment of \$40,000 to Orion, which earned them the right to acquire a 35% Participating Interest in the joint venture property.

In this reporting period, a Tenements Sale Agreement was executed between RRI and PVW. Under the Tenements Sale Agreement RRI has agreed to sell the 7 exploration tenements in the Tanami West Project to PVW Resources for a total of \$250,000. Following completion this Project will cease to be part of Orion's portfolio.

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Directors' report (Continued)

Review of operations (Continued)

Mt Surprise Project

Rare Earth Elements (REE), Tin and Tungsten

Consisting of tenure located in the Mareeba District, north-east Queensland, the Mt. Surprise Project is prospective for REE, tin, tungsten, gold and base metals. The Mt Surprise project EPM 18331 expired in June 2019 and was not renewed as the Directors concluded that there was no longer any benefit in retaining this tenement. The project now consists of only one tenement.

No on-ground exploration was conducted during the current reporting period.

Top Camp Project

Gold and Copper

Located 40km south west of Cloncurry in Queensland, the Top Camp Project consists of 4 granted mining leases. All the leases are 100% ORM held. The Project is considered prospective for IOCG (iron oxide copper gold) type deposits and has alluvial gold potential.

During the current reporting period, the Company applied to the Queensland DNRME to renew ML 2764 for a further 5 years commencing 1 February 2020.

No on-ground exploration was conducted during this period.

Mt Ramsay Project

Rare Earth Elements (REE), Tin, Tungsten, Copper and Gold

This Project is located within the Rockhampton Mining District, 190km west of the port city of Gladstone, Queensland. Mt Ramsay comprises of single tenement EPM 25677, prospective for rare earth elements, specialty metals, copper and gold.

The Company surrendered the EPM tenure in August 2019 as the Directors concluded that there was no longer any benefit in retaining this tenement. Consequently, the Company no longer has any interest in this Project.

No on-ground exploration was conducted during this period.

Corporate

There have been no material corporate activities or changes during the period ended 31 August 2019, or since that date, other than as stated in this report.

Directors continue to conserve funds through reductions in costs and exploration activities whilst evaluating the Company's remaining tenements and investigating potential sources of funding or any further joint venture opportunities across all projects to enable the Company to continue operations and carry out its exploration program over the next twelve months.

The Company also continues to seek any other attractive assets to further increase value for the benefit of all shareholders.

In August 2019 Orion and its wholly-owned subsidiary Rich Resources Investments Pty Ltd (RRI) entered into a Tenements Sale Agreement with PVW Resources NL (PVW) and PVW Tanami Pty Ltd (PVW Tanami). Under the Tenements Sale Agreement, RRI has agreed to sell, and PVW Tanami has agreed to buy, RRI's remaining 65% interest in the seven exploration tenements in the Tanami West Project in Western Australia (Tenements) from RRI for a total of \$250,000. Deposit of \$130,000 was received by Orion on 3 September 2019 and the balance of \$120,000 will be received upon completion of the sale and the transfer of titles. Revenue from sale of tenements will be recognised on completion date.

During the period 12,000,000 options held by Excellence Holdings HK Limited (EHHK) were exercised at 0.5¢ each, and 12,000,000 shares issued, raising \$60,000 additional working capital. The balance of 55,000,000 options are exercisable at 0.5¢ each to raise up to a further \$275,000 that will ensure continuity of funds for corporate expenses and meet minimum tenement and exploration commitments. EHHK has indicated that further options will be exercised over coming months as funds are required in support of their undertaking to provide continued financial backing to the Company for its ongoing operations over the next 12 months.

Orion Metals Limited

Subsequent events

In August 2019 Orion and its wholly-owned subsidiary Rich Resources Investments Pty Ltd (RRI) entered into a Tenements Sale Agreement with PVW Resources NL (PVW) and PVW Tanami Pty Ltd (PVW Tanami). Deposit of \$130,000 was received by Orion on 3 September 2019 and the balance of \$120,000 will be received upon completion of the sale and the transfer of titles. Revenue from sale of tenements will be recognised on completion date.

Other than the above, 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 6 of the interim financial report.

Signed in accordance with a resolution of directors.



Mr. Bin Cai
Director

Brisbane, 14 November 2019

Orion Metals Limited



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DECLARATION OF INDEPENDENCE BY C K HENRY TO THE DIRECTORS OF ORION METALS LIMITED

As lead auditor for the review of Orion Metals Limited for the half-year ended 31 August 2019, 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 read 'C K Henry', is written over a light grey grid background.

C K Henry
Director

BDO Audit Pty Ltd

Brisbane, 14 November 2019

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Orion Metals Limited

Consolidated statement of financial position

As at 31 August 2019

	\$ 31 August 2019	\$ 28 February 2019
Current assets		
Cash and cash equivalents	19,041	164,693
Trade and other receivables	-	4,135
Other current assets	25,618	6,975
Total current assets	44,659	175,803
Total assets	44,659	175,803
Current liabilities		
Trade and other payables	596,153	517,000
Employee benefits	76,073	69,791
-	-	-
Total current liabilities	672,226	586,791
Total liabilities	672,226	586,791
Net assets/(liabilities)	(627,567)	(410,988)
Equity		
Issued capital	4	15,212,717
Options reserve		467,838
Accumulated losses		(16,091,543)
Total equity		(627,567)

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 2019

Notes	\$ 2019	\$ 2018
Other income	-	-
Consultant and contractor expense	(11,114)	(34,568)
Salaries, wages and fees	(175,096)	(187,485)
Other administrative expenses	(27,368)	(39,176)
Exploration and evaluation expensed	(63,160)	(75,339)
	<u>(276,738)</u>	<u>(336,568)</u>
Finance income	159	255
Finance costs	-	-
Net finance income/(costs)	<u>159</u>	<u>255</u>
Profit/(Loss) before income tax	<u>(276,579)</u>	<u>(336,313)</u>
Income tax expense	-	-
Profit/(loss) after income tax	(276,579)	(336,313)
Other comprehensive income		
Other comprehensive income, net of income tax	-	-
Total comprehensive income for the period	<u>(276,579)</u>	<u>(336,313)</u>
Loss attributable to:		
Owners of the Company	<u>(276,579)</u>	<u>(336,313)</u>
Total comprehensive income attributable to:		
Owners of the Company	<u>(276,579)</u>	<u>(336,313)</u>
Earnings per share		
Basic earnings per share	\$(0.0006)	\$(0.0008)
Diluted earnings per share	\$(0.0006)	\$(0.0008)

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 2019

	Issued capital \$	Options reserve \$	Accumulated Losses \$	Total \$
Balance at 1 March 2019	15,212,717	467,838	(16,091,543)	(410,988)
Net loss	-	-	(276,579)	(276,579)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(276,579)	(276,579)
Transactions with owners, recorded directly in equity				
Shares issued during the half-year	60,000	-	-	60,000
Balance at 31 August 2019	15,272,717	467,838	(16,368,122)	(627,567)
Balance at 1 March 2018	14,747,717	467,838	(15,491,560)	(276,005)
Net loss	-	-	(336,313)	(336,313)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(336,313)	(336,313)
Transactions with owners, recorded directly in equity				
Shares issued during the half-year	300,000	-	-	300,000
Balance at 31 August 2018	15,047,717	467,838	(15,827,873)	(312,318)

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 2019

	2019 \$	2018 \$
Cash flows from operating activities		
Receipts from customers & GST	6,029	52,401
Payments to suppliers and employees	(211,840)	(251,477)
Interest received	159	255
Net cash used in operating activities	<u>(205,652)</u>	<u>(198,821)</u>
Cash flows from investing activities		
Payments for exploration and evaluation assets	-	-
Net cash used in investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from the issue of share capital	60,000	300,000
Share issue costs	-	-
Net cash provided by/(used) by financing activities	<u>60,000</u>	<u>300,000</u>
Net increase/(decrease) in cash and cash equivalents	(145,652)	101,179
Cash and cash equivalents at the beginning of the half-year	<u>164,693</u>	<u>96,899</u>
Cash and cash equivalents at the end of the half-year	<u>19,041</u>	<u>198,078</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 2019

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Notes to interim financial report for the half-year ended 31 August 2019

1 Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 August 2019 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 2019 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 2019 of \$276,579 and a net cash outflow from operations of \$205,652. At 31 August, the Consolidated Entity's current liabilities exceeded its current assets by \$627,567. In August 2019 Orion and its wholly-owned subsidiary Rich Resources Investments Pty Ltd (RRI) entered into a Tenements Sale Agreement with PVW Resources NL (PVW) and PVW Tanami Pty Ltd (PVW Tanami). Deposit of \$130,000 was received by Orion on 3 September 2019 and the balance of \$120,000 will be received upon completion of the sale and the transfer of titles.

The Company raised \$60,000 from the exercise of 12,000,000 options held by Excellence Holdings HK Limited (EHHK) during the half-year. The remaining 55,000,000 options held by EHHK expire on 21 December 2020. EHHK is committed to providing ongoing financial support to the Group and have provided the company with a written letter of support. The non-executive directors have given a written undertaking to the Company to not seek payment of directors fees during the next twelve months.

The ability of the group 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. These circumstances give rise to the

Orion Metals Limited

Notes to interim financial report for the half-year ended 31 August 2019

Going concern (continued)

existence of a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Group be unable to continue as a going concern.

4 Contributed equity

	31 August 2019	28 February 2019
	\$	\$
490,097,443 (28 February 2019: 478,097,443) fully paid ordinary shares	<u>15,272,717</u>	<u>15,212,717</u>

Movements in ordinary share capital

Details	Date	Shares	Issue Price	\$
Balance at the beginning of the period		478,097,443		15,212,717
Share issue on the exercise of options	31 July 2019	<u>12,000,000</u>	\$0.005	<u>60,000</u>
Balance at 31 August 2019		<u>490,097,443</u>		<u>15,272,717</u>

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.

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 Events subsequent to the end of the reporting period

In August 2019 Orion and its wholly-owned subsidiary Rich Resources Investments Pty Ltd (RRI) entered into a Tenements Sale Agreement with PVW Resources NL (PVW) and PVW Tanami Pty Ltd (PVW Tanami). Deposit of \$130,000 was received by Orion on 3 September 2019 and the balance of \$120,000 will be received upon completion of the sale and the transfer of titles. Revenue from sale of tenements will be recognised on completion date.

Other than the above, 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.

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	31 August 2019	28 February 2019
	\$	\$
7 Related Parties		
Directors' fees		
Short term employee benefits	149,274	242,514
Post-employment benefits	4,750	4,750
	<u>154,024</u>	<u>247,264</u>

Amounts owing to directors

As at 31 August 2019, \$331,743 of trade and other payables balances related to unpaid fees owed to directors.

Substantial shareholder transactions

12,000,000 shares were issued to substantial shareholder Excellence Holdings HK Limited (EHHK) during the year upon the exercise of 12,000,000 options at \$0.005 each. As at balance date EHHK held 345,000,000 shares in the Company.

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 2019 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, 14 November 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Orion Metals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Orion Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 August 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 August 2019 and of its financial performance for the half-year ended on that date
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

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 Group's financial position as at 31 August 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim*

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Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Group, 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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit Pty Ltd



C K Henry
Director

Brisbane, 14 November 2019

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