



ORION METALS LIMITED

ACN 096 142 737

DIRECTORS' REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2020

For personal use only

ORION METALS LIMITED
ACN 096 142 737

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Orion Metals Limited (the Company) and its controlled entities at the end of, or during the year ended, 29 February 2020.

1. THE DIRECTORS

The following persons were directors of the Company during the financial year and up to the date of this report:

| | |
|---|--|
| Dr Yi Yang | Non-Executive Chairman |
| | <i>Appointed 22 July 2016</i> |
| Qualifications | PhD in Philosophy |
| Experience | Dr Yi Yang was previously a government officer in the Central China Government and is now a director of numerous enterprises in China. He has many years' experience as a fund manager who managed up to RMB1 billion and AUD200 million. Dr Yang was the founder and Executive Chairman of Beijing Wayield Investment Co. Ltd in 2004 that has financially backed Excellence Holdings HK Limited in which he has a 50% interest and is a director. Wayield Investment is a registered financial institution by the Asset Management Association of China. |
| Special responsibilities | Chairman |
| Interest in Shares and Options | 365,000,000 shares & 35,000,000 options held by Excellence Holdings HK Limited |
| Directorships held in other listed entities | None |
| Dr Feng Wu | Executive Director (Compliance) |
| | <i>Appointed 22 July 2016</i> |
| Qualifications | PhD in Law |
| Experience | Dr Feng Wu was previously a Prosecutor of the Supreme People's Procuratorate of China. He founded a successful law practice in China in 2000 and provides services for state owned enterprises and large businesses. He is a director of several other companies in China and is also Executive Chairman of Beijing Electronics Technology Ruida Co., which is a subsidiary of China Electronics Corporation, the largest Chinese state owned IT enterprise and a global top 500 IT company. Dr Wu also has a 50% interest in Excellence Holdings and is a director. |
| Special responsibilities | Compliance |
| Interest in Shares and Options | 365,000,000 shares & 35,000,000 options held by Excellence Holdings HK Limited |
| Directorships held in other listed entities | None |

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1. THE DIRECTORS (Cont'd)

Mr Bo Wang

Non-Executive Director

Appointed 22 July 2016

Qualifications

B.Com. (Accounting) University of Canberra
M. Management University of NSW

Experience

Mr Bo Wang has held several positions in Australian and Chinese companies and is currently Executive Chairman of Boran (Tianjin) Financial Leasing Pty Ltd. He is studying for a Doctor of Psychology at Peking University

Special responsibilities

None

Interest in Shares and Options

None

Directorships held in other listed entities

None

Mr Bin Cai

Executive Director

Appointed 25 July 2012 (and previously Director 30 April 2012 ~ 31 May 2012)

Qualifications

Master of Finance & IS

Experience

Mr Cai is the Managing Director of Conglin International Investment Group Pty Ltd based in Brisbane. He has a record of successful strategic investments in emerging Australian resources companies based on his long experience in resources investment. Prior to joining the Conglin Group Mr. Cai had eight years' experience with The China Investment Bank.

Special responsibilities

Chief Financial Officer

Interest in Shares and Options

6,250 shares held by Australia Cayenne Holdings Pty Ltd.

Directorships held in other listed entities

Director of Carpentaria Resources Limited (previously Carpentaria Exploration Limited), 15 May 2011 ~ 16 May 2018

Alternate Director of Northern Minerals Limited, appointed 29 August 2013 ~ continuing

Company Secretary

Appointed 19 January 2010

Bill Lyne

Qualifications

BCom, CA, FGIA, FAICD, FFIN

Experience

Mr Lyne is the principal of Australian Company Secretary Service, providing company secretarial, compliance and governance services to public companies. He is secretary of a number of other listed companies and has a wealth of experience in corporate governance principles and practice.

Directorships held in other listed entities

Director of Jumbo Interactive Limited appointed 30 October 2009 ~ continuing

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2. PRINCIPAL ACTIVITIES OF THE CONSOLIDATED ENTITY

The principal activity of the consolidated entity is the exploration for Rare Earth Elements (REE), including Heavy Rare Earth Elements (HREE), and gold. There have been no significant changes in the nature of the principal activities during the year.

3. OPERATING RESULTS

The net result of operations of the consolidated entity for the year ended 29 February 2020 was a loss of \$531,667 (2019 – loss of \$599,983) which included:

- exploration and evaluation expenses \$108,092 (2019: \$104,416),
- personnel expenses of \$339,021 (2019: \$351,621), and
- other expenses of \$93,819 (2019: \$144,409).

Exploration expenditure during the year focussed on the Tanami West, Mt Surprise and Top Camp Projects and totalled \$108,092 (2019: \$104,416). All exploration expenditure incurred during the year was expensed.

The consolidated entity's strategy for future years remains under review. Directors are assessing the entity's portfolio of assets and determining whether to continue the exploration, evaluation and development of each mineral project, and/or to sell or relinquish non-core assets.

4. DIVIDENDS

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend since 29 February 2020 and to the date of this report.

5. REVIEW OF ACTIVITIES AND BUSINESS STRATEGIES

During 2019/20 the consolidated entity continued to conserve funds through further reductions in costs and exploration activities, and the rationalisation of its tenements.

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) for the Tanami West Project. 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.

As a consequence of entering into the new Tenements Sale Agreement the previous Tanami West Project Joint Venture will be terminated. All relevant technical data acquired by Orion on the Tanami West Project has been provided to PVW. Orion will continue to cooperate and work with PVW to ensure all tenements are kept in good standing and the transfer of titles is completed. However, in this regard, there has been some delay in transfer of tenements due to a change of legislation in Western Australia, the application of which the Office of State Revenue is currently interpreting. Also, one of the tenements requires completion of a heritage agreement before transfer can be effected. Completion will occur as soon as reasonably practical, when the balance of \$120,000 owing will be received.

Also, during the year the Company rationalised its tenement interests as the Directors decided to let the tenements expire, or they have been surrendered, in both the Mt. Surprise and Mt. Ramsay Projects because they concluded that they could not see any benefit in retaining them. Consequently, the Company no longer retains any interest in these two projects.

The Company still retains its interest in the Top Camp Project and continues to seek out potential sources of funding and/or joint venture opportunities to enable the Company to reactivate operations and carry out its exploration program at this project.

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In July 2019 Orion raised \$60,000 from the exercise of 12,000,000 options at an exercise price of 0.5 cents each, and in January 2020 a further \$100,000 was raised from the exercise of another 20,000,000 options. A total of 35,000,000 options remained exercisable at 0.5 cents each and expire on 21 December 2020.

5. REVIEW OF ACTIVITIES AND BUSINESS STRATEGIES (Cont'd)

As at the date of this report, Directors are continuing to assess the entity's portfolio of other exploration assets.

On a Project level, activities have been summarised below.

Tanami West Project

Despite an overall lack of on-ground exploration this last twelve months, the Tanami West Project still remains a highly prospective under-explored package of REE and Gold tenure.

In an effort to realise the potential of this Project area, ORM had entered into a Farm-in agreement with Tanami explorer PVW Resources NL (PVW). PVW bring funding and corporate expertise, as well as valuable local technical expertise. Subsequently, Orion Metals has entered into a Tenements Sale Agreement with PVW and its wholly-owned subsidiary, PVW Tanami Pty Ltd (PVW Tanami). Under the Tenements Sale Agreement Orion Metals wholly-owned subsidiary, Rich Resources Investments Pty Ltd (RRI) has agreed to sell its remaining interest in the seven exploration tenements in the Tanami West Project to PVW Tanami.

Orion Metals continues to work with PVW to complete the sale transaction and transfer of the Tanami West project tenements with the Western Australia Department of Mines.

Mt Surprise Project

This tenement package is highly prospective for tin, tungsten and rare earth elements. This Project is located adjacent to the historic Burlington tin tungsten work.

No on-ground exploration was conducted during the current reporting period. All tenure for the project was surrendered due to a lack of funding.

Top Camp Project

This remains the Company's most prospective Project with both the untested historic alluvial gold fields, and high quality primary IOCG targets, located on mining leases within the world class base metal province of Cloncurry, Queensland.

Funding issues have severely constrained ORM's capacity to develop this Project, both in terms of exploration and mining. Despite the funding challenges, the Company continues to ensure all statutory approvals are in place should the Board re-consider development of the Top Camp alluvial gold bulk sampling project.

Mt Ramsay Project

Mt Ramsay is prospective for REE, specialty metals, copper and gold.

No on-ground exploration was conducted during the current reporting period. Project tenure was surrendered due to a lack of funding.

6. OUTLOOK

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Major shareholder, Excellence Holdings HK Limited, has undertaken to provide continued financial support to Orion Metals for their ongoing operations over the next twelve months. A 2020-2021 exploration and expenses budget has been constructed to guide the Company through this financial year.

PVW are continuing the management and exploration of the Tanami West Project tenements whilst the Western Australian Department of Mines effects the transfer of the tenements to PVW Tanami Pty Ltd due to the sale of the remaining interest in the project.

In the meantime, Directors continue to seek other farm-in opportunities with other potential partners with appropriate synergies to grow the value of the Company.

7. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than stated elsewhere in this report, there were no significant changes in the state of affairs of the consolidated entity during the financial year.

8. EVENTS SUBSEQUENT TO REPORTING DATE

There have been no matters or circumstances that have arisen since the end of the year which significantly affected or could significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated group in future financial years.

The Directors are actively monitor the evolving situation with the COVID-19 pandemic and consider that at the present time there is no potential impact on the Company's operations. The health, safety and wellbeing of staff and contractors is a high priority, and all are currently working from home. In the meantime, the Directors are actively monitoring the unfolding situation worldwide and ensuring compliance with the latest directives and guidelines issued by the Australian state and federal governments.

9. LIKELY DEVELOPMENTS

Directors will continue investigating potential sources of funding or any more joint venture opportunities at Top Camp to enable the consolidated entity to continue operations and carry out its exploration programs over the next twelve months.

10. COMPANY HEALTH & SAFETY POLICY

Orion Metals places the health and safety of its people at work as the highest priority consideration above all others in the business environment. Orion's people are not only its staff and employees, but its various consultants and contractors.

Orion believes that a healthy workforce engaged in a safe and caring work environment, with a proactive safety culture will be a productive, and content workforce. We see this evolve towards improved business efficiency, and commercial success. We strive to create a culture where safety is a core value and where every individual takes responsibility for their own actions; and will act to prevent and stop unsafe occurrences or the actions of others.

In support of this policy, management accepts responsibility for the implementation of systems and processes to reduce safety risks in the workplace to as low as reasonably practicable. In order to achieve this goal, Orion has implemented an industry best practise HSE Management Plan. Where appropriate, complementary to this is a process of continued up-skilling of its workforce through industry and in-house education and training.

Orion's ultimate goal is the elimination of all incidents or events in the workplace which have the potential to produce injury, harm, or damage.

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Orion encourages employee participation in all matters affecting the health and safety of our people and invites suggestions from our work force of ways in which health and safety can be improved.

11. ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity is subject to and complies with environmental regulation in relation to its mineral exploration activities in North Queensland and Western Australia. At the date of this report there have been no known breaches of any environmental obligations.

The following policy has been adopted as the official Environmental Policy of the consolidated entity for its activities in both Queensland and Western Australia:-

The consolidated entity is committed to being a leader in environmental excellence by:

- Minimizing the effect of its activities on the environment.
- Rehabilitation of disturbed areas using environmental best practices.
- Meeting and where necessary exceeding applicable laws, regulations and voluntary commitments.

In achieving these objectives the Company will:

- Comply with all applicable environmental laws, regulations and conditions, upholding the spirit of those laws and where the law does not adequately protect the environment, applying the most appropriate environmental standard to each area in which the Company operates.
- Ensure that it has in place management systems to identify, control, monitor and audit environmental risks arising from its operations, products and services.
- Liaise with governmental and other authorities at all levels to develop and maintain responsible and effective environmental policies, laws, regulations and standards.
- Communicate openly with government and the community on environmental issues.
- Ensure that all employees, contractors and suppliers are informed of this policy, aware of their environmental responsibilities and their role in assisting in the implementation of this policy.

12. SHARES UNDER OPTION

Shares issued on the exercise of options

No new options were issued during the year ended 29 February 2020 (2019: 100,000,000).

32,000,000 Orion Metals Limited ordinary shares were issued during the year at 0.5 cents per share fully paid as a result of the exercise of options over unissued shares in the Company.

| | Exercise price | No. of options |
|--|-----------------------|-----------------------|
| Outstanding at the beginning of the year | 0.5 cents | 67,000,000 |
| Expired unexercised | 0.5 cents | - |
| Issued | 0.5 cents | - |
| Exercised | 0.5 cents | <u>(32,000,000)</u> |
| Outstanding at the end of the year | 0.5 cents | <u>35,000,000</u> |

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13. DIRECTORS' MEETINGS

The number of directors' meetings held during the financial year and the number of meetings attended by each director whilst a director is as follows:

| Directors | Meetings of Directors Held * | Meetings of Directors Attended |
|------------|---------------------------------|-----------------------------------|
| Dr Yi Yang | 5 | 5 |
| Dr Feng Wu | 5 | 4 |
| Mr Bo Wang | 5 | 4 |
| Mr Bin Cai | 5 | 5 |

** at which eligible to attend*

14. REMUNERATION REPORT – AUDITED

Remuneration Practices

The consolidated entity's policy for determining the nature and amount of remuneration of key management personnel, including Board members, is set out below.

The remuneration structure for key management personnel, excluding non-executive directors, is set by the Board of Directors and is based on a number of factors including, market remuneration for comparable companies, particular experience of the individual concerned and overall performance of the consolidated entity. The contracts for service between the consolidated entity and key management personnel are on a continuing basis the terms of which are not expected to change in the immediate future. The consolidated entity retains the right to terminate contracts immediately by making payment of an amount based on the employee's years of service. Upon retirement or termination key management personnel, excluding non-executive directors, are paid employee benefits accrued to date of retirement or termination. Compensation is determined in accordance with the general remuneration policy. The manner of payment is determined on a case by case basis and is generally cash but a mix of non-cash benefits may be considered appropriate by the Board of Directors.

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The board ensures that director and executive rewards satisfy the following key criteria:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency.

The consolidated entity has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

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14. REMUNERATION REPORT – AUDITED (Cont'd)

Key management personnel covered in this report

The following persons held their position during the whole of the financial period and up to the date of this report, unless otherwise stated

Non-executive and executive directors

Dr Yi Yang
Dr Feng Wu
Mr Bo Wang
Mr Bin Cai

Other Key Management Personnel

Mr Bill Lyne (Company Secretary)

The remuneration framework is aligned to shareholders' interests through:

- a focus on sustained growth in share price and key non-financial drivers of value
- attracting and retaining high calibre executives.

The remuneration framework is aligned to employees' interests through:

- rewarding capability and experience
- reflecting competitive rates of remuneration in respect of skills and responsibility
- providing a clear structure for earning rewards
- providing recognition for contribution.

Relationship between remuneration and Company performance

Because the Company is in exploration and not production, there is no direct relationship between the Company's financial performance and the level of remuneration paid to key management personnel.

Given that the remuneration is commercially reasonable, the link between remuneration, Company performance and shareholder wealth generation is tenuous, particularly in the exploration and development stage of a minerals company. Share prices are subject to the influence of international metal prices and market sentiment towards the sector and increases or decreases may occur independently of executive performance or remuneration. The Company may issue options to provide an incentive for key management personnel which, it is believed, is in line with industry standards and practice and is also believed to align the interests of key management personnel with those of the Company's shareholders.

Unless otherwise stated, service agreements do not provide for pre-determined compensation values or the manner of payment.

Except in so far as directors and other key management personnel hold options over shares in the Company, there is no relationship between remuneration policy and the Company's performance. The Company's share price was 1.3 cents as at 29 February 2020.

The table below sets out summary information about the Company's earnings and movements in shareholders' wealth for the five years to 29 February 2020:

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| Description | 29 February 2020 | 28 February 2019 | 28 February 2018 | 28 February 2017 | 29 February 2016 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Revenue | - | - | - | \$2,500 | - |
| Net profit/(loss) before tax | (\$531,667) | (\$599,983) | (\$700,078) | (\$632,001) | (\$789,572) |
| Net profit/(loss) after tax | (\$531,667) | (\$599,983) | (\$700,078) | (\$632,001) | (\$789,572) |
| Basic earnings/(loss) per share (cents) | (0.11) | (0.14) | (0.19) | (0.19) | (0.54) |
| Change in share price (cents) | 0.6 | 0.2 | 0.025 | (0.035) | (0.54) |

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DIRECTORS' REPORT

14. REMUNERATION REPORT – AUDITED (Cont'd)

There were no dividends paid or returns of capital by the Company during the year or previous 4 years.

Remuneration of the non-executive directors is approved by the Board and set in aggregate within the maximum amount approved by the shareholders from time to time. The fees have been determined by the Board having regard to industry practice and the need to obtain appropriately qualified independent persons. The aggregate pool of remuneration paid to non-executive Directors was approved by shareholders in 2011 and is currently \$300,000 per annum. The amount paid to non-executive directors in directors' fees and consulting fees while acting as non-executive directors is included in the table following.

The key management personnel of Orion Metals Limited and the consolidated entity includes the directors of the parent entity and the Company Secretary Mr Bill Lyne.

2020 Remuneration

| | Short-term employee benefits | | Share Based Remuneration | Post Employment Benefits | Total | Performance Related % | % consisting of options |
|---|------------------------------------|----------|-----------------------------|--------------------------------|----------------|--------------------------|-------------------------------|
| | Salary & fees | Bonus | Equity Settled Options* | Superannuation | | | |
| | \$ | \$ | \$ | \$ | \$ | % | % |
| Dr Yi Yang | 48,000 | - | - | - | 48,000 | - | - |
| Dr Feng Wu | 40,000 | - | - | - | 40,000 | - | - |
| Mr Bo Wang | 36,000 | - | - | - | 36,000 | - | - |
| Mr Bin Cai | 86,000 | - | - | 4,750 | 90,750 | - | - |
| Other Key Management Personnel | | | | | | | |
| B. Lyne (Company Secretary) | 29,784 | - | - | - | 29,784 | - | - |
| Total | 239,784 | - | - | 4,750 | 244,534 | - | - |

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14. REMUNERATION REPORT – AUDITED (Cont'd)

2019 Remuneration

| | Short-term employee benefits | | Share Based Remuneration | Post Employment Benefits | Total | Performance Related % | % consisting of options |
|---------------------------------------|------------------------------|----------|--------------------------|--------------------------|----------------|-----------------------|-------------------------|
| | Salary & fees | Bonus | Equity Settled Options* | Superannuation | | | |
| | \$ | \$ | \$ | \$ | \$ | % | % |
| Directors | | | | | | | |
| Dr Yi Yang | 48,000 | - | - | - | 48,000 | - | - |
| Dr Feng Wu | 40,000 | - | - | - | 40,000 | - | - |
| Mr Bo Wang | 36,000 | - | - | - | 36,000 | - | - |
| Mr Bin Cai | 86,000 | - | - | 4,750 | 90,750 | - | - |
| Other Key Management Personnel | | | | | | | |
| B. Lyne (Company Secretary) | 29,314 | - | - | - | 29,314 | - | - |
| P Brookes (Exploration Manager)* | 3,200 | - | - | - | 3,200 | - | - |
| Total | 242,514 | - | - | 4,750 | 247,264 | | |

As at reporting date there was \$561,895 (2019: \$410,896) owing to directors for directors' fees. There were no other transactions with or loans outstanding to key management personnel and their related parties for the year.

* P. Brookes resigned 31 March 2018

Shareholdings of key management personnel

| | Balance 1 March | Received as Remuneration | Options exercised | Net change other | Balance 28 February |
|------------------|-----------------|--------------------------|-------------------|------------------|---------------------|
| Directors | | | | | |
| Dr Yi Yang | - | - | - | - | - |
| Dr Feng Wu | - | - | - | - | - |
| Mr Bo Wang | - | - | - | - | - |
| Mr Bin Cai | - | - | - | - | - |

A related entity of directors Yang and Wu obtained 32,000,000 shares through the exercise of options during the period, and held 365,000,000 shares at the reporting date.

A related entity of Bin Cai held 6,250 shares at the reporting date; there were no changes to this shareholding during the period.

Other Key Management Personnel

| | | | | | |
|--------|---|---|---|---|---|
| B Lyne | - | - | - | - | - |
|--------|---|---|---|---|---|

Option holdings of key management personnel

A related entity of directors Yang and Wu exercised 32,000,000 options during the year and held 35,000,000 options at reporting date.

There were no other options held by key management personnel or their related entities at any time during the year.

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14. REMUNERATION REPORT – AUDITED (Cont'd)

Service Agreements

Remuneration and other terms of employment for key management personnel, other than the directors are formalised in service agreements. Details of these agreements are as follows:

Name: Yi Yang

Title: Non-Executive Chairman

Agreement commenced: 22 July 2016

Term of agreement: Not specified

Details: The Company has entered into an agreement with Yi Yang. Compensation is based on market-related compensation and there is no agreement by Orion Metals Limited to pay pre-determined compensation. There is also no agreement to pay Yi Yang any pre-determined amounts in the event of termination.

Name: Feng Wu

Title: Executive Director (Compliance)

Agreement commenced: 22 July 2016

Term of agreement: Not specified

Details: The Company has entered into an agreement with Feng Wu. Compensation is based on market-related compensation and there is no agreement by Orion Metals Limited to pay pre-determined compensation. There is also no agreement to pay Feng Wu any pre-determined amounts in the event of termination.

Name: Bo Wang

Title: Non-Executive Director

Agreement commenced: 22 July 2016

Term of agreement: Not specified

Details: The Company has entered into an agreement with Bo Wang. Compensation is based on market-related compensation and there is no agreement by Orion Metals Limited to pay pre-determined compensation. There is also no agreement to pay Bo Wang any pre-determined amounts in the event of termination.

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Name: Bin Cai

Title: Executive Director and CFO

Agreement commenced: 25 July 2012

Term of agreement: Not specified

Details: The company has entered into an agreement with Bin Cai to provide services on a fixed salary basis. There is no agreement by Orion Metals Limited to pay predetermined amounts in the event of termination other than statutory entitlements of long service leave and annual leave. No notice period has been specified.

Name: Bill Lyne

Title: Company Secretary

Agreement commenced: 19 January 2010

Term of agreement: Not specified

Details: The Company has entered into an agreement with Company Secretarial Services Pty Ltd for Bill Lyne to provide services on an as required basis, and fees are paid to the that company (which is a related entity of Mr Lyne). No notice period has been specified.

Remuneration Options

No key management personnel options were granted as remuneration during the year. (2019: nil) There were no cash bonuses or share based payment options granted during the year (2019: nil).

END OF REMUNERATION REPORT

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15. NON-AUDIT SERVICES

No amounts were paid or payable to the auditor for non-audit services provided during the year by the auditor.

16. INDEMNIFICATION AND INSURANCE OF OFFICERS OR AUDITOR

Each of the Directors and the Secretary of the Company have entered into a Deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company to those Directors and Secretary. The Company has insured all of the Directors and Officers of Orion Metals Limited. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act 2001 does not require disclosure of the information in these circumstances.

The Company has not indemnified or insured its auditor.

17. PROCEEDINGS ON BEHALF OF COMPANY

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

18. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 29 February 2020 has been received and forms part of this directors' report and can be found on page 15.

This report is made in accordance with a resolution of the Directors.

Signed:



BIN CAI
Director

20 May 2020

AUDITOR'S DECLARATION OF INDEPENDENCE



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

As lead auditor of Orion Metals Limited for the year ended 29 February 2020, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in blue ink, appearing to read 'C K Henry', is written over a light blue grid background.

C K Henry

Director

BDO Audit Pty Ltd

Brisbane, 20 May 2020

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 29 FEBRUARY 2020

| | Note | 2020 | 2019 |
|--|------|------------------|------------------|
| | | \$ | \$ |
| Other income | | - | - |
| Other expenses | 6 | (108,092) | (144,409) |
| Personnel expenses | 6 | (339,021) | (351,621) |
| Exploration and evaluation expense | | (84,723) | (104,416) |
| Loss from operating activities | | (531,836) | (600,446) |
| Finance income | 5 | 169 | 463 |
| Finance costs | | - | - |
| Net finance income | | 169 | 463 |
| Profit/(loss) before income tax | | (531,667) | (599,983) |
| Income tax | 7 | - | - |
| Profit/(loss) after income tax | | (531,667) | (599,983) |
| Other comprehensive income | | - | - |
| Total comprehensive income | | (531,667) | (599,983) |
| Profit/(loss) attributable to: the owners of the company | | (531,667) | (599,983) |
| Total comprehensive income attributable to: the owners of the company | | (531,667) | (599,983) |
| Basic earnings/(loss) per share (cents per share) | 14 | (0.11) | (0.14) |
| Diluted earnings/(loss) per share (cents per share) | 14 | (0.11) | (0.14) |

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 29 FEBRUARY 2020

| | Note | 2020 \$ | 2019 \$ |
|----------------------------------|------|------------------|------------------|
| Current Assets | | | |
| Cash and cash equivalents | 8 | 55,376 | 164,693 |
| Trade and other receivables | 9 | - | 4,135 |
| Other assets | 10 | 13,009 | 6,975 |
| Total Current Assets | | 68,385 | 175,803 |
| TOTAL ASSETS | | | |
| | | 68,385 | 175,803 |
| Current Liabilities | | | |
| Trade and other payables | 11 | 771,681 | 517,000 |
| Employee benefits | | 79,359 | 69,791 |
| Total Current Liabilities | | 851,040 | 586,791 |
| TOTAL LIABILITIES | | | |
| | | 851,040 | 586,791 |
| Net liabilities | | (782,655) | (410,988) |
| Equity | | | |
| Issued capital | 12 | 15,372,717 | 15,212,717 |
| Reserves | 13 | 467,838 | 467,838 |
| Accumulated losses | | (16,623,210) | (16,091,543) |
| Total deficit | | (782,655) | (410,988) |

The Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements

ORION METALS LIMITED
ACN 096 142 737

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 29 FEBRUARY 2020

| | Issued Capital \$ | Options reserve \$ | Accumulated losses \$ | Totals \$ |
|--|-------------------------|--------------------------|-----------------------------|------------------|
| Balance at 1 March 2018 | 14,747,717 | 467,838 | (15,491,560) | (276,005) |
| Profit /(Loss) after income tax | - | - | (599,983) | (599,983) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the year | - | - | (599,983) | (599,983) |
| Transactions with owners, recorded directly with equity | | | | |
| Shares issued during the year | 465,000 | - | - | 465,000 |
| Share issue costs | - | - | - | - |
| Balance at 28 February 2019 | 15,212,717 | 467,838 | (16,091,543) | (410,988) |
| Balance at 1 March 2019 | 15,212,717 | 467,838 | (16,091,543) | (410,988) |
| Profit /(Loss) after income tax | - | - | (531,667) | (531,667) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the year | - | - | (531,667) | (531,667) |
| Transactions with owners, recorded directly with equity | | | | |
| Shares issued during the year | 160,000 | - | - | 160,000 |
| Balance at 29 February 2020 | 15,372,717 | 467,838 | (16,623,210) | (782,655) |

The Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements

ORION METALS LIMITED
ACN 096 142 737

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 28 FEBRUARY 2020

| | Note | 2020 \$ | 2019 \$ |
|---|------|------------------|------------------|
| Cash Flows From Operating Activities | | | |
| Receipts from GST | | 18,715 | 23,040 |
| Payments to suppliers and employees | | (299,146) | (363,383) |
| Exploration and evaluation expense | | (119,055) | (97,326) |
| Interest received | | 169 | 463 |
| Net Cash Provided By/ (Used In) Operating Activities | 19 | (399,317) | (437,206) |
| Cash Flows From Financing Activities | | | |
| Proceeds from issues of equity securities | | 160,000 | 465,000 |
| Receipts from PVW Resources | | - | 40,000 |
| Net Cash Provided By/ (Used In) Financing Activities | | 160,000 | 505,000 |
| Cash Flows From Investing Activities | | | |
| Deposit for selling RRI's 65% interest in Tanami West Project | | 130,000 | - |
| Net Cash Provided By/ (Used In) Financing Activities | | 130,000 | - |
| Net Increase/(Decrease) In Cash and Cash Equivalents | | (109,317) | 67,794 |
| Cash and Cash Equivalents opening balance | | 164,693 | 96,899 |
| Cash and Cash Equivalents closing balance | 8 | 55,376 | 164,693 |

The Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements

ORION METALS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 FEBRUARY 2020

1 REPORTING ENTITY

The financial statements of Orion Metals Limited for the year ended 29 February 2020 were authorised for issue in accordance with a resolution of the directors on 20 May 2020 and covers the Consolidated Entity consisting of Orion Metals Limited and its subsidiaries as required by the Corporations Act 2001. Orion Metals Limited is a for-profit entity for the purpose of preparing these financial statements.

The financial statements are presented in Australian dollars.

The address of the registered office and principal place of business is 35 Hamish St, Calamvale, Qld 4116.

2 BASIS OF PREPARATION

A. Statement of compliance

The financial statements are a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) and other authoritative pronouncements by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements of the Consolidated Entity comply with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

B. Basis of measurement

The financial statements have been prepared on the historical cost basis.

C. Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about critical estimates and judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are outlined below:

ORION METALS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 FEBRUARY 2020

2 BASIS OF PREPARATION (Cont'd)

Going concern

As at 29 February 2020 the Group had cash reserves of \$55,376. The Group has incurred a net loss after tax for the year ended 29 February 2020 of \$516,344 after exploration and evaluation expense of \$84,723. The net cash outflow from operations for the year was \$399,317. At 29 February 2020, the Group's current liabilities exceeded its current assets by \$767,333. This includes \$516,896 owing to directors.

In addition, as detailed in Note 23, on 30 January 2020, the World Health organisation (WHO) announced a global health emergency because of a new strain of coronavirus (COVID-19) and the risks to the international community as the virus spreads globally. Because of the rapid increase in exposure globally, the WHO classified the COVID-19 outbreak as a pandemic. These events are having a significant negative impact on world stock markets, currencies and general business activities which could negatively impact the Company in a material adverse manner.

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

The directors believe that the going concern basis of preparation is appropriate due to the following factors:

- The Company raised \$160,000 during the year from the exercise of 32,000,000 options at \$0.005 by Excellence Holdings HK Ltd (EH). EH have advised the Company that the remaining 35,000,000 options will be exercised before their expiry date of 21 December 2020.
- Parent company, Excellence Holdings HK Ltd, have pledged their continuing support for a minimum of 12 months from the date of issuing these financial statements.
- \$516,896 of payable balances relate to outstanding amounts owing to directors. The directors have pledged to not call upon directors fees owed for the next 12 months or until such time that the company has sufficient funds to pay the directors fees.

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.

ORION METALS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 FEBRUARY 2020

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied by all entities in the Consolidated Entity.

A. Basis of consolidation

The consolidated financial statements comprise the financial statements of Orion Metals Limited and its subsidiaries for the year ended 29 February 2020 ("the group"). Subsidiaries are entities (including structured entities) over which the group has control. The group has control over an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affect those returns. Subsidiaries are consolidated from the date on which control is transferred to the group and are deconsolidated from the date that control ceases.

All intercompany balances and transactions, including unrealised profits arising from intragroup transactions have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

B. Income tax

The charge for current income tax expense is based on the profit/loss for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the reporting date.

Deferred tax is accounted for in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Current and deferred tax is recognised in the profit or loss, except where it relates to items recognised in the other comprehensive income or directly in equity. In this case the tax is recognised in the other comprehensive income or directly in equity respectively.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences or tax losses can be utilised.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 FEBRUARY 2020

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have 30-60 day payment terms. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

D. Impairment of Financial Assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

E. Impairment of Non-Financial 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 in the profit or loss.

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.

F. Equity Settled Share Based Compensation

The Consolidated Entity may issue equity-settled share-based payments to directors and employees. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a valuation which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

G. 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 are shown within short-term borrowings in current liabilities on the statement of financial position.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 FEBRUARY 2020

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

I. Interest Revenue

Interest revenue is recognised using the effective interest rates applicable to the financial assets.

J. 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 expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

K. Earnings per share

The Consolidated Entity presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

L. Leases

Leases of property, plant and equipment, where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the consolidated entity are classified as finance leases.

Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are depreciated over the shorter of the asset's useful life and the lease term. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged to the profit or loss on a straight line basis over the period of the lease.

M. New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

(i) AASB 16 - Leases

This standard results in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Company has evaluated that the new Standard does not have significant impact on the financial statements, as there are no leases.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 FEBRUARY 2020

4 SEGMENT REPORTING

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 operating segment, being exploration. There have been no changes in the operating segments during the year. Accordingly, all significant operating decisions are based upon analysis of the Consolidated Entity as one segment. The financial results from the segment are equivalent to the financial statements of the Consolidated Entity as a whole.

5 REVENUE AND OTHER INCOME

| | Consolidated Entity 2020 | Consolidated Entity 2019 |
|----------------|---|---|
| | \$ | \$ |
| Other income | - | - |
| Finance income | 169 | 463 |
| | 169 | 463 |

6 EXPENSES

Profit/(loss) before income tax expense has been determined after:

| | | |
|--|---------|---------|
| Audit and accountancy fees | 37,080 | 37,080 |
| Legal fees | 5,521 | 18,478 |
| Share registry expenses and listing fees | 33,178 | 52,470 |
| Insurance | 10,664 | 12,154 |
| Travel and accommodation | 1,035 | 2,447 |
| Other miscellaneous costs | 20,614 | 21,780 |
| Administrative expenses | 108,092 | 144,409 |

Employee expenses:

| | | |
|-------------------------------------|---------|---------|
| Salaries and on-costs | 134,042 | 138,698 |
| Directors fees and consultancy fees | 204,979 | 212,923 |
| | 339,021 | 351,621 |

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 FEBRUARY 2020

| | Consolidated Entity 2020 \$ | Consolidated Entity 2019 \$ |
|--|--|--|
| 7 INCOME TAX | | |
| Components of tax expense/(benefit) comprise: | | |
| Current tax | - | - |
| Deferred tax | - | - |
| Income Tax Expense/(Benefit) | - | - |
| <i>Numerical reconciliation of income tax benefit to prima facie tax payable</i> | | |
| Loss from operations for the year | (531,667) | (599,255) |
| The prima facie income tax benefit on loss before income tax at a tax rate of 27.5% (2019: 27.5%) | 146,208 | 179,776 |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Deferred tax asset not recognised on current year loss | (146,208) | (179,776) |
| Total income tax benefit | - | - |
| <i>Net unrecognised deferred tax assets</i> | | |
| Net Deductible temporary differences | (340,063) | 33,126 |
| Unused tax losses | 5,755,418 | 5,722,292 |
| Net unrecognised deferred tax asset | 5,415,355 | 5,755,418 |
| <i>Gross amounts of items in net unrecognised deferred tax assets</i> | | |
| Net Deductible temporary differences | 86,058 | 110,420 |
| Unused tax losses | 19,606,142 | 19,074,306 |
| Total unrecognised deferred tax assets | 19,692,200 | 19,184,726 |
| The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed. | | |
| The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain. The consolidated entity has no franking credits. | | |
| 8 CASH AND CASH EQUIVALENTS AND OTHER FINANCIAL ASSETS | | |
| Cash at bank | 55,376 | 164,693 |

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 FEBRUARY 2020

| | Consolidated Entity 2020 \$ | Consolidated Entity 2019 \$ |
|--|--------------------------------------|--------------------------------------|
| 9 TRADE & OTHER RECEIVABLES | | |
| Other debtors | - | 4,135 |
| | - | 4,135 |

10 OTHER ASSETS

Current

| | | |
|-------------|--------|-------|
| Deposits | 2,578 | 2,578 |
| Prepayments | 10,431 | 4,397 |
| | 13,009 | 6,975 |

| | Consolidated Entity 2020 \$ | Consolidated Entity 2019 \$ |
|------------------------------------|--------------------------------------|--------------------------------------|
| 11 TRADE AND OTHER PAYABLES | | |
| Directors fees payable | 561,896 | 410,896 |
| Other | 209,785 | 106,104 |
| | 771,681 | 517,000 |

12 ISSUED CAPITAL

| | | |
|--|------------|------------|
| 510,097,443 (2019: 478,097,443) fully paid ordinary shares | 15,609,719 | 15,449,719 |
| Transaction costs relating to share issues (net of tax) | (237,002) | (237,002) |
| | 15,372,717 | 15,212,717 |

| | Consolidated entity 2020 | | Consolidated entity 2019 | |
|--------------------------------------|-----------------------------|------------|-----------------------------|------------|
| | # | \$ | # | \$ |
| Ordinary shares | | | | |
| Balance at the beginning of the year | 478,097,443 | 15,212,717 | 385,097,443 | 14,747,717 |
| Share issues at \$0.005 | 32,000,000 | 160,000 | 93,000,000 | 465,000 |
| Share issue costs | - | - | - | - |
| Balance at the end of the year | 510,097,443 | 15,372,717 | 478,097,443 | 15,212,717 |

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 FEBRUARY 2020

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The Consolidated Entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In common with many other exploration companies, the parent raises finance for the Consolidated Entity's exploration and appraisal activities in discrete tranches. The Consolidated Entity's overall strategy remains unchanged from 2019.

The Consolidated Entity is not subject to externally imposed capital requirements.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 FEBRUARY 2020

13 RESERVES

| | Consolidated Entity 2020 \$ | Consolidated Entity 2019 \$ |
|------------------------|--|--|
| Options reserve | | |
| Opening balance | 467,838 | 467,838 |
| Options issued | - | - |
| Closing balance | 467,838 | 467,838 |

The option reserve account is to account for share based payments

14 EARNINGS PER SHARE

| | 2020 (Number) | 2019 (Number) |
|---|--------------------------|--------------------------|
| Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share | 488,337,880 | 430,478,265 |
| | 2020 \$ | 2019 \$ |
| Net loss after tax used in calculating basic earnings per share | 531,667 | 599,983 |
| Net loss after tax used in calculating diluted earnings per share | 531,667 | 599,983 |

15 CONTROLLED ENTITIES

Investments in controlled entities

| | Country of incorporation | % ownership 2020 | % ownership 2019 | Class of shares |
|------------------------------------|-------------------------------------|---------------------------------|---------------------------------|----------------------------|
| Rich Resources Investments Pty Ltd | Australia | 100% | 100% | Ord |
| Broughton Orion Pty Ltd | Australia | 100% | 100% | Ord |

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 FEBRUARY 2020

| | Consolidated Entity 2020 \$ | Consolidated Entity 2019 \$ |
|--|--|--|
| 16 COMMITMENTS FOR EXPENDITURE | | |
| Commitments for maintaining exploration tenements payable | | |
| - Not longer than 1 year | - | 43,150 |
| - Longer than 1 year but not longer than 5 years | - | 388,200 |
| - Longer than 5 years | - | - |
| | - | 431,350 |
| Tenement rentals | | |
| - Not longer than 1 year | 25,843 | 33,340 |
| - Longer than 1 year but not longer than 5 years | 60,349 | 65,165 |
| - Longer than 5 years | - | - |
| | 86,192 | 98,505 |

17 CONTINGENT LIABILITIES AND ASSETS

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.

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.

| | Consolidated entity 2020 \$ | Consolidated entity 2019 \$ |
|--|--|--|
| 18 RELATED PARTIES | | |
| Key management personnel compensation | | |
| Short term employee benefits | 239,784 | 242,514 |
| Post-employment benefits | 4,750 | 4,750 |
| | 244,534 | 247,264 |

Substantial shareholder transactions

32,000,000 shares were issued to substantial shareholder Excellence Holdings HK Limited during the year (EH) upon the exercise of 32,000,000 options at \$0.005 each. As at reporting date EH held 365,000,000 shares (2019: 333,000,000) in the Company and 35,000,000 options (2019: 67,000,000) exercisable at \$0.005 and expiring on 21 December 2020.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 FEBRUARY 2020

19 CASH FLOW INFORMATION

| | Consolidated Entity 2020 \$ | Consolidated Entity 2019 \$ |
|---|--|--|
| <i>Reconciliation of cash flow from operations with profit / (loss) after tax</i> | | |
| Profit / (loss) after tax | (531,667) | (599,983) |
| Non-cash flows: | | |
| Changes in operating assets and liabilities | | |
| Decrease in receivables | 4,135 | 1,210 |
| Decrease/(increase) in other assets | (6,034) | 2,060 |
| (Decrease)/increase in creditors and payables | 124,682 | 185,145 |
| (Decrease)/Increase in employee entitlements | 9,567 | 14,362 |
| | (399,317) | (437,206) |
| Net cash used in operating activities | (399,317) | (437,206) |

20 FINANCIAL INSTRUMENTS

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expense are recognised, in respect of each class of financial asset, financial liability, and equity instrument are disclosed in Note 3 to the financial statements.

Financial risk management objectives

The financial risks of the consolidated entity include market risk (including currency risk and price risk), credit risk and liquidity risk. The consolidated entity does not hedge these risk exposures. The Consolidated Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 FEBRUARY 2020

20 FINANCIAL INSTRUMENTS (Cont'd)

Market risk

Market risk is the risk that changes in market prices such as interest rates and equity prices will affect the Consolidated Entity's income and value of its holdings.

The Consolidated Entity's activities expose it primarily to the financial risks of changes in interest rates on its cash and cash equivalents. It is the policy of the Consolidated Entity to manage their risks by continuously monitoring interest rates. There has been no change to the Consolidated Entity's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

(i) Interest risk management

Interest rate risks are caused by fluctuations in interest rates which, in turn, are due to market factors.

Interest rate sensitivity

The Consolidated Entity's main interest rate risk arises from cash and cash equivalents. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the consolidated entity's profit/loss before taxes through the impact on cash and cash equivalents and held to maturity investments with a decrease or an increase of 0.25% in interest rates.

| | Consolidated Entity 2020 | Consolidated Entity 2019 |
|--|--------------------------------|--------------------------------|
| | \$ | \$ |
| Sensitivity | | |
| Cash and cash equivalents and other financial assets | 55,376 | 164,693 |
| Effect on profit or loss before taxes | | |
| Increase 0.25% | 138 | 412 |
| Decrease 0.25% | (138) | (412) |

(ii) Price risk management

The Consolidated Entity did not hold any listed equity securities at reporting date.

Liquidity risk management

Liquidity risks are caused by the inability to raise the money needed to meet payment of liabilities as and when they fall due. The Consolidated Entity manages liquidity risk by maintaining of reserves and by continually monitoring forecast and actual cash flows and cash balances. The parent entity raises equity for the Consolidated Entity's exploration and appraisal activities in discrete tranches.

At 29 February 2020 and 28 February 2019 the only financial liabilities of the Consolidated Entity were trade payables and accruals. All trade payables and accruals have a contractual maturity of 6 months or less.

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NOTES TO THE FINANCIAL STATEMENTS
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20 FINANCIAL INSTRUMENTS (Cont'd)

Credit risk management

In relation to financial assets, credit risk arises from the potential failure of counterparties to meet their obligations under a contract or arrangements. Credit risk for the Consolidated Entity arises from cash and cash equivalents and outstanding receivables. The Consolidated Entity is not exposed to any material credit risks and only trades with credit worthy third parties, outside of cash and cash equivalents which are all held with Australian regulated banks. The maximum exposure to credit risk is the carrying amount of the financial assets recognised in the statement of financial position.

Fair values

The carrying amounts of all financial assets and liabilities primarily comprising cash and cash equivalents, trade and other receivables, and trade and other payables are stated at their fair value.

| Consolidated Entity 2020 \$ | Consolidated Entity 2019 \$ |
|--|--|
|--|--|

21 AUDITORS REMUNERATION

Amounts paid/payable for audit or review of the financial statements

| | | |
|--|---------------|---------------|
| | 30,080 | 37,080 |
| | 30,080 | 37,080 |

No other services were provided by the auditors during the year.

22 OPTIONS

32,000,000 Orion Metals Limited ordinary shares were issued during the year at 0.5 cents per share as a result of the exercise of options over unissued shares in the Company.

Consolidated Entity

| | 2020 | | 2019 | |
|----------------------------------|---------------------------|--|---------------------------|--|
| | No. of options | Weighted average exercise price (cents) | No. of options | Weighted average exercise price (cents) |
| Outstanding at beginning of year | 67,000,000 | 0.5 | 160,000,000 | 0.5 |
| Granted | | - | 100,000,000 | 0.5 |
| Forfeited | | - | (100,000,000) | 0.5 |
| Exercised | (32,000,000) | 0.5 | (93,000,000) | 0.5 |
| Outstanding at year-end | 35,000,000 | 0.5 | 67,000,000 | 0.5 |
| Exercisable at year-end | 35,000,000 | 0.5 | 67,000,000 | 0.5 |

ORION METALS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 FEBRUARY 2020

23 SUBSEQUENT EVENTS

The full impact of the COVID-19 outbreak continues to evolve at the date of this report. The Company is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity, and future results of operations during 2020-21.

Management is actively monitoring the global situation and its impact on the Company's financial condition, liquidity, operations, suppliers and industry. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity for the 2020-21 financial year.

Although the Company cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Company's results of future operations, financial position and liquidity for 2020-21.

Other than the foregoing, no other matter or circumstance has arisen since 29 February 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future years.

24 PARENT ENTITY DISCLOSURES

| | 2020 | 2019 |
|--|----------------|----------------|
| | \$ | \$ |
| Result of parent entity | | |
| Profit/loss for the year | (263,089) | (473,622) |
| Other comprehensive income/(loss) for the year | - | - |
| Total comprehensive income | (263,089) | (473,622) |
| Financial position of parent entity at year end | | |
| Current Assets | 243,258 | 302,830 |
| Total assets | 243,258 | 302,830 |
| Current Liabilities | 631,465 | 587,948 |
| Total liabilities | 631,465 | 587,948 |
| Net Assets | (388,207) | (285,118) |
| Total equity of the parent entity comprising : | | |
| Issued capital | 15,372,717 | 15,212,717 |
| Reserves | 467,838 | 467,838 |
| Accumulated losses | (16,228,762) | (15,965,673) |
| Total equity | (388,207) | (285,118) |

The Company's contingencies and commitments comprise tenement rentals and commitments for maintaining exploration tenements. The total commitments as at 28 February 2020 are \$204,816 (2019: \$576,904).

The Company has not entered into any guarantees.

25 COMPANY DETAILS

ORION METALS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 FEBRUARY 2020

The Company's registered office and principal place of business is located at:

35 Hamish Street, Calamvale, Qld 4116

Company Secretary : Bill Lyne

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ORION METALS LIMITED

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DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The attached financial statements and notes are in accordance with the Corporations Act 2001, including :-
 - (a) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the financial position as at 28 February 2019 and performance for the year ended on that date of the consolidated entity,
2. The financial statements also comply with International Financial Reporting Standards as disclosed in note 2.
3. The Remuneration Report as set out in the Directors' Report complies with Section 300A of The Corporations Act 2001.
4. The Chief Executive Officer and Chief Financial Officer have 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 and notes for the financial year comply with the Australian Accounting Standards (including Australian Accounting Interpretations); and
 - (c) the financial statements and notes for the financial year give a true and fair view.
5. 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.

This declaration is made in accordance with a resolution of the Board of Directors.



BIN CAI
Director

Dated this 20th day of May 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Orion Metals Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Orion Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 29 February 2020, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 29 February 2020 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Material uncertainty related to going concern

We draw attention to Note 2 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 opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information contained in the director's report for the year ended 29 February 2020, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the director's report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the director's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material

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if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

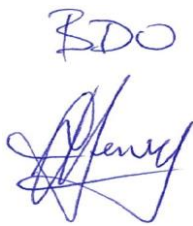
We have audited the Remuneration Report included in section 14 of the directors' report for the year ended 29 February 2020.

In our opinion, the Remuneration Report of Orion Metals Limited, for the year ended 29 February 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd



C K Henry
Director

Brisbane, 20 May 2020

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