

# **Orion Minerals Group Limited**

## **Interim Report**

**for the six month period ended 31 December 2013**

**Unaudited Interim Report**

For the six month period ended 31 December 2013

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## Directors' Report

For the six month period ended 31 December 2013

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Dear Shareholders,

The Directors have been seeking business arrangements that provide the best long term opportunities for the Company and as previously advised has determined that a scrap metal business aimed at exporting scrap metal from Australia will provide good opportunities for the Company. Shareholder approval was granted at a Special Meeting held on 17 July 2013 whereby approval was given to commence a new business operation in Australia processing scrap metal for export sale to Chinese markets.

### Progress with Scrap Metal Business

The Company continues to make good progress with the start up of its scrap metal export business in Australia. The business will aggregate scrap metal at its premises, sort the scrap into the various categories, and then market the material for sale into the international scrap metal markets.

The Company advises progress as follows:

- Orion Minerals Group Limited has incorporated a wholly owned subsidiary company, China Scrap Metals Resources Pty Limited ("CSMR"), to undertake the business operations in Geelong, Australia.
- CSMR has entered into a lease arrangement for an industrial site at 300-400 Broderick Road, Lara, Geelong, Victoria, Australia.
- CSMR has received the necessary permits from the City of Greater Geelong for the proposed operation.
- CSMR has entered into contracts for the purchase of specialised capital plant and equipment to process, weigh and transport the scrap metal.
- The equipment is being delivered by a combination of local supply and imported from China.
- The equipment has been acquired and is being assembled on site.
- CSMR has hired key staff for the operation and it expects to make its first shipment of scrap metal before the end of June 2014.
- The Company will advise the market once it has commenced the international shipment of its scrap metal inventory.

### Results

The financial result for the six month period ended 31 December 2013 for the Group is a loss of USD \$295,000. The major contributors to this result are the costs incurred in starting up the operation in Australia and fluctuations in the value of the Australian Dollar against the United States Dollar. This result includes a foreign exchange loss of USD \$66,000. The Company has the bulk of its cash resources invested in Australian Dollar cash so as to de-risk any Australian investment but, as the Company reports in United States Dollars, this does leave some exposure to United States Dollar currency fluctuations.

Dated: 30<sup>th</sup> April 2014



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Director



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Director

**Consolidated Statement of Comprehensive Income**

For the six month period ended 31 December 2013

	Note	31.12.2013 6 months unaudited US\$'000	31.12.2012 6 months unaudited US\$'000	30.6.2013 12 months audited US\$'000
Revenue		-	-	-
Cost of goods sold		-	-	-
<b>Gross Profit</b>		-	-	-
Other income		-	-	-
Administrative and other expenses		(310)	(201)	(444)
<b>Operating loss</b>		(310)	(201)	(444)
Finance income		81	114	142
Exchange (loss) / gain		(66)	305	(482)
<b>Net (loss) / profit before taxation</b>		(295)	218	(784)
Income tax expense		-	-	-
<b>Net (loss) / profit after taxation for the period attributable to shareholders</b>		(295)	218	(784)
<b>Other comprehensive income for the period</b>				
Exchange differences on translation of overseas subsidiaries		(90)	-	-
<b>Total comprehensive (loss) / income for the period</b>		(385)	218	(784)
<b>Earnings per share for (loss) / profit attributable to shareholders:</b>				
- Basic (loss) / earnings per share (cents)	3	(0.07)	0.05	(0.19)

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

**Consolidated Statement of Changes in Equity**

For the six month period ended 31 December 2013

	Share Capital	Foreign Currency Translation Reserve	Accumulated Losses	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Group</b>				
<b>Balance as at 1 July 2013</b>	<b>12,501</b>	<b>-</b>	<b>(5,085)</b>	<b>7,416</b>
Net loss attributable to shareholders	-	-	(295)	(295)
Other comprehensive income	-	(90)	-	(90)
Total comprehensive loss	-	(90)	(295)	(385)
<b>Balance as at 31 December 2013</b>	<b>12,501</b>	<b>(90)</b>	<b>(5,380)</b>	<b>7,031</b>
<b>Group</b>				
<b>Balance as at 1 July 2012</b>	<b>12,501</b>	<b>-</b>	<b>(4,301)</b>	<b>8,200</b>
Net profit attributable to shareholders	-	-	218	218
Total comprehensive income	-	-	218	218
<b>Balance as at 31 December 2012</b>	<b>12,501</b>	<b>-</b>	<b>(4,083)</b>	<b>8,418</b>
<b>Group</b>				
<b>Balance as at 1 July 2012</b>	<b>12,501</b>	<b>-</b>	<b>(4,301)</b>	<b>8,200</b>
Net loss attributable to shareholders	-	-	(784)	(784)
Total comprehensive loss	-	-	(784)	(784)
<b>Balance as at 30 June 2013</b>	<b>12,501</b>	<b>-</b>	<b>(5,085)</b>	<b>7,416</b>

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

**Consolidated Statement of Financial Position**

As at 31 December 2013

	Note	31.12.2013 unaudited US\$'000	31.12.2012 unaudited US\$'000	30.6.2013 audited US\$'000
<b>ASSETS</b>				
<b>Non Current Assets</b>				
Property, plant and equipment	4	132	1	-
Other receivables		2	-	-
<b>Total non current assets</b>		<b>134</b>	<b>1</b>	<b>-</b>
<b>Current Assets</b>				
Cash and cash equivalents		6,604	8,276	7,339
Trade and other receivables		208	31	36
Taxation receivable		151	119	120
<b>Total current assets</b>		<b>6,963</b>	<b>8,426</b>	<b>7,495</b>
<b>TOTAL ASSETS</b>		<b>7,097</b>	<b>8,427</b>	<b>7,495</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and other payables		66	9	79
<b>Total current liabilities</b>		<b>66</b>	<b>9</b>	<b>79</b>
<b>TOTAL LIABILITIES</b>		<b>66</b>	<b>9</b>	<b>79</b>
<b>EQUITY</b>				
Share capital	2	12,501	12,501	12,501
Accumulated losses		(5,380)	(4,083)	(5,085)
Other reserves		(90)	-	-
<b>Total Equity</b>		<b>7,031</b>	<b>8,418</b>	<b>7,416</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,097</b>	<b>8,427</b>	<b>7,495</b>

For and on behalf of the Board:

Director

Director

Dated: 30<sup>th</sup> April 2014

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

**Consolidated Statement of Cash Flows**

For the six month period ended 31 December 2013

	Note	31.12.2013 6 months unaudited US\$'000	31.12.2012 6 months unaudited US\$'000	30.6.2013 12 months audited US\$'000
<b>OPERATING ACTIVITIES</b>				
<b>Cash was provided from:</b>				
Receipts from customers		-	-	-
Interest received		81	114	138
<b>Cash was applied to:</b>				
Payments to suppliers and employees		(495)	(208)	(387)
Income tax paid		(31)	(34)	(35)
<b>Net cash outflows from operating activities</b>	5	<b>(445)</b>	<b>(128)</b>	<b>(284)</b>
<b>INVESTING ACTIVITIES</b>				
<b>Cash was applied to:</b>				
Purchase of property, plant and equipment		(136)	-	-
<b>Net cash outflows from investing activities</b>		<b>(136)</b>	<b>-</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(581)</b>	<b>(128)</b>	<b>(284)</b>
Cash and cash equivalents at beginning of the period		7,339	8,101	8,101
Effect of exchange rate changes on cash and cash equivalents		(154)	303	(478)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		<b>6,604</b>	<b>8,276</b>	<b>7,339</b>
<b>COMPOSITION OF CASH:</b>				
Cash and cash equivalents		6,604	8,276	7,339

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

## Notes to the Financial Statements

For the six month period ended 31 December 2013

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### 1) General Information

The Group is engaged in a start-up phase of a new business operation in Australia processing scrap metal for export sale to Chinese markets.

The Company, Orion Minerals Group Limited, is a limited liability company incorporated and domiciled in New Zealand.

These consolidated interim financial statements have been approved for issue by the Board of Directors on 30th April 2014.

### 2) Summary of Significant Accounting Policies

These general purpose financial statements for the interim six month reporting period ended 31 December 2013 have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), International Accounting Standard 34 and NZ IAS 34 Interim Financial Reporting.

#### **Basis of preparation**

The accounting policies have been applied on a basis consistent with those used in the audited financial statements for the year ended 30 June 2013 and the unaudited financial statements for the six months ended 31 December 2012.

These interim financial statements do not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013.

The reporting currency used in the preparation of these consolidated financial statements is United States dollars, rounded where necessary to the nearest thousand dollars.

#### **Entities reporting**

The financial statements of the consolidated financial statements of the Group comprising Orion Minerals Group Limited ("Company" or "Parent") and its subsidiary.

The Group is designated as profit oriented entity for financial reporting purposes. No separate Parent results are disclosed in the interim financial statements.

#### **Statutory base**

Orion Minerals Group Limited is a company registered under Companies Act 1993 and is an issuer in terms of the Securities Act 1978. The Company is also listed on the New Zealand Alternative Market ("NZAX").

These consolidated interim financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993.

#### **Going concern**

The financial statements have been prepared on a going concern basis of accounting. The basis contemplates the realisation of assets and the settlement of liabilities in the normal course of business.

#### **Historical cost convention**

These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and liabilities (including derivative instruments) at fair value through profit or loss.

#### **Critical accounting estimates and judgements**

The preparation of interim financial statements in accordance with NZ IAS 34 Interim Financial Reporting requires that management makes estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosures of contingent assets and liabilities as at the date of the financial statements, and the profit and loss amounts during the year. The actual results could 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.

#### **a) Changes in Accounting Policies**

Accounting policies have been applied on a basis consistent with prior half year and annual financial statements, with the addition of the following policy:

#### **Foreign Currency Translation of Foreign Operations**

The results and financial position of foreign entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each Income Statement are translated at average exchange rates; and
- all resulting differences are recognised as a separate component of equity.



**Notes to the Financial Statements**

For the six month period ended 31 December 2013

**1 Segment Information**

At a Special Meeting of shareholders held on 17 July 2013 approval was given to commence a new business operation in Australia processing scrap metal for export sale to Chinese markets. The Company is in the start-up phase of its scrap metal export business in Australia.

Revenue is allocated based on the country where the sale is generated. New Zealand includes holding company costs and head office charges.

Total assets and liabilities are allocated based on where those assets and liabilities are located.

	Six month period ended 31 December 2013			Six month period ended 31 December 2012	
	Australia unaudited US\$'000	Holding Company New Zealand unaudited US\$'000	Total unaudited US\$'000	Holding Company New Zealand unaudited US\$'000	Total unaudited US\$'000
Total external sales revenue	-	-	-	-	-
Total EBITDA	(97)	(213)	(310)	(201)	(201)
Depreciation	-	-	-	-	-
Finance income	6	75	81	114	114
Exchange (loss) / gain	-	(66)	(66)	305	305
Income tax expense	-	-	-	-	-
<b>Net (loss) / profit for the period</b>	<b>(91)</b>	<b>(204)</b>	<b>(295)</b>	<b>218</b>	<b>218</b>
Total allocated assets	3,082	4,015	7,097	8,427	8,427
Total allocated liabilities	50	16	66	9	9

	Year ended 30 June 2013	
	Holding Company New Zealand audited US\$'000	Total audited US\$'000
Total external sales revenue	-	-
Total EBITDA	(443)	(443)
Depreciation	(1)	(1)
Finance income	142	142
Exchange loss	(482)	(482)
Income tax expense	-	-
<b>Net loss for the period</b>	<b>(784)</b>	<b>(784)</b>
Total allocated assets	7,495	7,495
Total allocated liabilities	79	79

The "Total EBITDA" measure above excludes foreign exchange gains / losses as well as net finance income and depreciation.

**Notes to the Financial Statements**

For the six month period ended 31 December 2013

**2 Share Capital**

<b>Group</b>	<b>31.12.2013 unaudited Number</b>	31.12.2012 unaudited Number	30.6.2013 audited Number	<b>31.12.2013 unaudited US\$'000</b>	31.12.2012 unaudited US\$'000	30.6.2013 audited US\$'000
Ordinary shares						
Balance at beginning of the period	<b>414,550,000</b>	414,550,000	414,550,000	<b>12,501</b>	12,501	12,501
Shares issued	-	-	-	-	-	-
<b>Balance at end of the period</b>	<b>414,550,000</b>	414,550,000	414,550,000	<b>12,501</b>	12,501	12,501

<b>Parent</b>	<b>31.12.2013 unaudited Number</b>	31.12.2012 unaudited Number	30.6.2013 audited Number	<b>31.12.2013 unaudited US\$'000</b>	31.12.2012 unaudited US\$'000	30.6.2013 audited US\$'000
Ordinary shares						
Balance at beginning of the period	<b>414,550,000</b>	414,550,000	414,550,000	<b>32,355</b>	32,355	32,355
Shares issued	-	-	-	-	-	-
<b>Balance at end of the period</b>	<b>414,550,000</b>	414,550,000	414,550,000	<b>32,355</b>	32,355	32,355

**Parent share issue details and rights****Ordinary shares**

As at 31 December 2013 there were 414,550,000 shares issued. All ordinary shares on issue are fully paid. All ordinary shares rank equally with one vote attached to each share.

**3 Earnings per share**

Basic earnings per share is calculated by dividing the (loss) / profit by the weighted average number of ordinary shares on issue during the period.

	<b>31.12.2013 6 months unaudited 000</b>	31.12.2012 6 months unaudited 000	30.6.2013 12 months audited 000
<b>Basic (loss) / earnings per share</b>			
Net (loss) / profit attributable to shareholders (US\$'000)	<b>(295)</b>	218	(784)
Number of ordinary shares on issue (thousands)	<b>414,550</b>	414,550	414,550
Weighted average number of ordinary shares on issue (thousands)	<b>414,550</b>	414,550	414,550
Basic (loss) / earnings per share attributable to shareholders (cents)	<b>(0.07)</b>	0.05	(0.19)

**Notes to the Financial Statements**

For the six month period ended 31 December 2013

**4 Property, Plant and Equipment**

Group	Office	Leasehold	Total
	furniture & equipment	improvements	
Cost	US\$'000	US\$'000	US\$'000
Balance as at 1 July 2012	4	-	4
Additions	-	-	-
<b>Balance as at 31 December 2012</b>	<b>4</b>	<b>-</b>	<b>4</b>
Additions	-	-	-
<b>Balance as at 30 June 2013</b>	<b>4</b>	<b>-</b>	<b>4</b>
Additions	-	136	136
Exchange differences	-	(4)	(4)
<b>Balance as at 31 December 2013</b>	<b>4</b>	<b>132</b>	<b>136</b>
<b>Accumulated depreciation</b>			
Balance as at 1 July 2012	3	-	3
Depreciation charge for the period	-	-	-
<b>Balance as at 31 December 2012</b>	<b>3</b>	<b>-</b>	<b>3</b>
Depreciation charge for the period	1	-	1
<b>Balance as at 30 June 2013</b>	<b>4</b>	<b>-</b>	<b>4</b>
Depreciation charge for the period	-	-	-
<b>Balance as at 31 December 2013</b>	<b>4</b>	<b>-</b>	<b>4</b>
<b>Carrying amounts</b>			
At 31 December 2012	1	-	1
At 30 June 2013	-	-	-
At 31 December 2013	-	132	132

As the leasehold improvements were not in use during the period, depreciation has not been provided for.

**5 Reconciliation of profit after taxation to net cash outflow from operating activities**

	31.12.2013	31.12.2012	30.6.2013
	6 months	6 months	12 months
	unaudited	unaudited	audited
	US\$'000	US\$'000	US\$'000
<b>Reconciliation with Net Reported (Loss) / Profit</b>			
<b>Reported net (loss) / profit after taxation</b>	<b>(295)</b>	218	(784)
<b>Items not involving cash flows:</b>			
Depreciation	-	-	1
Exchange loss / (gain) on net cash	73	(303)	478
<b>Impact of changes in working capital items:</b>			
(Increase) / decrease in prepayments and other receivables	(180)	13	8
Increase in taxation receivable	(31)	(34)	(35)
Increase / (decrease) in trade payables	33	(5)	17
(Decrease) / increase in other payables	(45)	(17)	31
<b>Net cash outflows from operating activities</b>	<b>(445)</b>	<b>(128)</b>	<b>(284)</b>

**Notes to the Financial Statements**

For the six month period ended 31 December 2013

**6 Related Party Information****Parent Entity**

The ultimate parent entity within the Group is Orion Minerals Group Limited.

**Subsidiaries**

On 30 May 2013, a new subsidiary company, China Scrap Metals Resources Pty Limited, was registered with the Australian Securities & Investment Commission.

**Transactions with Subsidiaries**

During the period, China Scrap Metals Resources Pty Limited issued 3,500,000 fully paid shares to Orion Minerals Group Limited at an issue price of AUD \$1.00 per share. There were no transactions with subsidiaries in the six month period to 31 December 2012 or the year ended 30 June 2013.

**Directors**

The names of persons who were directors of the Company at any time during the current and previous financial periods are as follows: Roger Gower, Sean Joyce, Ping Li, Zhmin Shi and Jianfeng Shen (resigned 31 January 2013) and Yanyi Shi (appointed 26 January 2013).

**Key Management and Personnel Compensation**

Key management personnel compensation is set out below. The key management personnel are all the directors of the Company.

	<b>31.12.2013</b>	31.12.2012	30.6.2013
	<b>6 months</b>	6 months	12 months
	<b>unaudited</b>	unaudited	audited
	<b>US\$'000</b>	US\$'000	US\$'000
Payments made to key personnel are as follows and includes:			
Salaries and other short term employee benefits	-	-	-
<b>Directors' remuneration</b>			
R Gower, Director – Roger Gower & Associates	<b>45</b>	44	90
S Joyce, Director	<b>30</b>	30	62
P Li, Director	<b>30</b>	30	61
J Shen, Director (resigned 31 January 2013)	-	15	20
Y Shi, Director (appointed 26 January 2013)	<b>16</b>	-	12
Z Shi, Director	<b>30</b>	30	61
<b>Total directors' remuneration</b>	<b>151</b>	149	306
<b>Other services</b>			
S Joyce – Corporate Counsel – legal fees	-	4	10
<b>Balances outstanding</b>			
Roger Gower – Roger Gower & Associates – trade payable	<b>6</b>	4	5
Sean Joyce – Corporate Counsel – accrued expenses	-	-	1
Y Shi – accrued expenses	<b>2</b>	-	12

The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel and their related entities on an arm's length basis.

**Notes to the Financial Statements**

For the six month period ended 31 December 2013

**7 Contingent Liabilities**

There are no contingent liabilities as at 31 December 2013 (31 December 2012: nil; 30 June 2013: nil).

**8 Commitments****(a) Capital commitments**

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	<b>31.12.2013</b> <b>unaudited</b> <b>US\$'000</b>	31.12.2012 unaudited US\$'000	30.6.2013 audited US\$'000
Property, plant & equipment	<b>468</b>	-	-

China Scrap Metals Resources Pty Limited has entered into contracts for the purchase of specialised plant and equipment. Deposits amounting to USD \$140,000 have been paid and are included within other receivables as at 31 December 2013.

**(b) Operating lease commitments**

Commitments for minimum lease payments in relation to non cancellable operating leases are payable as follows:

	<b>31.12.2013</b> <b>unaudited</b> <b>US\$'000</b>	31.12.2012 unaudited US\$'000	30.6.2013 audited US\$'000
Within one year	<b>174</b>	-	-
Later than one year but not later than five years	<b>87</b>	-	-
Later than five years	-	-	-
<b>Commitments not recognised in the financial statements</b>	<b>261</b>	-	-

China Scrap Metals Resources Pty Limited has leased an industrial site under a non-cancellable operating lease agreement. The lease reflects normal commercial arrangements with escalation clauses based on the CPI index and renewal rights.

**9 Events Subsequent to Interim Balance Date**

There have been no events subsequent to 31 December 2013 which are considered to have a material effect on these financial statements.

## Company Directory

For the six month period ended 31 December 2013

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### Directors

R H Gower  
S R Joyce  
P Li  
Y Shi  
Z Shi

### Registered Office

c/- Roger Gower & Associates  
c/- Saturn Group, Level 3, 10 Manukau Road  
Epsom, Auckland 1023, New Zealand

### Postal Address

c/- Roger Gower & Associates  
c/- Saturn Group, Level 3, 10 Manukau Road  
Epsom, Auckland 1023, New Zealand

### Bankers

ASB Bank Limited  
PO Box 35  
Shortland Street  
Auckland 1140

### Auditors

PricewaterhouseCoopers  
188 Quay Street  
Auckland  
New Zealand

### Share Registry

Link Market Services  
Level 16, Brookfield House  
19 Victoria Street West  
Auckland 1010

PO Box 91976  
Auckland 1142  
New Zealand