

**Orion Minerals Group Limited**  
**Annual Report 2014**

**Contents**

Contents	2
Directors' Report	3
Independent Auditors' Report	4 – 5
Statements of Comprehensive Income	6
Statements of Changes in Equity	7
Statements of Financial Position	8
Statements of Cash Flows	9
Statement of Accounting Policies	10 – 15
Notes to the Financial Statements	16 – 26
Shareholder Information	27
Statutory Information	28 – 30
Company Directory	31

## Directors' Report

For the year ended 30 June 2014

---

Dear Shareholders,

The Directors advise that the setup of the scrap metal aggregation and export operation in Geelong, Victoria, Australia is progressing. The business is now operational and has had a soft launch with all systems being tested in a live environment.

The key components of the new business are as follows:

- The Company has set up an Australian incorporated company, China Scrap Metals Resources Pty Limited, ("China Scrap Metals Resources" or "CSM") a wholly owned subsidiary of the Company to undertake business operations in Australia;
- CSM has leased a 4.5 hectare industrial site in Geelong, Melbourne approximately 9 km from the Geelong Port;
- The site is now fully approved and permitted for the operation of a scrap metal aggregation business;
- CSM has acquired and installed the following equipment:
  - two tracked material handlers
  - one wheeled pay loader
  - one scrap metal baler
  - one forklift
  - weigh bridge
  - truck portable bins for locating at customer premises
  - office and staff accommodation

CSM is in the process of hiring key staff to operate the scrap metal facility and in particular a procurement manager who will drive the acquisition of scrap inventory.

CSM will aggregate, sort and process the scrap metal at its premises and then market the scrap into the international scrap metal markets.

Scrap metal acquisition and processing has started on a pilot basis as the organisation tested its systems and made initial sales contacts on a soft launch basis.

The challenge for the business now is to scale the operations and the addition of key personnel is an important element of the current business objectives. This is well underway and the Directors expect to make good progress in the first half of financial year 2014/2015.

### Result

The financial result for the Group for the year ended 30 June 2014 is a loss of USD \$500,000, in contrast with 2013 when the loss was US\$784,000. The Directors are disappointed with announcing a loss but note the result includes substantial expenditure setting up the subsidiary, China Scrap Metals Resources in Australia.

Dated: 12<sup>th</sup> September 2014



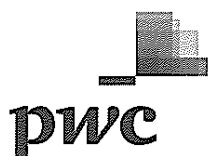
---

Director



---

Director



## ***Independent Auditors' Report***

to the shareholders of Orion Minerals Group Limited

### ***Report on the Financial Statements***

We have audited the financial statements of Orion Minerals Group Limited ("the Company") on pages 6 to 26, which comprise the statements of financial position as at 30 June 2014, the statements of comprehensive income and statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entity it controlled at 30 June 2014 or from time to time during the financial year.

### ***Directors' Responsibility for the Financial Statements***

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

Other than in our capacity as auditors we have no relationship with, or interests in, Orion Minerals Group Limited or its subsidiary.



## ***Independent Auditors' Report***

Orion Minerals Group Limited

### ***Opinion***

In our opinion, the financial statements on pages 6 to 26:

- (i) comply with generally accepted accounting practice in New Zealand;
- (ii) comply with International Financial Reporting Standards; and
- (iii) give a true and fair view of the financial position of the Company and the Group as at 30 June 2014, and their financial performance and cash flows for the year then ended.

### ***Report on Other Legal and Regulatory Requirements***

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2014:

- (i) we have obtained all the information and explanations that we have required; and
- (ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

### ***Restriction on Distribution or Use***

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

A handwritten signature in black ink, appearing to read 'Priscilla Cooper'.

Chartered Accountants  
12 September 2014

Auckland

**Statements of Comprehensive Income**

For the year ended 30 June 2014

	Note	Group		Parent	
		30.6.2014 US\$'000	30.6.2013 US\$'000	30.6.2014 US\$'000	30.6.2013 US\$'000
Revenue		-	-	-	-
Cost of goods sold		-	-	-	-
<b>Gross Profit</b>		-	-	-	-
Other income	18	-	-	11	-
Administrative expenses	2	(820)	(444)	(436)	(444)
<b>Operating loss</b>		(820)	(444)	(425)	(444)
Finance income		162	142	123	142
Exchange gain / (loss)		159	(482)	159	(482)
<b>Loss before income tax</b>		(499)	(784)	(143)	(784)
Income tax expense	3	(1)	-	(1)	-
<b>Net loss for the year attributable to shareholders</b>		(500)	(784)	(144)	(784)
<b>Other comprehensive income</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Exchange differences on translation of overseas subsidiaries		80	-	-	-
Other comprehensive income for the year, net of tax		80	-	-	-
<b>Total comprehensive loss for the year attributable to shareholders</b>		(420)	(784)	(144)	(784)
<b>Earnings per share for loss attributable to shareholders:</b>					
- Basic loss per share (cents)	4	(0.121)	(0.189)		
- Diluted loss per share (cents)	4	(0.121)	(0.189)		

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

**Statements of Changes in Equity**

For the year ended 30 June 2014

	Share Capital  US\$'000	Foreign Currency Translation Reserve US\$'000	Accumulated Losses  US\$'000	Total equity  US\$'000
<b>Group</b>				
Balance as at 1 July 2012	32,355	-	(24,155)	8,200
Net loss attributable to shareholders	-	-	(784)	(784)
Total comprehensive loss	-	-	(784)	(784)
<b>Balance as at 30 June 2013</b>	<b>32,355</b>	<b>-</b>	<b>(24,939)</b>	<b>7,416</b>
Net loss attributable to shareholders	-	-	(500)	(500)
Other comprehensive income	-	80	-	80
Total comprehensive loss	-	80	(500)	(420)
<b>Balance as at 30 June 2014</b>	<b>32,355</b>	<b>80</b>	<b>(25,439)</b>	<b>6,996</b>

	Share Capital US\$'000	Accumulated Losses US\$'000	Total equity US\$'000
<b>Parent</b>			
Balance as at 1 July 2012	32,355	(24,155)	8,200
Net loss attributable to shareholders	-	(784)	(784)
Total comprehensive loss	-	(784)	(784)
<b>Balance as at 30 June 2013</b>	<b>32,355</b>	<b>(24,939)</b>	<b>7,416</b>
Net loss attributable to shareholders	-	(144)	(144)
Total comprehensive loss	-	(144)	(144)
<b>Balance as at 30 June 2014</b>	<b>32,355</b>	<b>(25,083)</b>	<b>7,272</b>

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

**Statements of Financial Position**

As at 30 June 2014

		Group		Parent	
	Note	30.6.2014 US\$'000	30.6.2013 US\$'000	30.6.2014 US\$'000	30.6.2013 US\$'000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	7	980	-	1	-
Intangible assets	8	8	-	-	-
Investment in subsidiary	9	-	-	3,213	-
<b>Total non-current assets</b>		<b>988</b>	<b>-</b>	<b>3,214</b>	<b>-</b>
<b>Current Assets</b>					
Cash and cash equivalents	10	5,674	7,339	3,869	7,339
Trade and other receivables	11	195	36	100	36
Inventories	12	65	-	-	-
Taxation receivable	13	171	120	171	120
<b>Total current assets</b>		<b>6,105</b>	<b>7,495</b>	<b>4,140</b>	<b>7,495</b>
<b>TOTAL ASSETS</b>		<b>7,093</b>	<b>7,495</b>	<b>7,354</b>	<b>7,495</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Trade and other payables	15	97	79	82	79
<b>Total current liabilities</b>		<b>97</b>	<b>79</b>	<b>82</b>	<b>79</b>
<b>TOTAL LIABILITIES</b>		<b>97</b>	<b>79</b>	<b>82</b>	<b>79</b>
<b>EQUITY</b>					
Share capital	5	32,355	32,355	32,355	32,355
Reserves	6	(25,359)	(24,939)	(25,083)	(24,939)
<b>Total Equity</b>		<b>6,996</b>	<b>7,416</b>	<b>7,272</b>	<b>7,416</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,093</b>	<b>7,495</b>	<b>7,354</b>	<b>7,495</b>

For and on behalf of the Board:



Director



Director

Dated: 12<sup>th</sup> September 2014

The above statements of financial position should be read in conjunction with the accompanying notes



**Statements of Cash Flows**

For the year ended 30 June 2014

		Group		Parent	
	Note	30.6.2014 US\$'000	30.6.2013 US\$'000	30.6.2014 US\$'000	30.6.2013 US\$'000
<b>OPERATING ACTIVITIES</b>					
Receipts from customers		-	-	11	-
Interest received		159	138	123	138
Payments to suppliers and employees		(967)	(387)	(468)	(387)
Income tax paid	13	(52)	(35)	(52)	(35)
<b>Net cash outflows from operating activities</b>	16	<b>(860)</b>	<b>(284)</b>	<b>(386)</b>	<b>(284)</b>
<b>INVESTING ACTIVITIES:</b>					
Purchase of property, plant and equipment	7	(977)	-	(1)	-
Purchase of intangible assets	8	(10)	-	-	-
Investment in subsidiary	9	-	-	(3,213)	-
<b>Net cash outflows from investing activities</b>		<b>(987)</b>	<b>-</b>	<b>(3,214)</b>	<b>-</b>
<b>FINANCING ACTIVITIES:</b>					
Advance to subsidiary		-	-	(11)	-
<b>Net cash outflows from financing activities</b>		<b>-</b>	<b>-</b>	<b>(11)</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,847)</b>	<b>(284)</b>	<b>(3,611)</b>	<b>(284)</b>
Cash and cash equivalents at the beginning of the year		7,339	8,101	7,339	8,101
Effect of exchange rate changes		182	(478)	141	(478)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	10	<b>5,674</b>	<b>7,339</b>	<b>3,869</b>	<b>7,339</b>

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

## Statement of Accounting Policies

For the year ended 30 June 2014

---

### 1) General Information

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

The Company, Orion Minerals Group Limited, is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is Level 3, 10 Manukau Road, Epsom, Auckland.

The financial statements have been approved for issue by the Board of Directors on 12th September 2014.

The Company's owners do not have the power to amend these financial statements once issued.

### 2) Summary of Significant Accounting Policies

These general purpose financial statements for the year ended 30 June 2014 have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable New Zealand Financial Reporting Standards. The financial statements comply with International Financial Reporting Standards (IFRS).

#### a) Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

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

#### Entities reporting

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2014 and the results of all subsidiaries for the year then ended.

The financial statements of the "Parent" are for the company as a separate legal entity.

The Parent company and the Group are designated as profit-oriented entities for financial reporting purposes.

#### Statutory base

Orion Minerals Group Limited is a company registered under the 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 financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

#### Going concern

These 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.

#### Measurement basis

These financial statements have been prepared under the historical cost convention.

#### Critical accounting estimates and judgements

The preparation of these financial statements in conformity with generally accepted accounting principles 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.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and the judgements applied are discussed below.

#### Income Taxes

Judgement is exercised in determining the timing and extent of recognition of the benefit of tax losses. The benefit of tax losses can be recognised as an asset if its recovery is 'probable' (more likely than not). In the absence of any track record of profitability, convincing evidence is needed of how the losses will be recovered in the future, before any deferred tax asset is recognised. As detailed in note 13, the Group has not recognised any benefit at 30 June 2014 in respect of the tax losses generated to 30 June 2014 date, given the history of losses and the expectation that it will be at least two years before taxable profits are available against which these tax losses will be utilised.

#### Functional Currency

Judgement has been exercised in determining the Parents and its subsidiary, China Scrap Metals Resources Pty Limited (CSM) functional currencies. It has been determined that the United States dollar (USD) is the Parents functional currency and the Australian dollar (AUD) is CSM's functional currency. This has been determined taking into account the currency in which the entities makes sales or provide services, incur expenses and receive funds from financing activities.

## Statement of Accounting Policies

For the year ended 30 June 2014

---

### *Carrying Value of Investment in Subsidiary*

The Group periodically evaluates the carrying value of assets for impairment. The subsidiary, China Scrap Metals Resources Pty Limited (CSM), was created during the period and at balance date has not made any sales. As a result significant judgement has been applied in determining the recoverable amount of both the Parents investment in CSM (US\$3,213,000) and the recoverable amount of CSM's property, plant and equipment (US\$979,000). The Group has determined the recoverable amount of the assets as the value in use of these assets and no impairment has been recognised in the current year.

### **b) Principles of consolidation**

#### **Subsidiaries**

Subsidiaries are all those entities over which the Group has control. The Group controls 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 affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the company. They are deconsolidated from the date that control ceases.

The Group financial statements consolidate the financial statements of subsidiaries, using the acquisition method.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred in a business is measured at fair value, which is calculated as the sum of the acquisition-date fair value of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interest issued by the acquirer. It includes any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. Each identifiable asset and liability is generally measured at its acquisition-date fair value except if an NZ IFRS required another measurement basis. The excess of the consideration transferred over the Group's share of the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed is recognised as goodwill. If the consideration transferred is less than the acquisition-date fair value of identifiable assets acquired and liabilities assumed, a gain is recognised directly in profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the company.

Subsidiaries are accounted for at cost less any impairment within the parent entity financial statements.

### **c) Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

### **d) Foreign Currency Translation**

#### **Functional and presentation currency**

Items included in the financial statements of each of the company's operations are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated and parent financial statements are presented in United States dollars, which is the company's functional and the Group's presentation currency.

#### **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement section of the statements of comprehensive income.

#### **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 in other comprehensive income.

### **e) Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised as follows:

#### **Sale of goods**

Revenue from the sale of goods is recognised when there is persuasive evidence, usually in the form of an executed sales agreement at the time of delivery of the goods to the customer, indicating that there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods have been determined, the price is fixed and generally title has passed.

### **f) Finance Income**

Finance income comprises interest income on funds invested. Interest revenue is recognised as it accrues, using the effective interest method.

## Statement of Accounting Policies

For the year ended 30 June 2014

---

### g) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement section of the statements of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the comprehensive liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that at the time of the transaction affects neither accounting nor taxable profit.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

Deferred tax is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### h) Goods and Services Tax (GST)

The statements of comprehensive income and the statements of cash flows have been prepared so that all components are stated exclusive of GST. All items in the statements of financial position are stated net of GST, with the exception of trade receivables and payables, which include GST invoiced.

### i) Leases

*The Group is the Lessee*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement section of the statements of comprehensive income on a straight-line basis over the period of the lease.

### j) Statement of Cash Flows

The following is the definition of the terms used in the statements of cash flows:

- Operating activities are the principal revenue-producing activities of the group. Also included in this category are other activities that are not investing or financing activities.
- Investing activities are those relating to the acquisition and disposal of long-term assets.
- Financing activities are those activities which result in changes in the size and composition of the contributed equity and borrowings of the group.

### k) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown separately in current liabilities on the statement of financial position.

### l) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence (such as age of debt, financial difficulty of the counterparty) that the Group will not be able to collect all amounts due according to the original terms of those receivables.

### m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined as the actual cost of inventory purchased. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges for purchases of raw materials.

### n) Financial Assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its assets at initial recognition and re-evaluates this designation at each reporting date.

Assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

## Statement of Accounting Policies

For the year ended 30 June 2014

### i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets classified as held for trading and financial assets designated as at fair value through profit or loss on initial recognition. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also classified as held for trading unless they are designated as hedges. Financial assets at fair value through profit or loss are classified as current assets if they are either held for trading or are expected to be realised within 12 months of balance date.

The Group does not currently have any financial assets designated as financial assets at fair value through profit or loss (2013: none).

### ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

Purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial asset at fair value through profit or loss' category are included in profit or loss in the period in which they arise.

If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

The Group assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

### o) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement section of the statements of comprehensive income during the financial period in which they are incurred.

Depreciation on other assets is calculated using diminishing value method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

• Leasehold improvements	15 years
• Plant & equipment	5 – 8 years
• Motor vehicles	5 years
• Office furniture & equipment	2-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount.

### p) Intangible Assets

#### Permits

Permits that have a finite useful life are carried at cost less accumulated amortisation. Amortisation of the permits is calculated on a straight line basis over their estimated useful life of five years.

### q) Impairment of Non-Current Assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

### r) Determination of Fair Value

For financial instruments not presented in the balance sheet at fair value, fair value is estimated as follows:

Trade receivables, trade payables, cash and cash equivalents: These are short term in nature and the related carrying value approximates their fair value. Fair value of borrowings is estimated using valuation techniques such as discounted cash flow method, using assumptions that are based on observable market conditions and risks at the reporting date.

## Statement of Accounting Policies

For the year ended 30 June 2014

---

**s) Trade and Other Payables**

Trade and other payables represent unsecured liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. As trade and other payables are usually paid within 30 days, they are carried at face value.

**t) Investments in Subsidiaries**

Investments in subsidiaries are measured initially at cost and subsequently at cost less any impairment. The Group determines at each reporting date whether there is any objective evidence that the investment in the subsidiary is impaired. If this is the case, the group calculates the amount of the impairment as the difference between the recoverable amount of the subsidiary and its carrying value and recognises the difference in the income statement.

**u) Employee Benefits**

*Wages, salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date, are recognised in other payables in respect of employee's services up to the reporting date and are measure at the amounts expected to be paid when the liabilities are settled.

**v) Share Capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

**w) Dividends**

Provision is made for the amount of any dividend declared on or before balance date but not distributed at balance date.

**x) Earnings per Share**

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the period.

*Diluted earnings per share*

Diluted earnings per share is determined by adjusting the profit for loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

## Statement of Accounting Policies

For the year ended 30 June 2014

---

### 3) New Standards

The accounting policies set out in these financial statements have been applied on a basis consistent with prior year, except as identified below.

#### **NZ IFRS 13, 'Fair value measurement'**

NZ IFRS 13 defines fair value and explains how it is to be measured and disclosed. As a result a limited number of disclosures have been added to these financial statements. There has been no material impact on the Statement of Comprehensive Income or Statement of Financial Position.

#### **NZ IFRS 10, 'Consolidated Financial Statements'**

NZ IFRS 10 changes the definition of control and provides additional guidance to assist in the determination of control. Application of this standard has not materially affected any of the amounts recognised in these financial statements or the disclosures.

#### **XRB A1**

The Group has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) (XRB A1). XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The Group is a Tier 1 entity. There was no impact on the current or prior year financial statements.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2014 or later periods, but which the Group has not early adopted.

The significant items are:

#### **NZ IFRS 9, 'Financial Instruments'**

NZ IFRS 9, "Financial Instruments", was issued in September 2014 as a complete version of the standard. NZ IFRS 9 replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments, hedge accounting and impairment. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The new hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risks. NZ IFRS 9 introduces a new expected credit loss model for calculating the impairment of financial assets. This standard is effective for reporting periods beginning on or after 1 January 2018. The Group is yet to assess NZ IFRS 9's full impact.

#### **NZ IFRS 15, 'Revenue from contracts with customers'** (effective for annual periods beginning on or after 1 January 2017)

NZ IFRS 15 addresses recognition of revenue from contracts with customers. It replaces current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction contracts and is applicable to all entities with revenue. It sets out a 5 step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group is yet to assess NZ IFRS 15's full impact. The Group will apply this standard from 1 July 2017.

**Notes to the Financial Statements**

For the year ended 30 June 2014

**1 Segment Information**

The Group has identified its operating segments based on the internal reports reviewed and used by the Board of Directors in assessing performance and in determining the allocation of resources.

The Group is organised into the following main operating segments:

- China Scrap Metals Resources Pty Limited (CSM Ltd Australia) includes the new business operation in Australia involved in the processing of scrap metal for export sale to Chinese markets.
- Holding company New Zealand includes holding company costs and head office charges.

Revenue is allocated based on the country where the sale is generated. Expenses are allocated based on the country where the expense is incurred.

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

	Year ended 30 June 2014			Year ended 30 June 2013	
	CSM Ltd Australia	Holding Company New Zealand	Total	Holding Company New Zealand	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Total inter-segment revenue	-	11	11	-	-
Total external sales revenue	-	-	-	-	-
Total EBITDA	(349)	(436)	(785)	(443)	(443)
Amortisation	(2)	-	(2)	-	-
Depreciation	(33)	-	(33)	(1)	(1)
Finance income	39	123	162	142	142
Exchange gain / (loss)	-	159	159	(482)	(482)
<b>Loss before taxation</b>	<b>(345)</b>	<b>(154)</b>	<b>(499)</b>	<b>(784)</b>	<b>(784)</b>
Income tax expense	-	(1)	(1)	-	-
<b>Net loss for the year</b>	<b>(345)</b>	<b>(155)</b>	<b>(500)</b>	<b>(784)</b>	<b>(784)</b>
Allocated non-current segment assets	987	1	988	-	-
Additions to non-current assets	986	1	987	-	-
Allocated segment liabilities	15	82	97	79	79

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

**2 Operating Expenses**

	Group		Parent	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Operating expenses include:</b>				
Directors' fees (note 18)	296	306	296	306
Rental and operating lease expense	180	-	-	-
<b>Depreciation</b>				
Leasehold improvements	5	-	-	-
Plant & equipment	26	-	-	-
Motor vehicles	1	-	-	-
Office furniture & equipment	1	1	-	1
Total depreciation	33	1	-	1
<b>Amortisation</b>				
Intangible assets	2	-	-	-



**Notes to the Financial Statements**

For the year ended 30 June 2014

**2 Operating Expenses (continued)**

	<b>Group</b>		<b>Parent</b>	
	<b>30.6.2014</b>	<b>30.6.2013</b>	<b>30.6.2014</b>	<b>30.6.2013</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Auditors' fees</b>				
Amounts paid or due and payable to the auditors for:				
Audit of Group financial statements	29	21	29	21
Total fees paid to PricewaterhouseCoopers	29	21	29	21
<b>Employee benefits</b>				
Wages and salaries	77	-	-	-
Pension fund contributions	6	-	-	-
Total employee benefits	83	-	-	-

**3 Income Tax Expense**

	<b>Group</b>		<b>Parent</b>	
	<b>30.6.2014</b>	<b>30.6.2013</b>	<b>30.6.2014</b>	<b>30.6.2013</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Net loss for the year before taxation	(499)	(784)	(143)	(784)
Tax at the New Zealand rate of 28%	(140)	(220)	(40)	(220)
Expenses not deductible for tax	6	7	2	7
Foreign exchange (gains) / losses not (taxable) / deductible	(45)	87	(45)	87
Losses not recognised as asset	185	126	83	126
Differences in overseas tax rates	(6)	-	-	-
Underprovision in prior year	(1)	-	(1)	-
<b>Total income tax expense</b>	<b>(1)</b>	<b>-</b>	<b>(1)</b>	<b>-</b>
<b>Comprising:</b>				
Current income tax expense	(1)	-	(1)	-
Decrease in deferred tax	-	-	-	-
<b>Total income tax expense</b>	<b>(1)</b>	<b>-</b>	<b>(1)</b>	<b>-</b>

**4 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 year.

	<b>30.6.2014</b>	<b>30.6.2013</b>
	<b>12 months</b>	<b>12 months</b>
	<b>000</b>	<b>000</b>
<b>Basic loss per share</b>		
Net loss attributable to shareholders	(500)	(784)
Number of ordinary shares on issue (thousands)	414,550	414,550
Weighted average number of ordinary shares on issue (thousands)	414,550	414,550
Basic loss per share attributable to shareholders (cents)	(0.121)	(0.189)
<b>Diluted loss per share</b>		
Weighted average number of diluted shares on issue (thousands)	414,550	414,550
Diluted loss per share attributable to shareholders (cents)	(0.121)	(0.189)

**Notes to the Financial Statements**

For the year ended 30 June 2014

**5 Share Capital**

	30.6.2014 Number of Shares	30.6.2013 Number of Shares	30.6.2014 US\$'000	30.6.2013 US\$'000
<b>Group</b>				
Ordinary shares				
Balance at beginning of year	414,550,000	414,550,000	32,355	32,355
Shares issued	-	-	-	-
<b>Balance at end of year</b>	<b>414,550,000</b>	<b>414,550,000</b>	<b>32,355</b>	<b>32,355</b>
	30.6.2014 Number of Shares	30.6.2013 Number of Shares	30.6.2014 US\$'000	30.6.2013 US\$'000
<b>Parent</b>				
Ordinary shares				
Balance at beginning of year	414,550,000	414,550,000	32,355	32,355
Shares issued	-	-	-	-
<b>Balance at end of year</b>	<b>414,550,000</b>	<b>414,550,000</b>	<b>32,355</b>	<b>32,355</b>

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

As at 30 June 2014 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.

**6 Reserves**

	<b>Group</b>		<b>Parent</b>	
	30.6.2014 US\$'000	30.6.2013 US\$'000	30.6.2014 US\$'000	30.6.2013 US\$'000
<b>Total Reserves</b>				
Accumulated losses	(25,439)	(24,939)	(25,083)	(24,939)
Foreign currency translation reserve <sup>1</sup>	80	-	-	-
<b>Total reserves</b>	<b>(25,359)</b>	<b>(24,939)</b>	<b>(25,083)</b>	<b>(24,939)</b>

**Represented by the following Reserves:****Accumulated losses**

Balance at beginning of year	(24,939)	(24,155)	(24,939)	(24,155)
Loss after taxation for the year	(500)	(784)	(144)	(784)
<b>Balance at end of year</b>	<b>(25,439)</b>	<b>(24,939)</b>	<b>(25,083)</b>	<b>(24,939)</b>

**Foreign currency translation reserve**

Balance at beginning of year	-	-	-	-
Current year gains	80	-	-	-
<b>Balance at end of year</b>	<b>80</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup> The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries for consolidation purposes.

**Notes to the Financial Statements**

For the year ended 30 June 2014

**7 Property, Plant and Equipment**

	Leasehold improvements	Plant & equipment	Motor vehicles	Office furniture & equipment	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Group</b>					
<b>Cost</b>					
Balance as at 1 July 2012	-	-	-	4	4
Additions	-	-	-	-	-
<b>Balance as at 30 June 2013</b>	-	-	-	4	4
Additions	141	807	13	16	977
Disposals	-	-	-	(1)	(1)
Exchange differences	5	30	1	1	37
<b>Balance as at 30 June 2014</b>	<b>146</b>	<b>837</b>	<b>14</b>	<b>20</b>	<b>1,017</b>
<b>Accumulated depreciation</b>					
Balance as at 1 July 2012	-	-	-	3	3
Depreciation charge for the year	-	-	-	1	1
<b>Balance as at 30 June 2013</b>	-	-	-	4	4
Depreciation charge for the year	5	26	1	1	33
Disposals	-	-	-	(1)	(1)
Exchange differences	-	1	-	-	1
<b>Balance as at 30 June 2014</b>	<b>5</b>	<b>27</b>	<b>1</b>	<b>4</b>	<b>37</b>
<b>Carrying amounts</b>					
At 1 July 2012	-	-	-	1	1
At 30 June 2013	-	-	-	-	-
<b>At 30 June 2014</b>	<b>141</b>	<b>810</b>	<b>13</b>	<b>16</b>	<b>980</b>
<b>Parent</b>					
<b>Cost</b>					
Balance as at 1 July 2012				4	4
Additions				-	-
<b>Balance as at 30 June 2013</b>				<b>4</b>	<b>4</b>
Additions				1	1
Disposals				(1)	(1)
<b>Balance as at 30 June 2014</b>				<b>4</b>	<b>4</b>
<b>Accumulated depreciation</b>					
Balance as at 1 July 2012				3	3
Depreciation charge for the year				1	1
<b>Balance as at 30 June 2013</b>				<b>4</b>	<b>4</b>
Depreciation charge for the year				-	-
Disposals				(1)	(1)
<b>Balance as at 30 June 2014</b>				<b>3</b>	<b>3</b>
<b>Carrying amounts</b>					
At 1 July 2012				1	1
At 30 June 2013				-	-
<b>At 30 June 2014</b>				<b>1</b>	<b>1</b>

**Notes to the Financial Statements**

For the year ended 30 June 2014

**8 Intangible Assets**

	Permits US\$'000	Total US\$'000
<b>Group</b>		
<b>Cost</b>		
Balance as at 1 July 2013	-	-
Additions	10	10
<b>Balance as at 30 June 2014</b>	<b>10</b>	<b>10</b>
<b>Accumulated amortisation</b>		
Balance as at 1 July 2013	-	-
Amortisation charge for the year	2	2
<b>Balance as at 30 June 2014</b>	<b>2</b>	<b>2</b>
<b>Carrying amounts</b>		
At 30 June 2013	-	-
<b>At 30 June 2014</b>	<b>8</b>	<b>8</b>

The Parent has no intangible assets.

**9 Investment in Subsidiary**

The group financial statements include the financial statements of Orion Minerals Group Limited and the subsidiaries listed in the following table:

	Principal place of business	Equity Holding 30.6.2014	30.6.2013
China Scrap Metals Resources Pty Limited	Australia	100%	-

China Scrap Metals Resources Pty Limited is involved in the export of scrap metal. China Scrap Metals Resources Pty Limited has a balance date of 30 June.

**10 Cash and Cash Equivalents**

	<b>Group</b>		<b>Parent</b>	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
	US\$'000	US\$'000	US\$'000	US\$'000
The carrying amount of the Group's cash and cash equivalents are denominated in the following currencies:				
New Zealand dollars	34	36	34	36
United States dollars	1	78	-	78
Australian dollars	5,639	7,225	3,835	7,225
<b>Total cash and cash equivalents</b>	<b>5,674</b>	<b>7,339</b>	<b>3,869</b>	<b>7,339</b>

The carrying amount for cash and cash equivalents equals the fair value.

**Notes to the Financial Statements**

For the year ended 30 June 2014

**11 Trade and Other Receivables**

	<b>Group</b>		<b>Parent</b>	
	<b>30.6.2014</b>	<b>30.6.2013</b>	<b>30.6.2014</b>	<b>30.6.2013</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Current</b>				
Other receivables	137	17	45	17
Prepayments	58	19	44	19
Amounts due from subsidiaries (note 18)	-	-	11	-
<b>Total current trade and other receivables</b>	<b>195</b>	<b>36</b>	<b>100</b>	<b>36</b>

**Foreign currency risk**

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

Australian dollars	94	4	2	4
New Zealand dollars	87	32	98	32
United States dollars	14	-	-	-
<b>Total trade and other receivables</b>	<b>195</b>	<b>36</b>	<b>100</b>	<b>36</b>

The fair value of other receivables and amounts due from subsidiaries approximates their carrying value. No receivables are past due or impaired as at 30 June 2014 (2013: nil).

**12 Inventories**

	<b>Group</b>	
	<b>30.6.2014</b>	<b>30.6.2013</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Finished goods	65	-
<b>Total inventories</b>	<b>65</b>	<b>-</b>

The Parent has no inventories.

**13 Taxation**

	<b>Group</b>		<b>Parent</b>	
	<b>30.6.2014</b>	<b>30.6.2013</b>	<b>30.6.2014</b>	<b>30.6.2013</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Taxation receivable</b>				
Balance at beginning of year	120	85	120	85
Current taxation	(1)	-	(1)	-
Tax paid	52	35	52	35
<b>Total taxation receivable</b>	<b>171</b>	<b>120</b>	<b>171</b>	<b>120</b>

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group and Parent did not recognise deferred income tax assets of US\$751,000 and US\$650,000 respectively (30 June 2013: Parent US\$359,000) in respect of gross tax losses amounting to US\$2,659,000 and US\$2,321,000 (30 June 2013: Parent US\$1,281,000) that can be carried forward against future taxable income, subject to meeting the requirements of Income Tax Legislation, including those relating to shareholder continuity.

**14 Imputation credits**

	<b>Group</b>		<b>Parent</b>	
	<b>30.6.2014</b>	<b>30.6.2013</b>	<b>30.6.2014</b>	<b>30.6.2013</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Imputation credits available for use in subsequent periods	167	115	167	115
No imputation credits expire.				

**Notes to the Financial Statements**

For the year ended 30 June 2014

**15 Trade and Other Payables**

	<b>Group</b>		<b>Parent</b>	
	<b>30.6.2014</b>	<b>30.6.2013</b>	<b>30.6.2014</b>	<b>30.6.2013</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Trade payables	44	26	44	26
Trade payables to related parties	8	5	8	5
Accrued expenses	30	35	30	35
Accrued expenses to related parties	-	13	-	13
Other payables	15	-	-	-
<b>Total trade and other payables</b>	<b>97</b>	<b>79</b>	<b>82</b>	<b>79</b>

**Foreign currency risk**

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

Australian dollars	15	14	-	14
New Zealand dollars	82	65	82	65
<b>Total trade and other payables</b>	<b>97</b>	<b>79</b>	<b>82</b>	<b>79</b>

**Fair value**

The fair value of trade and other payables approximates their carrying value. No interest is paid on payables.

**16 Reconciliation of Loss after Taxation with Cash Flow from Operating Activities**

	<b>Group</b>		<b>Parent</b>	
	<b>30.6.2014</b>	<b>30.6.2013</b>	<b>30.6.2014</b>	<b>30.6.2013</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Reconciliation with Net Reported Loss</b>				
<b>Reported net loss after taxation</b>	<b>(500)</b>	<b>(784)</b>	<b>(144)</b>	<b>(784)</b>
<b>Items not involving cash flows:</b>				
Amortisation expense	2	-	-	-
Depreciation expense	33	1	-	1
Exchange (gain) / loss on net cash	(141)	478	(141)	478
<b>Changes in working capital items (excluding the effects of exchange differences on consolidation):</b>				
(Increase) / decrease in prepayments and other receivables	(159)	8	(53)	8
Increase in inventories	(63)	-	-	-
Increase in taxation receivable	(51)	(35)	(51)	(35)
Increase in trade payables	21	17	21	17
(Decrease) / increase in other payables	(2)	31	(18)	31
<b>Net cash outflows from operating activities</b>	<b>(860)</b>	<b>(284)</b>	<b>(386)</b>	<b>(284)</b>

**Notes to the Financial Statements**

For the year ended 30 June 2014

**17 Financial Instruments**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out centrally by the head office under policies approved by the Board of Directors. The Board provides written principles for overall risk management as well as policies covering specific areas such as interest rate risk, credit risk, use of derivative financial instruments and non derivative financial instruments.

The Group has entered into a number of non-derivative financial instruments all of which are classified as loans and receivables. The carrying values of these items approximate their fair value and represent the maximum exposures for each type of financial instrument. They are listed as follows:

		Group		Parent	
	Note	30.6.2014 US\$'000	30.6.2013 US\$'000	30.6.2014 US\$'000	30.6.2013 US\$'000
<b>Loans and receivables</b>					
Cash and cash equivalents	10	5,674	7,339	3,869	7,339
		<u>5,674</u>	<u>7,339</u>	<u>3,869</u>	<u>7,339</u>
<b>Other financial liabilities at amortised cost</b>					
Trade and other payables	15	97	79	82	79
		<u>97</u>	<u>79</u>	<u>82</u>	<u>79</u>

The Group does not have any derivative financial instruments (2013: nil).

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and scrap metal commodity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control the market risk exposures within acceptable parameters, while optimising the return on risk.

**Foreign currency risk**

The Group's functional reporting currency is the United States dollar. The Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies arising principally on cash balances. The Group policy is to balance continuing foreign currency requirements to reduce exchange risk while maximising interest receivable available in alternative currencies.

The following table shows the sensitivity of the Group's after tax profit and equity to a movement in the exchange rate of +/-10%. The table assumes a tax rate of 28%.

	Group		Parent	
	30.6.2014 US\$'000	30.6.2013 US\$'000	30.6.2014 US\$'000	30.6.2013 US\$'000
Currency amount – monetary assets (including cash) and liabilities denominated in foreign currencies	5,993	7,338	4,058	7,338
<b>+10% movement</b>				
post tax profit – NZD denominated monetary assets	15	9	16	9
post tax profit – AUD denominated monetary assets	416	519	276	519
post tax profit	<u>431</u>	<u>528</u>	<u>292</u>	<u>528</u>
Equity	431	528	292	528
<b>-10% movement</b>				
post tax profit – NZD denominated monetary assets	(15)	(9)	(16)	(9)
post tax profit – AUD denominated monetary assets	(416)	(519)	(276)	(519)
post tax profit	<u>(431)</u>	<u>(528)</u>	<u>(292)</u>	<u>(528)</u>
Equity	(431)	(528)	(292)	(528)

**Notes to the Financial Statements**

For the year ended 30 June 2014

**17 Financial Instruments (continued)**

Refer to note 11 and 15 for receivables and payables denominated in foreign currencies.

**Cash flow and fair value interest rate risk**

The Group's interest rate risk arises from cash and cash equivalents. Cash balances denominated in New Zealand dollars and Australian dollars at variable rates expose the Group to cash flow interest rate risk.

The Group has New Zealand denominated cash and cash equivalent balances which are subject to variable rates, with an average rate of 2.62% in the year ended 30 June 2014 (2013: 3.08%). The Group has Australian denominated cash and cash equivalents which are subject to variable rates, with an average rate of 2.41% in the year ended 30 June 2014. The company has Australian denominated cash and cash equivalents which are subject to variable rates, with an average rate of 2.42% in the year ended 30 June 2014 (2013: 2.08%). The United States dollar denominated cash and cash equivalent balances are non-interest bearing.

The following table shows the sensitivity of the Group's after tax profit and equity to a movement in the interest rate of 100 basis points. The table assumes a tax rate of 28%.

	<b>Group</b>		<b>Parent</b>	
	<b>30.6.2014</b>	<b>30.6.2013</b>	<b>30.6.2014</b>	<b>30.6.2013</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
New Zealand dollar denominated cash and cash equivalents	34	36	34	36
Australian dollar denominated cash and cash equivalents	5,639	7,225	3,835	7,225
+100 basis points movement				
post tax profit	41	52	29	52
equity	41	52	29	52
-100 basis points movement				
post tax profit	(41)	(52)	(29)	(52)
equity	(41)	(52)	(29)	(52)

**Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises from cash and cash equivalents, deposits with banks and the Group's receivables from customers. The Group's maximum credit risk is represented by the carrying value of these financial assets. The Group currently has no amounts due from customers. The credit risk associated with cash transactions and deposits is managed through the Group's policies that limit the use of counterparties to high credit quality financial institutions.

**Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Trade and other payables will be settled at their values as per the balance sheet within 6 months. Due to the level of cash held by the Group there is limited liquidity risk.

**Fair value**

The fair value of trade receivables, trade payables and cash and cash equivalents are determined to be equivalent to their carrying value due to the short term nature of these balances.

**Capital risk management**

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure that reduces the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Total capital is calculated as "equity" as shown in the consolidated statements of financial position. There are no external capital requirements.



**Notes to the Financial Statements**

For the year ended 30 June 2014

**18 Related Party Information****Subsidiaries**

Interests in subsidiaries are set out in note 9.

**Transactions with Subsidiaries**

During the year management fees of USD \$11,000 were charged by Orion Minerals Group Limited to China Scrap Metals Resources Pty Limited (2013: nil).

During the year, China Scrap Metals Resources Pty Limited issued 3,500,000 fully paid shares to Orion Minerals Group Limited as an issue price of AUD \$1.00 per share.

**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, 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. Directors' remuneration is paid by way of bank transfer.

Payments made to key personnel are as follows and includes:	Group		Parent	
	30.6.2014 US\$'000	30.6.2013 US\$'000	30.6.2014 US\$'000	30.6.2013 US\$'000
Salaries and other short term employee benefits	-	-	-	-
<b>Directors' remuneration</b>				
R Gower, Director – Roger Gower & Associates	79	90	79	90
S Joyce, Director	62	62	62	62
P Li, Director	62	61	62	61
J Shen, Director (resigned 31 January 2013)	-	20	-	20
Y Shi, Director (appointed 26 January 2013)	31	12	31	12
Z Shi, Director	62	61	62	61
<b>Total directors' remuneration</b>	<b>296</b>	<b>306</b>	<b>296</b>	<b>306</b>
<b>Other services</b>				
S Joyce – Corporate Counsel – legal fees	-	10	-	10
<b>Balances outstanding</b>				
Roger Gower – Roger Gower & Associates – trade payable	8	5	8	5
Sean Joyce – Corporate Counsel – accrued expenses	-	1	-	1
Y Shi – accrued expenses	-	12	-	12

**TRANSACTIONS BETWEEN GROUP COMPANIES**

	Parent	
	30.6.2014 US\$'000	30.6.2013 US\$'000
<b>Owing to Parent Company</b>		
China Scrap Metals Resources Pty Limited	11	-

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.

The amount owing to the parent company by the subsidiary is denominated in New Zealand dollars, is interest free, for no fixed term and repayable on demand.



**Notes to the Financial Statements**

For the year ended 30 June 2014

**19 Commitments****(a) Capital commitments**

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

	<b>Group</b>		<b>Parent</b>	
	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Property, plant & equipment	45	-	-	-

China Scrap Metals Resources Pty Limited has entered into contracts for the purchase of plant and equipment. Deposits amounting to USD \$13,500 have been paid and are included within other receivables as at 30 June 2014.

**(b) Operating lease commitments**

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

	<b>Group</b>		<b>Parent</b>	
	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Within one year	184	-	-	-
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
<b>Commitments not recognised in the financial statements</b>	<b>184</b>	<b>-</b>	<b>-</b>	<b>-</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.

**20 Contingent Liabilities**

There are no contingent liabilities as at 30 June 2014 (30 June 2013: nil).

**21 Events Subsequent to Balance Date**

There have been no events subsequent to 30 June 2014 which are considered to have a material effect on these financial statements.

**Shareholder Information**

For the year ended 30 June 2014

**Stock Exchange Listing**

The Company's shares are listed on the New Zealand Alternative Market ("NZAX").

**Distributions of Ordinary Shares**

as at 28 August 2014

**Size of holding**

	Number of security holders		Number of securities	
	No of holders	%	Shares held	%
1 – 1,000	1,471	93.04%	134,830	0.03%
1,001 – 5,000	39	2.47%	83,409	0.02%
5,001 – 10,000	12	0.76%	90,836	0.02%
10,001 – 100,000	35	2.21%	1,343,524	0.32%
100,001 and over	24	1.52%	412,897,401	99.60%
<b>Total</b>	<b>1,581</b>	<b>100.00%</b>	<b>414,550,000</b>	<b>100.00%</b>

**Principal Shareholders****20 Largest Registered Holders of Quoted Equity Securities**

as at 28 August 2014

Shareholder	Shares held	%
Fengli Group (Hong Kong) Co Limited	125,000,000	30.153%
Marvel Fantasy Limited	100,000,000	24.123%
Wallflower Limited	44,667,000	10.775%
Minera Varry Minerals Limited	32,810,000	7.915%
Teagardens Limited	32,710,000	7.890%
APZ Limited	22,500,000	5.428%
Custodial Services Limited	17,000,100	4.101%
Lava Limited	11,314,790	2.729%
Laddara Pty Limited	10,000,000	2.412%
Tuberosa Limited	7,190,000	1.734%
Dunkeld Pastoral Co Pty Limited	4,179,204	1.008%
Michael Lenihan	2,300,000	0.555%
Ross Dix Harvey	796,603	0.192%
John Sorensen	400,000	0.096%
John Edward Connell	300,000	0.072%
Aleksander Borowik	250,000	0.060%
William Carson	250,000	0.060%
Graeme Bruce Lowe	202,000	0.049%
Boldero Equities Limited	201,102	0.049%
Rex Lissington	200,050	0.048%
	<b>412,270,849</b>	<b>99.450%</b>

**Substantial Security Holders**

As at 28 August 2014 there were a total of 414,550,000 ordinary fully paid shares on issue.

According to notices given to the Company under the New Zealand Securities Market Act 1988, as at 28 August 2014, the substantial security holders in the Company are:

	Number of shares held	Relevant Interest	% of Shares
Fengli Group (Hong Kong) Co. Limited	125,000,000	Beneficial	30.15%
Marvel Fantasy Limited	100,000,000	Beneficial	24.12%

**Statutory Information**

For the year ended 30 June 2014

**Directors**

During the 12 months ended 30 June 2014 the persons holding office as directors of the Company were:

	<b>Position</b>	<b>Status</b>
R Gower	Chairman	Independent, non-executive
S Joyce		Independent, non-executive
P Li		Non-executive
Y Shi		Non-executive
Z Shi		Non-executive

**Gender Diversity**

As at 12 September 2014 the Board of Orion Minerals Group Limited comprised of five directors. Three directors are male and two directors are female.

**Directors' Security Holdings**

as at 30 June 2014

	<b>Equity securities held</b>			
	<b>Beneficially owned</b>		<b>Held by associated persons</b>	
	<b>30.6.2014 Number</b>	<b>30.6.2013 Number</b>	<b>30.6.2014 Number</b>	<b>30.6.2013 Number</b>
<b>Ordinary Shares (Orion Minerals Group Limited)</b>				
R Gower	-	-	-	-
S Joyce	-	-	20,000	20,000
P Li	-	-	-	-
J Shen	-	-	-	-
Y Shi	-	-	-	-
Z Shi	-	-	-	-

**Directors' Interests and Remuneration**

Details of the nature and the amount of each major element of the remuneration of each Director for the year ended 30 June 2014 is:

	<b>Fees</b>	<b>Consultancy, Legal, and Other</b>	<b>Salary</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Parent</b>				
R Gower	79	-	-	79
S Joyce	62	-	-	62
P Li	62	-	-	62
Y Shi	31	-	-	31
Z Shi	62	-	-	62
<b>Total Remuneration</b>	<b>296</b>	<b>-</b>	<b>-</b>	<b>296</b>

## Statutory Information

For the year ended 30 June 2014

---

### Entries Recorded in the Interests Register

The following entries were recorded in the interests' register of the company during the year ended 30 June 2014:

**(A) SHARE DEALINGS OF DIRECTORS**

During the year ended 30 June 2014 no directors traded in the shares of the company.

**(B) DIRECTORS' AND OFFICERS INSURANCE LIABILITY**

As permitted by the New Zealand Companies Act 1993, the company has arranged a policy of Director's and Officers' Liability Insurance which insures those persons indemnified to certain liabilities and costs.

### Remunerations of Employees

Other than Directors of the company noted above, there was no remuneration and benefits paid to any other employee for the year ended 30 June 2014.

### Auditors

PricewaterhouseCoopers Auckland are the auditors for the company. They were paid US\$29,000 as audit fees in respect of the last financial period.

### Donations

No donations were paid for the year ended 30 June 2014.

### Directors of Subsidiary

The persons holding office as Directors of China Scrap Metals Resources Pty Limited during the year are:

- P Li
- Z Shi

### Remuneration of Directors of Subsidiary

No Directors received remuneration from China Scrap Metals Resources Pty Limited as Directors of the subsidiary.

### Employee Remuneration of Subsidiary

No employees of China Scrap Metals Resources Pty Limited, who are not directors, received remuneration and benefits exceeding NZD\$100,000 per annum during the year ended 30 June 2014.

### Donations of Subsidiary

No donations were paid by China Scrap Metals Resources Pty Limited for the year ended 30 June 2014.

## Statutory Information

For the year ended 30 June 2014

---

### Corporate Governance

The Board is responsible for the overall corporate governance of the Company, and it recognises the need for the highest standards of behaviour and accountability. The Board intends to develop strategies for the Company, review strategic objectives and monitor the Company's performance against those objectives. The overall goals of the corporate governance process is to:

- drive shareholder value;
- assure a prudential and ethical base to the Company's conduct and activities; and
- ensure compliance with the Company's legal and regulatory obligations.

Consistent with these goals, the Board assumes the following primary responsibilities:

- formulation and approval of the strategic direction, objectives and goals of the Company;
- monitoring the financial performance of the Company, including approval of the Company's financial statements;
- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- review of performance and remuneration of Directors and Executive Officers; and
- establishment and maintenance of appropriate ethical standards for the Company to operate by.

The Directors have appointed an Audit Committee and a Nomination and Remuneration Committee. The Audit Committee is chaired by Mr Roger Gower with Mr Sean Joyce as a member.

The role of the Audit Committee is to take responsibility for overseeing the Company's audit procedures, undertaking management and responsibility for the Company fulfilling its annual audit review, and providing any information required by the Company's auditor.

The role of the Nomination and Remuneration Committee is to consider the appointment of any future Directors and their suitability to hold that position, as well as the employment of senior executive employees of the Company. The Nomination and Remuneration Committee is also responsible for considering the remuneration to be paid to executive employees and Directors.

The Company has adopted corporate governance policies and practices which are appropriate for the size and nature of the Company. The policies adopted include Continuous Disclosure and Trading in securities procedures and policies.

The Board also recognises its duty to ensure that its Shareholders and other stakeholders are informed of all major developments affecting the Company's state of affairs.

**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