

**CSM Group Limited**

**Unaudited Interim Report**

**For the six month period ended 31 December 2016**

## Unaudited Interim Report

For the six month period ended 31 December 2016

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**Directors' Report**

For the six month period ended 31 December 2016

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Dear Shareholders,

The Company (CSM Group) has continued to carefully build its business, where competitive prices can be paid, through its operating subsidiary China Scrap Metals Resources Pty Limited (CSM Pty).

The prolonged weakness in demand for scrap metals in global markets, and particularly ferrous scrap (iron and steel) imported in to China has meant the Company has continued to hold its inventory in the expectation of lifting demand increasing sales prices.

CSM Group through CSM Pty is invested in this business on the basis of long term underlying demand for ferrous scrap in China as the steel making industry increases its share of steel manufactured from scrap compared to that made from pig iron. The increased share of steel made from ferrous scrap is an initiative supported by the Chinese Government for a number of reasons – including the substantial environmental benefits from making steel from ferrous scrap in electric arc furnaces.

However, the switch to recycled steel instead of making steel from pig-iron is proceeding much slower than anticipated; exacerbated by continued production from loss making installed steelmaking capacity that was long signalled to close, by the Chinese government.

The Company will continue to proceed cautiously and continues to evaluate profitable trade opportunities.

**Result**

The financial result for the Group for the interim six month period ended 31 December 2016 is a loss of USD \$544,000. The total comprehensive loss is USD \$559,000 which includes exchange losses of USD \$15,000 that arose through the weakening of the Australian Dollar against the US dollar. The company holds its cash reserves in Australian dollars as that is the currency where its major expenditure occurs but it reports in US Dollars as the functional currency.

Dated: 16<sup>th</sup> March 2017



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Director



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Director

**Statement of Comprehensive Income**

For the six month period ended 31 December 2016

	Note	31.12.2016 6 months unaudited US\$'000	31.12.2015 6 months unaudited US\$'000	30.6.2016 12 months audited US\$'000
Revenue		30	12	162
Cost of goods sold		(3)	(2)	(92)
<b>Gross Profit</b>		<b>27</b>	<b>10</b>	<b>70</b>
Other income		2	2	7
Administrative expenses	8	(519)	(562)	(1,114)
<b>Operating loss</b>		<b>(490)</b>	<b>(550)</b>	<b>(1,037)</b>
Finance income		11	21	38
Exchange loss		(65)	(148)	(94)
<b>Loss before income tax</b>		<b>(544)</b>	<b>(677)</b>	<b>(1,093)</b>
Income tax expense		-	-	-
<b>Net loss for the period attributable to shareholders</b>		<b>(544)</b>	<b>(677)</b>	<b>(1,093)</b>
<b>Other comprehensive income</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Exchange differences on translation of overseas subsidiaries		(15)	(104)	(78)
Other comprehensive income for the period, net of tax		(15)	(104)	(78)
<b>Total comprehensive loss for the period attributable to shareholders</b>		<b>(559)</b>	<b>(781)</b>	<b>(1,171)</b>
<b>Earnings per share for loss attributable to shareholders:</b>				
- Basic loss per share (cents)	3	(0.1312)	(0.1633)	(0.2637)
- Diluted loss per share (cents)	3	(0.1312)	(0.1633)	(0.2637)

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

**Statement of Changes in Equity**

For the six month period ended 31 December 2016

	Share Capital	Foreign Currency Translation Reserve	Accumulated Losses	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Balance as at 1 July 2016</b>	<b>32,355</b>	<b>(491)</b>	<b>(28,207)</b>	<b>3,657</b>
Net loss attributable to shareholders	-	-	(544)	(544)
Other comprehensive income	-	(15)	-	(15)
Total comprehensive loss	-	(15)	(544)	(559)
<b>Balance as at 31 December 2016</b>	<b>32,355</b>	<b>(506)</b>	<b>(28,751)</b>	<b>3,098</b>
<b>Balance as at 1 July 2015</b>	<b>32,355</b>	<b>(413)</b>	<b>(27,114)</b>	<b>4,828</b>
Net loss attributable to shareholders	-	-	(677)	(677)
Other comprehensive income	-	(104)	-	(104)
Total comprehensive loss	-	(104)	(677)	(781)
<b>Balance as at 31 December 2015</b>	<b>32,355</b>	<b>(517)</b>	<b>(27,791)</b>	<b>4,047</b>
<b>Balance as at 1 July 2015</b>	<b>32,355</b>	<b>(413)</b>	<b>(27,114)</b>	<b>4,828</b>
Net loss attributable to shareholders	-	-	(1,093)	(1,093)
Other comprehensive income	-	(78)	-	(78)
Total comprehensive loss	-	(78)	(1,093)	(1,171)
<b>Balance as at 30 June 2016</b>	<b>32,355</b>	<b>(491)</b>	<b>(28,207)</b>	<b>3,657</b>

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

**Statement of Financial Position**

As at 31 December 2016

	Note	31.12.2016 unaudited US\$'000	31.12.2015 unaudited US\$'000	30.6.2016 audited US\$'000
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	4	742	906	834
Intangible assets	5	8	5	3
<b>Total non-current assets</b>		<b>750</b>	<b>911</b>	<b>837</b>
<b>Current Assets</b>				
Cash and cash equivalents		1,740	2,455	2,231
Trade and other receivables		81	57	86
Inventories		491	545	481
Taxation receivable		164	156	165
<b>Total current assets</b>		<b>2,476</b>	<b>3,213</b>	<b>2,963</b>
<b>TOTAL ASSETS</b>		<b>3,226</b>	<b>4,124</b>	<b>3,800</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and other payables		128	77	143
<b>Total current liabilities</b>		<b>128</b>	<b>77</b>	<b>143</b>
<b>TOTAL LIABILITIES</b>		<b>128</b>	<b>77</b>	<b>143</b>
<b>EQUITY</b>				
Share capital	2	32,355	32,355	32,355
Reserves		(29,257)	(28,308)	(28,698)
<b>Total Equity</b>		<b>3,098</b>	<b>4,047</b>	<b>3,657</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,226</b>	<b>4,124</b>	<b>3,800</b>

For and on behalf of the Board:



Director



Director

Dated: 16<sup>th</sup> March 2017

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

**Statement of Cash Flows**

For the six month period ended 31 December 2016

	Note	31.12.2016 6 months unaudited US\$'000	31.12.2015 6 months unaudited US\$'000	30.6.2016 12 months audited US\$'000
<b>OPERATING ACTIVITIES</b>				
Receipts from customers		47	105	243
Interest received		11	22	38
Payments to suppliers and employees		(534)	(592)	(999)
Income tax paid		(2)	(5)	(8)
<b>Net cash outflows from operating activities</b>	6	<b>(478)</b>	<b>(470)</b>	<b>(726)</b>
<b>INVESTING ACTIVITIES</b>				
Disposal of property, plant and equipment		2	87	4
Purchase of property, plant and equipment		(6)	(114)	(27)
Purchase of intangible assets		(5)	-	-
<b>Net cash outflows from investing activities</b>		<b>(9)</b>	<b>(27)</b>	<b>(23)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(487)</b>	<b>(497)</b>	<b>(749)</b>
Cash and cash equivalents at beginning of the period		2,231	3,123	3,123
Effect of exchange rate changes		(5)	(171)	(143)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		<b>1,739</b>	<b>2,455</b>	<b>2,231</b>

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

## Notes to the Financial Statements

For the six month period ended 31 December 2016

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### 1) General Information

The Group is engaged in a business operation in Australia processing scrap metal for export sale to Chinese markets.

The Company, CSM Group Limited, is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 44a Orakei Road, Remuera, Auckland 1050.

These interim financial statements have been approved for issue by the Board of Directors on 16<sup>th</sup> March 2017.

### 2) Summary of Significant Accounting Policies

These general purpose financial statements for the interim six month reporting period ended 31 December 2016 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 2016. Those accounting policies are set out in the 2016 Annual Report.

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 2016.

The financial statements for the six month periods ending 31 December 2016 and 31 December 2015 are unaudited. The comparative information for the year ending 30 June 2016 is audited.

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 consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 31 December 2016 and the results of all subsidiaries for the six month period then ended.

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

#### **Statutory base**

CSM Group Limited is a company registered under Companies Act 1993 and is an FMC reporting entity under part 7 of the Financial Markets Conduct Act 2013. The company is also listed on the New Zealand Alternative Market ("NZAX").

#### **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 period. 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. The Group has not recognised any benefit at 31 December 2016 in respect of the tax losses generated to 31 December 2016, 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 Parent's and its subsidiary, China Scrap Metals Resources Pty Limited (CSM) functional currencies. It has been determined that the United States dollar (USD) is the Parent's 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.

#### **Carrying Value of Fixed Assets**

The Group periodically evaluates the carrying value of assets for impairment. The Group's subsidiary, China Scrap Metals Resources Pty Limited (CSM), incurred a loss in the current period. As a result significant judgement has been applied in determining the recoverable amount of CSM's property, plant and equipment. 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 period.



## Notes to the Financial Statements

For the six month period ended 31 December 2016

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### *Carrying Value of Inventory*

Due to the current manner of processing scrap metal, physical verification of the quantity of inventory is not possible. The scrap metal is not processed and organised in a uniform manner for a physical quantification of inventory to be made at period-end. As a result, significant judgement has been applied to arrive at a reliable estimate of the quantity of stock on hand as at 31 December 2016.

### **3) New Standards**

#### *International Financial Reporting Standards adopted during the period*

The accounting policies applied are consistent with those of the previous Annual Report. There are no standards, amendments and interpretations to existing standards adopted by the Group during the period that have had a material impact on the financial statements.

#### *New International Financial Reporting Standards*

The following standards have been issued but have not yet been adopted:

##### **NZ IFRS 9 Financial Instruments.**

NZ IFRS 9 was issued by the International Standards Board in July 2014 as a complete version of the standard. This standard contains the requirements for the classification and measurement of financial assets and financial liabilities, impairment methodology and general hedge accounting. The standard is effective for periods commencing on or after 1 January 2018. The Group is yet to assess the impact of this standard and does not expect to adopt it before its effective date.

##### **NZ IFRS 15 Revenue from Contracts with Customers.**

NZ IFRS 15 is effective for periods commencing on or after 1 January 2018. The standard addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in IAS 18 Revenue and IAS 11 Construction Contracts and is applicable to all entities with revenue. It sets out a five step model for revenue recognition to depict the transfer of promised goods or services to customers in a way that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group has yet to assess NZ IFRS 15's full impact. The Group will apply this standard from 1 July 2018.

##### **NZ IFRS 16 Leases**

IFRS 16 replaces the current guidance in NZ IAS 17 Leases. The existing lease accounting rules require lessees and lessors to classify their leases as either finance or operating leases. A lessee is not required to recognise lease assets or liabilities for operating leases. NZ IFRS 16 will require a lessee to recognise a lease liability reflecting future lease payments and a "right-of-use" for most lease contracts. Under NZ IFRS 16, the accounting treatment for lessors is almost the same as under the current guidance NZ IAS 17. The Group intends to adopt NZ IFRS 16 effective from 1 July 2019 for any relevant leases.

There are no other standards, amendments, or interpretations to existing standards that have been issued and yet to be adopted by the Group that are likely to have a material impact on the financial statements.

**Notes to the Financial Statements**

For the six month period ended 31 December 2016

**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 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.

	Six month period ended 31 December 2016			Six month period ended 31 December 2015		
	CSM Ltd Australia	Holding Company New Zealand	Total	CSM Ltd Australia	Holding Company New Zealand	Total
	unaudited US\$'000	unaudited US\$'000	unaudited US\$'000	unaudited US\$'000	unaudited US\$'000	unaudited US\$'000
Total inter-segment revenue	-	-	-	-	-	-
Total external sales revenue	12	-	12	12	-	12
Total EBITDA	(218)	(197)	(469)	(310)	(159)	(469)
Amortisation	-	-	-	-	-	-
Depreciation	(75)	-	(75)	(81)	-	(81)
Finance income	3	8	11	4	17	21
Exchange loss	(10)	(55)	(65)	(10)	(138)	(148)
<b>Net loss for the period</b>	<b>(300)</b>	<b>(244)</b>	<b>(544)</b>	<b>(397)</b>	<b>(280)</b>	<b>(677)</b>
Allocated non-current segment assets	750	-	750	911	-	911
Additions to non-current assets	11	-	11	27	-	27
Allocated segment liabilities	106	22	128	65	12	77

	Year ended 30 June 2016		
	CSM Ltd Australia	Holding Company New Zealand	Total
	audited US\$'000	audited US\$'000	audited US\$'000
Total inter-segment revenue	-	53	53
Total external sales revenue	162	-	162
Total EBITDA	(506)	(357)	(863)
Amortisation	(2)	-	(2)
Depreciation	(171)	(1)	(172)
Finance income	10	28	38
Exchange gain / (loss)	(34)	(60)	(94)
<b>Net loss for the period</b>	<b>(703)</b>	<b>(390)</b>	<b>(1,093)</b>
Allocated non-current segment assets	837	-	837
Additions to non-current assets	27	-	27
Allocated segment liabilities	79	64	143

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

CSM Group Limited

**Notes to the Financial Statements**

For the six month period ended 31 December 2016

**2 Share Capital**

	<b>31.12.2016 unaudited Number</b>	31.12.2015 unaudited Number	30.6.2016 audited Number	<b>31.12.2016 unaudited US\$'000</b>	31.12.2015 unaudited US\$'000	30.6.2016 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><u>414,550,000</u></b>	414,550,000	414,550,000	<b>32,355</b>	32,355	32,355

**Ordinary shares**

As at 31 December 2016 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>31.12.2016 6 months unaudited 000</b>	31.12.2015 6 months unaudited 000	30.6.2016 12 months audited 000
<b>Basic loss per share</b>			
Net loss attributable to shareholders	<b>(544)</b>	(677)	(1,093)
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 per share attributable to shareholders (cents)	<b>(0.1312)</b>	(0.16)	(0.2637)
<b>Diluted loss per share</b>			
Weighted average number of diluted shares on issue (thousands)	<b>414,550</b>	414,550	414,550
Diluted loss per share attributable to shareholders (cents)	<b>(0.1312)</b>	(0.1633)	(0.2637)

**Notes to the Financial Statements**

For the six month period ended 31 December 2016

**4 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>Cost</b>					
Balance as at 1 July 2015	119	1,048	13	18	1,198
Additions	-	27	-	-	27
Disposals	-	(2)	-	-	(2)
Exchange differences	(6)	(59)	(1)	(1)	(67)
<b>Balance as at 31 December 2015</b>	<b>113</b>	<b>1,014</b>	<b>12</b>	<b>17</b>	<b>1,156</b>
Additions	-	-	-	-	-
Disposals	-	(2)	-	-	(2)
Exchange differences	2	24	-	1	27
<b>Balance as at 30 June 2016</b>	<b>115</b>	<b>1,036</b>	<b>12</b>	<b>18</b>	<b>1,181</b>
Additions	-	6	-	-	6
Disposals	-	(2)	-	-	(2)
Exchange differences	(3)	(28)	-	(1)	(32)
<b>Balance as at 31 December 2016</b>	<b>112</b>	<b>1,012</b>	<b>12</b>	<b>17</b>	<b>1,153</b>
<b>Accumulated depreciation</b>					
Balance as at 1 July 2015	17	152	2	7	178
Depreciation charge for the period	5	74	1	1	81
Disposals	-	-	-	-	-
Exchange differences	(1)	(8)	-	-	(9)
<b>Balance as at 31 December 2015</b>	<b>21</b>	<b>218</b>	<b>3</b>	<b>8</b>	<b>250</b>
Depreciation charge for the period	5	84	1	1	91
Disposals	-	(1)	-	-	(1)
Exchange differences	1	6	-	-	7
<b>Balance as at 30 June 2016</b>	<b>27</b>	<b>307</b>	<b>4</b>	<b>9</b>	<b>347</b>
Depreciation charge for the period	5	70	1	-	76
Disposals	-	-	-	-	-
Exchange differences	(1)	(11)	-	-	(12)
<b>Balance as at 31 December 2016</b>	<b>31</b>	<b>366</b>	<b>5</b>	<b>9</b>	<b>411</b>
<b>Carrying amounts</b>					
At 31 December 2015	92	796	9	9	906
At 30 June 2016	88	729	8	9	834
At 31 December 2016	81	646	7	8	742

**Notes to the Financial Statements**

For the six month period ended 31 December 2016

**5 Intangible Assets**

	Permits US\$'000	Total US\$'000
<b>Cost</b>		
Balance as at 1 July 2015	8	8
Exchange differences	-	-
<b>Balance as at 31 December 2015</b>	<b>8</b>	<b>8</b>
Exchange differences	-	-
<b>Balance as at 30 June 2016</b>	<b>8</b>	<b>8</b>
Additions	5	-
Exchange differences	-	-
<b>Balance as at 31 December 2016</b>	<b>13</b>	<b>8</b>
<b>Accumulated amortisation</b>		
Balance as at 1 July 2015	3	3
Amortisation charge for the period	-	-
Exchange differences	-	-
<b>Balance as at 31 December 2015</b>	<b>3</b>	<b>3</b>
Amortisation charge for the period	2	2
Exchange differences	-	-
<b>Balance as at 30 June 2016</b>	<b>5</b>	<b>5</b>
Amortisation charge for the period	-	-
Exchange differences	-	-
<b>Balance as at 31 December 2016</b>	<b>5</b>	<b>3</b>
<b>Carrying amounts</b>		
At 31 December 2015	5	5
At 30 June 2016	3	3
<b>At 31 December 2016</b>	<b>8</b>	<b>3</b>

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

	31.12.2016 6 months unaudited US\$'000	31.12.2015 6 months unaudited US\$'000	30.6.2016 12 months audited US\$'000
<b>Reconciliation with Net Reported Loss</b>			
<b>Reported net loss after taxation</b>	<b>(544)</b>	<b>(677)</b>	<b>(1,093)</b>
<b>Items not involving cash flows:</b>			
Amortisation expense	-	-	2
Depreciation expense	76	81	172
Loss on disposal of fixed assets	-	2	-
Exchange loss on net cash	30	154	94
<b>Changes in working capital items (excluding the effects of exchange differences on consolidation):</b>			
Decrease / (increase) in trade and other receivables	3	118	97
Increase in inventories	(23)	(122)	(35)
(Increase) / decrease in taxation receivable	1	(7)	(8)
Increase / (decrease) in trade and other payables	(21)	(19)	45
<b>Net cash outflows from operating activities</b>	<b>(478)</b>	<b>(470)</b>	<b>(726)</b>

**Notes to the Financial Statements**

For the six month period ended 31 December 2016

**7 Related Party Information****Parent Entity**

The ultimate parent entity within the Group is CSM Group Limited.

**Subsidiaries**

China Scrap Metals Resources Pty Limited is involved in the export of scrap metal.

**Transactions with Subsidiaries**

During the period no management fees were charged by CSM Group Limited to China Scrap Metals Resources Pty Limited (year ended 30 June 2016: USD \$53,250; six months ended 31 December 2015: USD NIL).

During the period, CSM Group Limited advanced USD \$NIL to China Scrap Metals Resources Pty Limited (year ended 30 June 2016: USD \$712,157; six months ended 31 December 2015: USD \$712,000).

**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 Yanyi Shi.

**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.

	<b>31.12.2016</b>	31.12.2015	30.6.2016
	<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>34</b>	31	63
S Joyce, Director	<b>27</b>	25	50
P Li, Director	<b>27</b>	25	50
Y Shi, Director	<b>13</b>	12	24
Z Shi, Director	<b>27</b>	25	50
<b>Total directors' remuneration</b>	<b>128</b>	118	237
<b>Balances outstanding</b>			
Roger Gower – Roger Gower & Associates – trade payable	<b>3</b>	2	3
Sean Joyce – Corporate Counsel – trade payable	<b>1</b>	1	1
Y Shi – accrued director fees	<b>2</b>	2	2
Z Shi, – accrued expenses	<b>-</b>	-	2

**TRANSACTIONS BETWEEN GROUP COMPANIES****Owing to Parent Company**

China Scrap Metals Resources Pty Limited	<b>1,016</b>	1,016	1,180
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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 six month period ended 31 December 2016

**8 Administrative Expenses**

	<b>31.12.2016</b> <b>unaudited</b> <b>US\$'000</b>	31.12.2015 Unaudited US\$'000	30.6.2016 audited US\$'000
Electricity (see below)	12	90	-
Other administrative expenses	507	472	1,102
<b>Total administrative expenses</b>	<b>519</b>	<b>562</b>	<b>1,102</b>

*Explanation 31 December 2015 period*

On 11 October 2015, after the 2015 Annual Report has been released, the subsidiary China Scrap Metals Resources Pty Limited received an invoice from its electricity supplier for the period from January 2014 to September 2015. This was the first invoice received since commencing operations at the Broderick Road site. The invoice traverses the 2014, 2015 and 2016 years.

The invoice was for a total of AUD \$90,000 exclusive of GST. The relevant amounts per year are AUD \$25,700 (for the period from January 2014 to 30 June 2014), AUD \$51,500 (for the period July 2014 to 30 June 2015), and AUD \$12,800 (for the period July 2015 to September 2015).

The Directors have considered this matter and are of the opinion that the effect of the late receipt of the invoice and recognition is not material for the results in the 2014 and 2015 years and have expensed the total in the six month period to 31 December 2015.

**9 Contingent Liabilities**

There are no contingent liabilities as at 31 December 2016 (30 June 2016: nil; 31 December 2015: nil).

**10 Commitments****(a) Capital commitments**

The Group had no commitments for future capital expenditure as at 31 December 2016 (30 June 2016: nil; 31 December 2015: nil).

**(b) Operating lease commitments**

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

	<b>31.12.2016</b> <b>unaudited</b> <b>US\$'000</b>	31.12.2015 unaudited US\$'000	30.6.2016 audited US\$'000
Within one year	107	155	157
Later than one year but not later than five years	-	78	-
Later than five years	-	-	-
<b>Commitments not recognised in the financial statements</b>	<b>107</b>	<b>233</b>	<b>157</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.

**11 Events Subsequent to Interim Balance Date**

There have been no other events subsequent to 31 December 2016 which are considered to have a material effect on these financial statements.

**Directors**

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

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