

# OM HOLDINGS LIMITED

(ARBN 081 028 337)



---

NO. OF PAGES LODGED: 2 – Covering pages  
59 – Audited Financial Statements – 31 December 2009

26 March 2010

Company Announcements Office  
ASX Limited  
4<sup>th</sup> Floor  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

Pursuant to the Corporations Act 2001 and ASX Listing Rule 4.5, please find attached the audited Financial Statements and Reports for the year ended 31 December 2009.

The 2009 Annual Report (including Reports and Financial Statements) will be despatched to all Shareholders before Friday 30 April 2010.

Yours faithfully  
**OM HOLDINGS LIMITED**



Heng Siow Kwee/Julie Wolseley  
**Company Secretary**

For personal use only



---

## BACKGROUND PROFILE OF OM HOLDINGS LIMITED

*OMH listed on the ASX in March 1998 and has its foundations in metals trading – incorporating the sourcing and distribution of manganese ore products and subsequently in processing ores into ferro-manganese intermediate products. The OMH Group now operates commercial mining operations – leading to a fully integrated operation covering Australia, China and Singapore.*

*Through its wholly owned subsidiary, OM (Manganese) Ltd, OMH controls 100% of the Bootu Creek Manganese Mine (“Bootu Creek”) located 110 km north of Tennant Creek in the Northern Territory.*

*Bootu Creek has the capacity to produce 1,000,000 tonnes of manganese product annually. Bootu Creek has further exploration potential given that its tenement holdings extend over 3,325km<sup>2</sup>.*

*Bootu Creek’s manganese product is exclusively marketed by the OMH Group’s own trading division with a proportion of the product consumed by the OMH Group’s wholly-owned Qinzhou smelter located in south west China.*

*Through its Singapore based commodity trading activities, OMH has established itself as a significant manganese supplier to the Chinese market. Product from Bootu Creek has strengthened OMH’s position in this market.*

*OMH is a constituent of the S&P/ASX 200 a leading securities index.*

*OMH also holds the following strategic shareholding interests in ASX listed entities:*

- *A 15% shareholding in **Northern Iron Limited** (ASX Code: NFE), a company presently producing iron ore from its Sydvaranger iron ore mine located in northern Norway;*
- *A 12% shareholding in **Shaw River Resources Limited** (ASX Code: SRR), a company presently exploring for manganese in Western Australia and Ghana; and*
- *A 7% shareholding in **Territory Resources Limited** (ASX Code:TTY), a company operating the Frances Creek iron ore mine in the Northern Territory.*

For personal use only

Financial statements  
**OM Holdings Limited**  
and its subsidiaries

31 December 2009

# Company information

Company registration number	ARBN 081 028 337
Registered office	Clarendon House 2 Church Street Hamilton, HM11 Bermuda
Directors	Low Ngee Tong (Executive Chairman) Peter Ivan Toth (Chief Executive Officer) Ong Beng Chong (Chief Financial Officer) Julie Anne Wolseley (Non-Executive Director and Joint Company Secretary) Tan Peng Chin (Independent Non-Executive Director) Wong Fong Fui (Independent Non-Executive Director) Thomas Teo Liang Huat (Independent Non-Executive Director)
Audit committee	Thomas Teo Liang Huat (Chairman) Julie Anne Wolseley
Remuneration committee	Tan Peng Chin (Chairman) Thomas Teo Liang Huat Julie Anne Wolseley
Secretaries	Heng Siow Kwee Julie Anne Wolseley Lo Chin Men
Bankers	National Australia Bank Ltd
Independent auditor	Foo Kon Tan Grant Thornton LLP Certified Public Accountants 47 Hill Street #05-01 Singapore Chinese Chamber of Commerce & Industry Building Singapore 179365  Partner-in-charge: Mr Henry Lim

For personal use only

## Contents

	Page
Directors' report	1
Statement by Directors	5
Independent auditor's report	6
Statements of financial position	8
Consolidated statement of comprehensive income	9
Consolidated statement of changes in equity	10
Consolidated statement of cash flows	11
Notes to the financial statements	13

For personal use only

## Directors' report for the financial year ended 31 December 2009

The Directors submit this report to the members together with the audited consolidated financial statements of the Group and of the Company for the financial year ended 31 December 2009.

### Principal Activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 11 to the financial statements.

### Results and Appropriation

The results of the Group for the year ended 31 December 2009 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 8 to 56.

### Share Capital

Details of the movements in the share capital of the Company are set out in Note 16.

### Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in Consolidated Statement of Changes in Equity and Note 18 to the financial statements respectively.

### Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group are set out in Note 5 to the financial statements.

### Interest in Subsidiaries

Details of the Company's interest in subsidiaries are set out in Note 11 to the financial statements respectively.

### Names of Directors

The Directors in office at the date of this report are:

Low Ngee Tong (Executive Chairman)  
Peter Ivan Toth (Chief Executive Officer)  
Ong Beng Chong (Chief Financial Officer)  
Julie Anne Wolseley (Non-Executive Director and Joint Company Secretary)  
Tan Peng Chin (Independent Non-Executive Director)  
Wong Fong Fui (Independent Non-Executive Director)  
Thomas Teo Liang Huat (Independent Non-Executive Director)

In accordance with clause 88(1) of the Company's Bye-laws, one-third of the Directors (excluding the Chief Executive Officer) retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

For personal use only

Directors' Interest in Share Capital

As at 31 December 2009, the interests of the Directors in the share capital of the Company were as follows:

	Holdings registered in the name of Director		Holdings in which Director is deemed to have an interest	
	As at 1.1.2009	As at 31.12.2009	As at 1.1.2009	As at 31.12.2009
<u>Number of ordinary shares fully paid</u>				
<u>The Company</u>				
Low Ngee Tong (Note (a))	6,000,000	<b>13,000,000</b>	37,145,000	<b>37,145,000</b>
Peter Ivan Toh	250,000	<b>250,000</b>	-	-
Julie Anne Wolseley	5,562,002	<b>5,562,002</b>	-	-
Ong Beng Chong	766,000	<b>766,000</b>	-	-

Note:

- (a) Mr Low Ngee Tong is deemed to be interested in 36,395,000 ordinary shares by virtue of his corporate interest in Ramley International Limited, which held such shares. Mr Low Ngee Tong is deemed to be interested in 750,000 ordinary shares by virtue of these shares being held by DBS Vickers Securities (Singapore) Pte Ltd as nominee on behalf of Mr Low Ngee Tong.

Unissued Shares under Option

The unissued shares under option at the end of the financial year are as follows:

OM Holdings Limited <u>Unlisted Options (in '000)</u>							
Date options granted	Balance at 1.1.2009	Granted/ (expired) during the year	Exercised during the year	Balance at 31.12.2009	A\$ Exercise price per option	No. of options holders at 31.12.2009	Period exercisable
07.11.2006	48	-	(48)	-	0.30	-	07.11.2007 - 31.12.2009
07.11.2006	48	-	(48)	-	0.36	-	07.11.2007 - 30.06.2010
01.06.2007	6,000	-	(6,000)	-	0.28	-	31.05.2008 - 31.05.2012
01.06.2007	1,000	-	(1,000)	-	0.14	-	12.03.2008 - 12.03.2012
01.06.2007	750	-	(200)	550	0.30	2	31.05.2008 - 31.05.2010
01.06.2007	2,980	(50)	(2,060)	870	0.30	5	31.05.2008 - 31.05.2011
02.08.2007	750	-	-	750	0.365	1	02.07.2007 - 30.06.2010
24.09.2007	2,000	-	(2,000)	-	0.365	-	24.09.2007 - 30.06.2010
24.09.2007	2,000	-	(2,000)	-	0.365	-	01.07.2008 - 30.06.2010
20.05.2008	500	-	-	500	0.72	1	20.05.2008 - 31.03.2011
20.05.2008	500	-	-	500	0.72	1	14.03.2009 - 31.03.2011
17.10.2008	4,000	-	-	4,000	1.405	1	17.10.2008 - 30.09.2010
17.10.2008	4,000	-	-	4,000	1.52	1	03.09.2009 - 03.09.2011
17.10.2008	4,000	-	-	4,000	1.64	1	03.09.2010 - 03.09.2012
17.10.2008	4,000	-	-	4,000	1.755	1	03.09.2011 - 03.09.2013
17.10.2008	4,000	-	-	4,000	1.87	1	03.09.2012 - 03.09.2014
17.10.2008	4,000	-	-	4,000	2.49	1	17.10.2008 - 31.10.2010
17.10.2008	2,000	-	-	2,000	2.49	1	01.01.2009 - 01.01.2011
17.10.2008	2,000	-	-	2,000	2.49	1	01.01.2010 - 01.01.2012
17.10.2008	2,000	-	-	2,000	2.49	1	01.01.2011 - 01.01.2013

Unissued Shares under Option (cont'd)

OM Holdings Limited Unlisted Options (in '000)							
Date options granted	Balance at 1.1.2009	Granted/ (cancelled) during the year	Exercised during the year	Balance at 31.12.2009	A\$ Exercise price per option	No. of options holders at 31.12.2009	Period exercisable
17.10.2008	2,000	-	-	2,000	2.49	1	01.01.2012 - 01.01.2014
17.10.2008	2,000	-	-	2,000	2.49	1	01.01.2013 - 01.01.2015
17.10.2008	4,325	(625)	-	3,700	2.49	25	01.01.2010 - 01.01.2012
17.10.2008	4,325	(625)	-	3,700	2.49	25	01.01.2011 - 01.01.2013
17.10.2008	3,000	-	-	3,000	1.405	1	17.10.2008 - 01.08.2010
17.10.2008	3,000	-	-	3,000	1.52	1	01.08.2009 - 01.08.2011
17.10.2008	2,000	-	-	2,000	1.64	1	01.08.2010 - 01.08.2012
17.10.2008	2,000	-	-	2,000	1.755	1	01.08.2011 - 01.08.2013
17.10.2008	2,000	-	-	2,000	1.87	1	01.08.2012 - 01.08.2014
17.10.2008	1,000	-	-	1,000	2.58	1	17.10.2008 - 31.08.2011
	<b>72,226</b>	<b>(1,300)</b>	<b>(13,356)</b>	<b>57,570</b>			

There were no unissued shares of subsidiaries under option at 31 December 2009.

Mr Low Ngee Tong, Mr Peter Ivan Toth, Mr Ong Beng Chong, Mr Tan Peng Chin, and Mr Wong Fong Fui are interested in 4 million, 20 million, 12 million, 1 million and 1 million options respectively at the end of the financial year.

#### Audit Committee

The audit committee comprises the following members:

Thomas Teo Liang Huat (Chairman)  
Julie Anne Wolseley

The audit committee is responsible for reviewing the half-yearly and annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the Board of Directors.


The committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any Director or executive officer to attend its meetings.

The committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, Foo Kon Tan Grant Thornton LLP, be nominated for re-appointment as auditors of the Company at the forthcoming Annual General Meeting of the Company.

Independent auditor

The independent auditor, Foo Kon Tan Grant Thornton LLP, Certified Public Accountants, has expressed its willingness to accept the re-appointment.

On behalf of the Directors



PETER IVAN TOTH



ONG BENG CHONG

Dated: 26 March 2010

For personal use only

## Statement by Directors for the financial year ended 31 December 2009

In the opinion of the Directors, the accompanying statements of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of financial position of the Company and of the Group as at 31 December 2009 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors



PETER IVAN TOTH



ONG BENG CHONG

Dated: 26 March 2010

For personal use only

# Independent auditor's report to the members of OM Holdings Limited

We have audited the accompanying financial statements of OM Holdings Limited (“the Company”) and its subsidiaries (“the Group”), which comprise the statements of financial position of the Group and the Company as at 31 December 2009, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's 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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free of 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 auditor's 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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.

For personal use only

## Independent auditor's report to the members of OM Holdings Limited (cont'd)

### Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provision of the IFRS so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and the results, changes in equity and cash flows of the Group for the financial year ended on that date.



Foo Kon Tan Grant Thornton LLP  
Public Accountants and  
Certified Public Accountants

Henry Lim  
Partner in charge of the audit  
Date of appointment: Financial year commencing 1 January 2006

Singapore, 26 March 2010

For personal use only

## Statements of financial position as at 31 December 2009

	Notes	The Company		The Group	
		31 December 2009 A\$'000	31 December 2008 A\$'000	31 December 2009 A\$'000	31 December 2008 A\$'000
<b>Assets</b>					
<b>Non-Current</b>					
Goodwill	4	-	-	2,065	2,190
Property, plant and equipment	5	-	-	90,469	69,733
Prepaid lease payments on land use rights	6	-	-	1,092	1,577
Long-term prepayments	7	-	-	603	818
Exploration and evaluation costs	8	-	-	-	-
Mine development costs	9	-	-	20,746	20,384
Financial assets available for sale	10	10,457	4,443	10,457	4,443
Interest in subsidiaries	11	109,491	71,664	-	-
Deferred tax assets	12	-	-	-	313
		<b>119,948</b>	<b>76,107</b>	<b>125,432</b>	<b>99,458</b>
<b>Current</b>					
Inventories	13	-	-	84,423	86,272
Trade and other receivables	14	18,339	32,023	22,265	21,662
Prepayments		226	-	2,061	5,241
Cash collateral	15	-	-	9,392	22,317
Cash and cash equivalents	15	46,582	70,813	79,708	96,961
		<b>65,147</b>	<b>102,836</b>	<b>197,849</b>	<b>232,453</b>
<b>Total assets</b>		<b>185,095</b>	<b>178,943</b>	<b>323,281</b>	<b>331,911</b>
<b>Equity</b>					
<b>Capital and Reserves</b>					
Share capital	16	24,547	23,879	24,547	23,879
Treasury shares	17	(1,006)	(1,006)	(1,006)	(1,006)
Reserves	18	160,709	152,826	241,656	225,305
		<b>184,250</b>	<b>175,699</b>	<b>265,197</b>	<b>248,178</b>
<b>Minority interests</b>		-	-	498	2,552
<b>Total equity</b>		<b>184,250</b>	<b>175,699</b>	<b>265,695</b>	<b>250,730</b>
<b>Liabilities</b>					
<b>Non-Current</b>					
Borrowings	19	-	-	411	-
Provisions	20	-	-	3,459	657
Deferred tax liabilities	12	-	-	4,212	-
		-	-	<b>8,082</b>	<b>657</b>
<b>Current</b>					
Borrowings	19	-	-	912	2,170
Trade and other payables	21	845	3,244	46,856	46,435
Derivative financial liabilities	22	-	-	-	17,206
Current tax payable		-	-	1,736	14,713
		<b>845</b>	<b>3,244</b>	<b>49,504</b>	<b>80,524</b>
<b>Total equity and liabilities</b>		<b>185,095</b>	<b>178,943</b>	<b>323,281</b>	<b>331,911</b>

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

## Consolidated statement of comprehensive income for the financial year ended 31 December 2009

	Notes	Year ended 31 December 2009 A\$'000	Year ended 31 December 2008 A\$'000
Revenue	3	280,335	574,065
Cost of sales		(185,372)	(312,542)
Gross profit		94,963	261,523
Other income	23	21,199	12,710
Distribution costs		(26,604)	(38,842)
Administrative expenses		(10,765)	(24,289)
Other operating expenses		(50,091)	(76,666)
Finance costs		(405)	(973)
Profit before taxation	24	28,297	133,463
Taxation	25	(1,267)	(17,529)
<b>Profit after taxation</b>		<b>27,030</b>	<b>115,934</b>
<b>Other comprehensive income after tax:</b>			
Fair value reserve		12,882	(45,949)
Translation differences on consolidation		(23,660)	20,759
<b>Other comprehensive income for the year, net of tax</b>		<b>(10,778)</b>	<b>(25,190)</b>
<b>Total comprehensive income for the year</b>		<b>16,252</b>	<b>90,744</b>
<b>Profit attributable to:</b>			
Owners of the parent		26,933	115,632
Minority interests		97	302
		<b>27,030</b>	<b>115,934</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		16,155	90,442
Minority interests		97	302
		<b>16,252</b>	<b>90,744</b>
<b>Earnings per share</b>		<b>Cents</b>	<b>Cents</b>
- Basic	26	5.59	24.81
- Diluted	26	5.32	23.55

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

For personal use only

## Consolidated statement of changes in equity for the financial year ended 31 December 2009

	Share capital A\$'000	Share premium A\$'000	Treasury shares A\$'000	Non-distributable reserve A\$'000	Capital reserve A\$'000	Share option reserve A\$'000	Fair value reserve A\$'000	Exchange fluctuation reserve A\$'000	Retained profits A\$'000	Total attributable to equity holders of the parent A\$'000	Minority interests A\$'000	Total equity A\$'000
Balance at 1 January 2008	22,747	71,021	-	1,457	637	4,510	33,310	(5,921)	36,597	164,358	1,809	166,167
Total comprehensive income for the year	-	-	-	-	-	-	(45,949)	20,759	115,632	90,442	302	90,744
Purchase of treasury shares (Note 17)	-	-	(1,006)	-	-	-	-	-	-	(1,006)	-	(1,006)
Share options exercised (Note 16)	1,132	5,829	-	-	-	-	-	-	-	6,961	-	6,961
Value for employee services received for grant of share options	-	-	-	-	-	13,756	-	-	-	13,756	-	13,756
Dividend paid to minority interest	-	-	-	-	-	-	-	-	-	-	(74)	(74)
Dividend paid (Note 27)	-	-	-	-	-	-	-	-	(25,996)	(25,996)	-	(25,996)
Transfer	-	-	-	818	-	-	-	-	(1,333)	(515)	515	-
Others	-	-	-	-	-	-	-	-	178	178	-	178
<b>Balance at 31 December 2008</b>	<b>23,879</b>	<b>76,850</b>	<b>(1,006)</b>	<b>2,275</b>	<b>637</b>	<b>18,266</b>	<b>(12,639)</b>	<b>14,838</b>	<b>125,078</b>	<b>248,178</b>	<b>2,552</b>	<b>250,730</b>
Balance at 1 January 2009	23,879	76,850	(1,006)	2,275	637	18,266	(12,639)	14,838	125,078	248,178	2,552	250,730
Total comprehensive income for the year	-	-	-	-	-	-	12,882	(23,660)	26,933	16,155	97	16,252
Share options exercised (Note 16)	668	3,322	-	-	-	-	-	-	-	3,990	-	3,990
Share premium arising from share options exercised	-	7,403	-	-	-	(7,403)	-	-	-	-	-	-
Value for employee services received for grant of share options	-	-	-	-	-	11,415	-	-	-	11,415	-	11,415
Elimination of minority interest arising from disposal of subsidiary	-	-	-	-	-	-	-	-	-	-	(2,552)	(2,552)
Capital injection from minority interest due to incorporation of subsidiary	-	-	-	-	-	-	-	-	-	-	401	401
Dividend paid (Note 27)	-	-	-	-	-	-	-	-	(14,541)	(14,541)	-	(14,541)
<b>Balance at 31 December 2009</b>	<b>24,547</b>	<b>87,575</b>	<b>(1,006)</b>	<b>2,275</b>	<b>637</b>	<b>22,278</b>	<b>243</b>	<b>(8,822)</b>	<b>137,470</b>	<b>265,197</b>	<b>498</b>	<b>265,695</b>

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

## Consolidated statement of cash flows for the financial year ended 31 December 2009

	Year ended 31 December 2009 A\$'000	Year ended 31 December 2008 A\$'000
<b>Cash Flows from Operating Activities</b>		
Profit before taxation	28,297	133,463
Adjustments for:		
Amortisation of prepaid lease	28	33
Amortisation of long term prepayments	33	9
Amortisation of mine development	1,620	1,694
Depreciation of property, plant and equipment	7,998	7,017
Equity-settled share-based payments	11,423	13,756
Effect of foreign exchange rates	(21,509)	17,300
Writing off of exploration and evaluation costs	3,084	11,917
Impairment of mine development costs written back	-	(9,699)
Loss on disposal of financial assets available for sale	39	58
Loss on disposal of property, plant and equipment	93	968
Gain on disposal of a subsidiary company	(872)	-
Write down of inventories to net realisable value	-	3,511
Write back of inventories to net realisable value	(17,862)	-
Interest expenses	405	973
Interest income	(2,253)	(2,726)
Operating profit before working capital changes	10,524	178,274
Decrease/(increase) in inventories	14,925	(38,760)
(Increase)/decrease in trade and bill receivables	(2,990)	8,252
Decrease/(increase) in prepayments, deposits and other receivables	794	(7,947)
Increase/(decrease) in trade and bill payables	6,967	(2,837)
(Decrease)/increase in other payables and accruals	(737)	14,420
Increase in long term liabilities	2,801	359
Cash generated from operations	32,284	151,761
Interest paid	(405)	(973)
Overseas income tax paid	(14,122)	(7,934)
Net cash generated from operating activities	17,757	142,854
<b>Cash Flows from Investing Activities</b>		
Payments for exploration and evaluation	(3,084)	(11,917)
Payments for mine development costs	(1,982)	-
Purchase of property, plant and equipment	(33,394)	(14,943)
Purchase of financial assets available for sale	(4,017)	-
Proceeds from disposal of property, plant and equipment	118	61
Proceeds from disposal of financial assets available for sale	579	97
Proceeds from disposal of a subsidiary company (Note A)	443	-
Interest received	2,253	2,726
Net cash used in investing activities	(39,084)	(23,976)
<b>Cash Flows from Financing Activities</b>		
Dividends paid to minority interests	-	(74)
Dividends paid	(14,541)	(25,996)
Repayment of bank and other loans	(24)	(3,867)
Proceeds from bank loans	1,323	-
Capital contribution by minority interest	401	-
(Increase)/decrease in cash collateral	12,925	(18,549)
Purchase of treasury shares	-	(1,006)
Proceeds from issue of shares, net of issue costs	3,990	6,961
Net cash generated from/(used in) financing activities	4,074	(42,531)
Net (decrease)/ increase in cash and cash equivalents	(17,253)	76,347
Cash and cash equivalents at beginning of year	96,961	20,614
Cash and cash equivalents at end of year (Note 15)	79,708	96,961

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

For personal use only

## Consolidated statement of cash flows (cont'd) for the financial year ended 31 December 2009

**Note:**

**A. Disposal of a subsidiary**

The Group disposed of a subsidiary. The fair value of assets disposed of and liabilities discharged were as follows:

	<b>2009</b>	2008
	<b>A\$'000</b>	A\$'000
<u>Net assets disposed of</u>		
Goodwill	125	-
Property, plant and machinery	2,001	-
Land occupancy rights	133	-
Trade and other receivables	4,771	-
Inventories	4,786	-
Cash and cash equivalents	1,472	-
Trade and other payables	(5,809)	-
Interest bearing loans and borrowings	(2,146)	-
Minority interest	(2,552)	-
Gain on disposal	873	-
Proceeds received	3,654	-
Cash balance in subsidiary disposed of	(1,472)	-
Reserves written off on disposal of a subsidiary	(1,739)	-
Cash inflow on disposal	443	-

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

For personal use only

# Notes to the financial statements

## for the financial year ended 31 December 2009

### 1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the Directors on the date of the Statement by Directors.

The Company is incorporated as a limited liability company and domiciled in Bermuda.

The registered office is located at Clarendon House, 2 Church Street Hamilton, HM11 Bermuda.

### 2(a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) including International Accounting Standards (“IAS”), and interpretations by the Interpretation Standing Interpretations Committee (“SIC”), and the International Financial Reporting Interpretations Committee (“IFRIC”). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Australian dollars which is the Company’s functional currency. All financial information is presented in Australian dollars (to the nearest thousands), unless otherwise stated.

#### **Significant accounting estimates and judgements**

The preparation of the financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and areas involving a high degree of judgements are described below.

#### **Critical assumptions used and accounting estimates in applying accounting policies**

##### **Property, plant and equipment and depreciation**

The Group’s management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete assets that have been abandoned or sold.

For personal use only

Income tax

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group tax payable as at 31 December 2009 was A\$1,736,000 (2008 - A\$14,713,000).

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to business segments as follows:

	<b>2009</b> <b>A\$'000</b>	2008 A\$'000
Ores	<b>2,065</b>	2,190

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period and are stated below:

Gross margin	10% - 20%
Growth rate	0% - 10%
Discount rate	10%

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

These assumptions have been used for the analysis of each CGU. Management determined the budgeted gross margin based on past performance and its expectation for market development. The weighted average growth rates used are consistent with industry reports. The discount rates used are pre-tax and reflect specific risks relating to the business segments.

Impairment of mining and exploration assets

The carrying value of mining and exploration assets, including property, plant and equipment and deferred exploration, evaluation and development costs, is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. The recoverable amount of these assets, or, where appropriate, the cash generating unit to which they belong, is calculated as the higher of its fair value less costs to sell and value-in-use. Estimating the value-in-use required the Group to estimate future cash flows from the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment in investment in subsidiaries

Determining whether investments in subsidiaries are impaired requires an estimation of the value-in-use of the investments. The value-in-use calculation requires the Group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverability of the investments based on such estimates.

Allowance for bad and doubtful debts

Allowances for bad and doubtful debts are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the expected outcome is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

Valuation of share options

Share options issued were valued using the Binomial Model, taking into account the terms and conditions upon which the options were granted. Details of the assumptions and estimates used are given in Note 28 of the financial statements.

2(b) Interpretations and amendments to published standards effective in 2009

On 1 January 2009, the Group adopted the new or amended IAS, IFRS and IFRIC Interpretations that are mandatory for application from that date. This includes the following IAS, IFRS and IFRIC Interpretations, which are relevant to the Group:

IAS 1 (Revised 2008)	Presentation of Financial Statements
Amendments to IAS 27	Amendments relating to puttable financial instruments and obligations arising on liquidation
IAS 23 (Revised)	Borrowing Costs
Amendments to IAS 27	Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate
Amendments to IAS 32	Amendments relating to puttable financial instruments and obligations arising on liquidation
Amendments to IAS 39	Amendments relating to reclassification of financial assets
Amendments to IFRS 1	Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate
Amendments to IFRS 2	Amendments relating to vesting conditions and cancellation
Amendments to IFRS 7	Amendments relating to reclassification of financial assets
Amendments to IFRS 7	Financial instruments: Disclosures - Improving disclosures about financial instruments
IFRS 8	Operating Segments
Amendments to IFRIC - Int 9 and IAS 39	Embedded Derivatives
IFRIC - Int 13	Customer Loyalty Programmes
IFRIC - Int 16	Hedges of a Net Investment in Foreign Operation
	Improvements to IASs 2008

The Group has adopted all the new and amended IAS and IFRS and IFRIC Interpretations that are relevant to its operations and effective for annual periods beginning on or after 1 January 2009. The adoption of these new/revised IAS and IFRS and IFRIC Interpretations did not result in substantial changes to the Group's accounting policies nor any significant impact on these financial statements.

## 2(c) New or revised accounting standards and interpretations

At the date of authorisation of these financial statements, the following IAS, IFRS and IFRIC Interpretations were issued but not yet effective:

IAS 27 (amended 2009)	Consolidated and separate financial statements
IFRS 3 (revised 2009)	Business combinations
Amendments to IAS 39	Financial instruments: Recognition and measurement - Eligible hedged items
Amendments to IFRIC – Int 9	Reassessment of embedded derivatives
Amendments to IAS 39	Financial instruments: Recognition and measurement - Embedded derivatives
IFRIC – Int 17	Distributions of non-cash assets to owners
IFRIC – Int 18	Transfer of assets from customers
Improvements to IASs 2009	

The Directors do not anticipate that the adoption of other IAS, IFRS and IFRIC Interpretations in future periods will have a material impact on the consolidated financial statement of the Group.

## 2(d) Summary of significant accounting policies

### **Consolidation**

The financial statements of the Group include the financial statements of the Company and its subsidiaries made up to the end of the financial year. Information on its subsidiaries is given in Note 11.

All inter-company balances and significant inter-company transactions and resulting unrealised profits or losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only. The results of subsidiaries acquired or disposed of during the financial year are included or excluded from the consolidated income statement from the effective date in which control is transferred to the Group or in which control ceases, respectively.

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated below.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

Where accounting policies of a subsidiary do not conform with those of the Company, adjustments are made on consolidation when the amounts involved are considered significant to the Group.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated statement of financial position within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated profit and loss account.

For personal use only

### **Intangible assets**

Intangible assets are accounted for using the cost model with the exception of goodwill. Capitalised costs are amortised on a straight-line basis over their estimated useful lives for those considered as finite useful lives. After initial recognition, they are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Indefinite life intangibles are not amortised but are subject to annual impairment testing.

Intangible assets are written off where, in the opinion of the Directors, no further future economic benefits are expected to arise.

### Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

### **Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is computed utilising the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

Leasehold building and improvements	3 to 5 years
Plant and machinery	3 to 20 years
Plant and equipment - Process Facility	Life of mine: 8 years
Computer equipment	1 year
Office equipment	3 to 5 years
Furniture and fittings	3 to 5 years
Motor vehicles	5 to 10 years

No depreciation is provided on assets under construction.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date as a change in estimates.

### **Land use rights**

Land use rights represent up-front payments to acquire long term interests in the usage of land in the People's Republic of China ("PRC"). They are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to the consolidated income statements on the straight-line basis over the period of the leases which ranged from 10 years to 50 years.

### **Long term prepayments**

Long term prepayments represent an office premises in Singapore that is held under a long term lease. They are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to the consolidated income statements on the straight-line basis over the lease period of 73 years on acquisition.

### **Exploration and evaluation costs**

Costs arising from exploration and evaluation are accumulated in respect of each separate area of interest. These costs are capitalised and carried forward as assets where rights to tenure are current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence of economically recoverable reserves, active and significant operations in the area of interest are continuing. Amounts received during the exploration and evaluation phases which are in the nature of reimbursement or recoupment of previously incurred costs are offset against such costs.

Accumulated costs in respect of an area of interest subsequently abandoned are written off to the income statement in the reporting period in which the Directors' decision to abandon is made.

Capitalised exploration and evaluation costs are assessed for impairment when facts and circumstances suggest that the carrying amount of those costs exceeds their recoverable amount. Where a mineral resource has been identified and where it is expected that future expenditures will be recovered by future exploitation or sale, the impairment of the exploration and evaluation is written back and transferred to mine development costs.

In respect of each separate area of interest, when the technical feasibility and commercial viability of the exploration and evaluation is demonstrable, the relevant capitalised exploration and evaluation costs are reclassified as mine development costs.

### **Mine development and mine properties costs**

Costs arising from the development of the mine site (except for the expenditures incurred for building the mine site and the purchases of machinery and equipments for the mining operation which are included in property, plant and equipments) are accumulated in respect of each identifiable area of interest and are capitalised and carried forward as an asset to the extent that they are expected to be recouped through the successful timing of the areas of interest. Accumulated costs in respect of an area of interest subsequently abandoned are written off to the income statement in the reporting period in which the Directors' decision to abandon is made.

Amortisation is not charged on the mine development costs carried forward in respect of areas of interest until production commences. Where mining of a mineral deposit has commenced, the accumulated development costs are transferred to mine properties. When production commences, carried forward mine properties expenditure is amortised on a units of production basis. The units of production basis results in an amortisation charge proportional to the depletion of the estimated economically recoverable ore reserves. Capitalised mine development and mine properties costs are assessed for impairment when facts and circumstances suggest that the carrying amount of those costs exceeds their recoverable amount.

### **Mine development and mine properties costs (cont'd)**

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with the clauses of the mining permits. Such costs have been determined using estimates for the costs, current legal requirements and technology on a discounted basis. Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed in the final year of abandoning the site.

Pre-production operating expenses and revenues were accumulated and capitalised into mine development costs until 31 August 2007. These costs will continue to be carried forward to the extent that they are expected to be recouped through the successful mining of the area of interest.

The amortisation of capitalised mine development costs commenced from 1 September 2007 and will be amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

### **Financial assets**

Financial assets include cash and financial instruments. Financial assets, other than hedging instruments, if any, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date - the date on which the Company and the Group commit to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each of the end of the reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

### **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 Company and the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the financial position date. These are classified as non-current assets.

For personal use only

## **Financial assets (cont'd)**

### Loans and receivables (cont'd)

Loans and receivables include trade and other receivables. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write back is recognised in the income statement.

### Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the financial position date.

All financial assets within this category are subsequently measured at fair value with changes in value recognised in equity, net of any effects arising from income taxes, until the financial assets is disposed of or is determined to be impaired, at which time the cumulative gains or losses previously recognised in equity is included in the income statement for the period.

When a decline in the fair value of an available-for sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from the equity and recognised in the income statement even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from equity and recognised in the income statement shall be the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

Impairment losses recognised in the income statement for equity investments classified as available-for-sale are not subsequently reversed through the income statement. Impairment losses recognised in the income statement for debt instruments classified as available-for-sale are subsequently reversed in the income statement if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Impairment losses recognised in a previous interim period in respect of equity instruments or financial assets carried at cost are not reversed even if the impairment losses would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or the end of the reporting period.

### Determination of fair value

The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active, the Company 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, discounted cash flow analysis, and option pricing models, making maximum use of market inputs. Where fair value of unquoted instruments cannot be measured reliably, fair value is determined by the transaction price.

For personal use only

### **Derivative financial instruments and hedging activities**

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates each hedge as either: (a) fair value hedge; (b) cash flow hedge; or (c) net investment hedge.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months. The fair value of a trading derivative is presented as a current asset or liability.

#### Fair value hedge

Change in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

#### Cash flow hedge

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in the hedging reserves, while the ineffective portion is recognised in the income statement.

Changes in the carrying amount of cash flow hedges are charged to the hedging reserve in equity. Amounts accumulated in equity are recycled to the income statement in the periods when the hedged item affects profit or loss. When the hedged transaction results in the recognition of a non-financial asset or liability, the gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a cash flow hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss reported in equity is immediately transferred to the income statement.

#### Net investment hedge

The Group has foreign currency borrowings that qualify as net investment hedge in foreign operations. These hedging instruments are accounted for similarly to cash flow hedges.

Any gain or loss on the borrowings relating to the effective portion of the hedge is recognised in the currency translation reserve within equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gain and losses accumulated in the currency translation reserve within equity are included in the income statement when the foreign operation is disposed of.

### **Subsidiaries**

A subsidiary is an entity controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether there is control.

Shares in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of minority interest.

### **Inventories**

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- (a) Raw materials at purchase cost on a weighted average basis; and
- (b) Finished goods and work in progress at cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and bank deposits.

Share capital, share premium and treasury shares

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Share premium includes any premium received on the issuing of the share capital over the par value. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

For personal use only

### **Dividends**

Final dividends proposed by the Directors are not accounted for in shareholders' equity as an appropriation of retained profit, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because of the articles of association of the Company grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

### **Financial liabilities**

The Group's financial liabilities include borrowings, trade and bill payables, other payables and accruals, provisions and other long-term liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance cost" in the income statement. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the income statement over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

Borrowings which are due to be settled within twelve months after the balance sheet are included in current borrowings in the balance sheet even though the original terms was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed before the end of the reporting period. Borrowings to be settled within the Group's normal operating cycle are classified as current. Other borrowings due to be settled more than twelve months after the financial position date are included in non-current borrowings in the statement of financial position.

### Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are initially recognised at their fair value plus transaction costs.

Financial guarantee contracts are subsequently amortised to the income statement over the period of the subsidiaries' borrowings, unless the Company incurred an obligation to reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantee contracts shall be carried at the expected amount payable to the bank.

For personal use only

### **Provisions**

Provisions are recognised when the Company and the Group have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

The Directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of the time is recognised as finance costs.

### **Leases**

#### Finance leases

Where assets are financed by lease agreements that give rights approximating to ownership, the assets are capitalised as if they had been purchased outright at values equivalent to the lower of the fair values of the leased assets and the present value of the total minimum lease payments during the periods of the leases. The corresponding lease commitments are included under liabilities. The excess of lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease to give a constant effective rate of charge on the remaining balance of the obligation.

The leased assets are depreciated on a straight-line basis over their estimated useful lives as detailed in the accounting policy on "Property, plant and equipment".

#### Operating leases

Rentals on operating leases are charged to the income statement on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payment on early termination, if any, is recognised in the income statement when incurred.

Contingent rents are mainly determined as a percentage of revenue in excess of a specified amount during the month. They are charged to the income statement when incurred.

#### Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between that tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises for the initial recognition of goodwill or an asset or liability in a transaction that is not business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

### **Income taxes (cont'd)**

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the date of the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

### **Employee benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

#### Pension obligations

Salaries, annual bonuses, paid annual leave and contributions to defined contribution plans are recognised as an expense in the profit and loss account in the period in which the associated services are rendered by the employees.

#### Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

#### Employee Share Option Plan and Other Options Issued Following Shareholder Approval

The Company has an employee share option plan for the granting of non-transferable options.

The Group issues equity-settled share-based payments to certain employees and Directors. The fair value of the employee services received in exchange for the grant of options is recognised as an expense in the income statement with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under option that are expected to become exercisable on the vesting date. At the end of the reporting period, the Group revises its estimates of the number of shares under option that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in the income statement, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued, or to the "treasury shares" account, when treasury shares are re-issued to the employees.

In the Company's separate financial statements, the fair value of options granted to employees of its subsidiaries is recognised as an increase in the cost of the Company's investment in subsidiaries, with a corresponding increase in equity over the vesting period.

For personal use only

### **Employee benefits (cont'd)**

#### Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain managers are considered key management personnel.

#### **Related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

#### **Impairment of non-financial assets**

The carrying amounts of the Company's and Group's non-financial assets subject to impairment are reviewed at each financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Company at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets or cash-generating units carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to equity.

With the exception of goodwill,

- An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.
- An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

For personal use only

### **Impairment of non-financial assets (cont'd)**

- A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

An impairment loss in respect of goodwill is not reversed, even if it relates to impairment loss recognised in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or the end of the reporting period.

### **Revenue recognition**

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services taxes and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Dividend income from investments is recognised gross when the right to receive the dividend has been established.

Interest income is recognised on a time apportioned basis using the effective interest rate method.

### **Functional and presentation currencies**

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements of the Group and the Company are presented in Australian dollars, which is also the functional currency of the Company.

### **Conversion of foreign currencies**

#### Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in the income statement, unless they arise from borrowings in foreign currencies, other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to the profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

For personal use only

### Conversion of foreign currencies (cont'd)

#### Group entities

The results and financial position of all the entities within the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rates at the end of the reporting period;
- (ii) Income and expenses are translated at average exchange rates; and
- (iii) All resulting currency translation differences are recognised in the currency translation reserve in equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and translated at the closing rates at the date of the balance sheet. For acquisitions prior to 1 January 2005, the exchange rates at the dates of acquisition are used.

### Operating segments

For management purposes, operating segments are organised based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers are directly accountable to the chief executive officer who regularly reviews the segment results in order to allocate resources to the segments and to assess segment performance.

### 3 Principal activities and revenue

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are stated in Note 11.

Revenue is turnover from sales of goods which represents the invoiced values of goods sold, net of discounts, goods and services tax and other sales taxes.

### 4 Goodwill

The Group	<b>2009</b> <b>A\$'000</b>	2008 A\$'000
Cost	<b>2,190</b>	2,190
Disposal	<b>(125)</b>	-
	<b>2,065</b>	2,190

5 Property, plant and equipment

The Group	Construction in-progress A\$'000	Leasehold buildings and improvements A\$'000	Plant and machinery A\$'000	Computer equipment, office equipment and furniture A\$'000	Motor vehicles A\$'000	Total A\$'000
<b>Cost</b>						
At 1 January 2008	3,274	5,599	59,270	5,083	778	74,004
Additions	12,149	309	2,025	110	350	14,943
Transfers	(7,092)	169	9,576	(2,653)	-	-
Disposals	-	-	(1,094)	(230)	-	(1,324)
Exchange realignment	5	1,979	2,736	40	255	5,015
<b>At 31 December 2008</b>	<b>8,336</b>	<b>8,056</b>	<b>72,513</b>	<b>2,350</b>	<b>1,383</b>	<b>92,638</b>
Additions	18,669	1	14,200	27	497	33,394
Transfers	(10,125)	134	9,842	149	-	-
Disposals	-	(15)	-	(138)	(241)	(394)
Disposal of a subsidiary	(2)	(1,862)	(2,978)	-	(411)	(5,253)
Exchange realignment	(49)	(1,401)	(1,840)	(53)	(220)	(3,563)
<b>At 31 December 2009</b>	<b>16,829</b>	<b>4,913</b>	<b>91,737</b>	<b>2,335</b>	<b>1,008</b>	<b>116,822</b>
<b>Accumulated depreciation</b>						
At 1 January 2008	-	1,396	11,873	814	235	14,318
Depreciation for the year (Note 24)	-	346	6,053	496	122	7,017
Transfers	-	-	223	(223)	-	-
Disposal	-	-	(121)	(138)	-	(259)
Exchange realignment	-	561	1,099	35	134	1,829
<b>At 31 December 2008</b>	<b>-</b>	<b>2,303</b>	<b>19,127</b>	<b>984</b>	<b>491</b>	<b>22,905</b>
Depreciation for the year (Note 24)	-	311	6,982	570	135	7,998
Disposals	-	(15)	-	(92)	(76)	(183)
Disposal of a subsidiary	-	(982)	(1,984)	-	(286)	(3,252)
Exchange realignment	-	(335)	(688)	(38)	(54)	(1,115)
<b>At 31 December 2009</b>	<b>-</b>	<b>1,282</b>	<b>23,437</b>	<b>1,424</b>	<b>210</b>	<b>26,353</b>
<b>Net book value</b>						
<b>At 31 December 2009</b>	<b>16,829</b>	<b>3,631</b>	<b>68,300</b>	<b>911</b>	<b>798</b>	<b>90,469</b>
At 31 December 2008	8,336	5,753	53,386	1,366	892	69,733

Leasehold buildings are situated in the PRC and held under a medium-term lease.

The cost of property, plant and equipment includes an amount of A\$Nil (2008 - A\$359,508) in respect of assets held under finance leases and the related accumulated depreciation amounts to A\$Nil (2008 - A\$41,241).

In 2008, certain property, plant and equipment with an aggregate net book value amounting to A\$2,624,000 were pledged to a bank to secure an interest bearing loan (Note 19). The security was discharged by the bank during the year.

For personal use only

6 Prepaid lease payments on land use rights

	<b>2009</b>	2008
The Group	<b>A\$'000</b>	A\$'000
Cost		
At 1 January	<b>1,760</b>	1,294
Disposal of a subsidiary	<b>(149)</b>	-
Exchange realignment	<b>(365)</b>	466
At 31 December	<b>1,246</b>	1,760
Accumulated amortisation		
At 1 January	<b>(183)</b>	(102)
Amortisation for the year (Note 24)	<b>(28)</b>	(33)
Disposal of a subsidiary	<b>16</b>	-
Exchange realignment	<b>41</b>	(48)
At 31 December	<b>(154)</b>	(183)
<b>Net book value</b>	<b>1,092</b>	1,577

7 Long term prepayments

	<b>2009</b>	2008
The Group	<b>A\$'000</b>	A\$'000
Cost		
At 1 January	<b>862</b>	645
Additions	<b>-</b>	42
Exchange realignment	<b>(196)</b>	175
At 31 December	<b>666</b>	862
Accumulated amortisation		
At 1 January	<b>(44)</b>	(25)
Amortisation for the year (Note 24)	<b>(33)</b>	(9)
Exchange realignment	<b>14</b>	(10)
At 31 December	<b>(63)</b>	(44)
<b>Net book value</b>	<b>603</b>	818

Leasehold property is situated in Singapore and held under long-term leases. It relates to the acquisition of leasehold office premises. The full cost of acquiring the leasehold property is therefore amortised over the remaining lease period.

8 Exploration and evaluation costs

	<b>2009</b>	2008
The Group	<b>A\$'000</b>	A\$'000
At 1 January	<b>-</b>	-
Costs incurred during the year	<b>3,084</b>	11,917
Costs written off during the year (Note 24)	<b>(3,084)</b>	(11,917)
At 31 December	<b>-</b>	-

The ultimate recoupment of such costs is dependent upon the successful development and commercial exploitation or alternatively, sale of the respective areas of interest. The Directors consider that the accumulated costs of the ongoing exploration and evaluation in the identified area of interest are not expected to be recouped through sale. As a result accumulated costs are written off to the consolidated income statement in the financial reporting period.

9 Mine development costs

	<b>2009</b>	2008
The Group	<b>A\$'000</b>	A\$'000
Cost		
At 1 January	<b>24,201</b>	24,201
Costs incurred during the year	<b>1,982</b>	-
At 31 December	<b>26,183</b>	24,201
Accumulated amortisation/impairment losses		
At 1 January	<b>3,817</b>	11,822
Amortisation for the year (Note 24)	<b>1,620</b>	1,694
Impairment losses reversed* (Note 23)	-	(9,699)
At 31 December	<b>5,437</b>	3,817
Net book value	<b>20,746</b>	20,384

The ultimate recoupment of the mine development costs is dependent upon successful mining or sale of the areas of interest. The Directors consider that the current results of the ongoing development and production on the identified areas of interest are positive and expect that the costs will be fully recouped through sales of product generated from the mining operation.

\* The Board assessed and considered that the negative indicators of impairment associated with the Bootu Creek Manganese Mine no longer exist and consequently, an impairment write back of A\$9,699,000 has been recorded in 2008.

10 Available-for-sale financial assets

	<b>2009</b>	2008
The Company and The Group	<b>A\$'000</b>	A\$'000
Quoted equity investment as 1 January	<b>4,443</b>	40,243
Additions	<b>4,017</b>	-
Disposal	<b>(618)</b>	(119)
Fair value gain/(loss) transferred to equity	<b>2,615</b>	(35,681)
Quoted equity investment as at 31 December	<b>10,457</b>	4,443

The fair value of the quoted equity investment is determined by reference to quoted bid prices on the ASX.

11 Interests in subsidiaries

	<b>2009</b>	2008
The Company	<b>A\$'000</b>	A\$'000
Unquoted equity investments, at cost	<b>8,013</b>	8,013
Amounts due from subsidiaries:		
- Interest-free	<b>5</b>	3
- Interest-bearing	<b>101,473</b>	63,648
	<b>109,491</b>	71,664

The amounts due from subsidiaries are unsecured. The amounts include a balance of A\$101,473,000 (2008 - A\$63,648,000) which is interest-bearing at 9.78% (2008 - 10.13%) per annum. The remaining balances, which represent quasi investment, are interest-free.

11 Interests in subsidiaries (cont'd)

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Percentage of equity held		Principal activities
		2009	2008	
<u>Held by the Company</u>				
OM Holdings (B.V.I.) Ltd ("OMBVI") <sup>(1)</sup>	The British Virgin Islands	<b>100%</b>	100%	Investing holding
OM (Manganese) Ltd ("OMM") <sup>(2)</sup>	Australia	<b>100%</b>	100%	Operation of manganese mine
OM Holdings Investment Limited ("OMHI") <sup>(1)</sup>	The British Virgin Islands	<b>100%</b>	100%	Investment holding
<u>Held by OMHI</u>				
Capricorn Enterprises Madagascar ("CEM") <sup>(1)</sup>	Madagascar	<b>88%</b>	88%	Exploration and evaluation activities
<u>Held by OMBVI</u>				
OM Resources (HK) Ltd ("OMR") <sup>(3)</sup> (previously known as OM manufacturing (China) Ltd)	Hong Kong	<b>100%</b>	100%	Investment holding
Liaoyang International Boronalloy Co. Ltd ("LFB") <sup>(4)</sup>	PRC	-	51%	Sales and processing of ferroboron
<u>Held by OMR</u>				
OM Materials (S) Pte Ltd ("OMS") <sup>(5)</sup>	Singapore	<b>100%</b>	100%	Investment holding and trading of metals and ferroalloy products
<u>Held by OMS</u>				
OM Materials (Tianjin) Ltd ("OMT") <sup>(6)</sup>	PRC	<b>100%</b>	100%	Trading of metals and fabricated metals
OM Materials (Qinzhou) Co Ltd ("OMQ") <sup>(7)</sup>	PRC	<b>100%</b>	100%	Sales and processing of ferroalloy and ores
OM Materials (PNG) Limited <sup>(8)</sup>	Papua New Guinea	<b>100%</b>	100%	Exploration and evaluation activities
OM Hujin Science & Trade (Shanghai) Co. Ltd ("OMA") # <sup>(9)</sup>	PRC	<b>50%</b>	-	Trading of metals and ferroalloy products

(1) no audit required in the country of incorporation

(2) audited by WHK, Horwath

(3) audited by Lam & Chui CPA Limited

(4) audited by Liaoning Tian Yi Certified Public Accountants Co. Ltd

(5) audited by Foo Kon Tan Grant Thornton

(6) audited by Tianjin Zhenze Certified Public Accountants

(7) audited by Guangxi JiaHai Accountant Affairs Office Co. Ltd

(8) audited by HLB Niugini Certified Public Accountants

(9) audited by Shanghai Shenzhou Datong Certified Public Accountants Co. Ltd

# Management is of the view that it should be treated as a subsidiary rather than a joint venture as the Group has control over the entity.

For personal use only

12 Deferred taxation

The Group	2009 A\$'000	2008 A\$'000
<b>Deferred tax assets</b>		
Balance at beginning	4,844	-
Transfer to income statement (Note 25)	2,889	443
Charged to equity	(4,401)	4,401
Balance at end of year (i)	3,332	4,844
<b>Deferred tax liabilities</b>		
Balance at beginning	4,531	-
Transfer from income statement (Note 25)	3,013	4,531
Balance at end of year (ii)	7,544	4,531
<b>Total (i) + (ii)</b>	<b>(4,212)</b>	<b>313</b>

The balance comprises tax on the following temporary differences:

The Group	Excess of net book value over tax written down value of property, plant and equipment A\$'000	Fair value losses A\$'000	Others A\$'000	Total A\$'000
At 1 January 2009	4,055	(4,401)	33	(313)
Charged/(credited) to				
- income statement (Note 25)	1,933	-	(1,809)	124
- equity	-	4,401	-	4,401
<b>At 31 December 2009</b>	<b>5,988</b>	<b>-</b>	<b>(1,776)</b>	<b>4,212</b>

As at 31 December 2009, the Group has tax losses arising in Hong Kong of A\$338,185 (2008 - A\$438,000) which is available for offsetting against future taxable profits. No deferred tax asset has been recognised in respect of these tax losses due to the uncertainty of future profit streams against which the asset can be utilised. The tax losses arising in Hong Kong can be carried forward indefinitely without any expiry date.

13 Inventories

The Group	2009 A\$'000	2008 A\$'000
Raw materials, at cost	3,868	49,293
Work-in-progress, at net realisable value	33,450	-
Work-in-progress, at cost	11,251	2,462
Finished goods, at cost	35,854	34,517
	<b>84,423</b>	<b>86,272</b>
Cost of inventories included in cost of sales	<b>185,372</b>	<b>312,542</b>

Included in inventory is an amount of A\$29,349,968 (2008 - A\$Nil) of ore requiring re-treatment that is expected to be processed for sale within the next 5 years based on the expected production rate of the secondary processing plant.

14 Trade and other receivables

	The Company		The Group	
	2009 A\$'000	2008 A\$'000	2009 A\$'000	2008 A\$'000
Trade receivables	-	-	11,844	16,792
Bills receivable	-	-	3,767	-
	-	-	15,611	16,792
Allowance for impairment of trade receivables				
Balance 1 January	-	-	(1,563)	(875)
Disposal of a subsidiary during the year	-	-	1,563	-
Allowance for the year	-	-	-	(375)
Exchange realignment	-	-	-	(313)
Balance at 31 December	-	-	-	(1,563)
Net trade receivables (i)	-	-	15,611	15,229
Other receivables				
Amounts due from subsidiary companies	18,287	31,976	-	-
Deposit & other receivables	52	47	6,654	6,433
Net other receivables (ii)	18,339	32,023	6,654	6,433
Total (i) + (ii)	18,339	32,023	22,265	21,662

Amounts due from subsidiary companies are interest-free, unsecured and repayable on demand.

Trade receivables are generally on 30 to 90 (2008 - 30 to 90) days credit term.

Trade and other receivables are denominated in the following currencies:

	The Company		The Group	
	2009 A\$'000	2008 A\$'000	2009 A\$'000	2008 A\$'000
Australian dollar	18,339	32,023	3,658	3,198
Renminbi	-	-	12,207	10,800
United States dollar	-	-	6,245	7,566
Others	-	-	155	98
	18,339	32,023	22,265	21,662

The credit risk for trade receivables based on the information provided by key management is as follows:

	The Company		The Group	
	2009 A\$'000	2008 A\$'000	2009 A\$'000	2008 A\$'000
<u>By geographical areas</u>				
Australia	-	-	1,412	2,016
People's Republic of China	-	-	8,161	5,582
Singapore	-	-	6,038	7,631
	-	-	15,611	15,229

The ageing analysis of trade receivables past due but not impaired is as follows:

	The Company		The Group	
	2009 A\$'000	2008 A\$'000	2009 A\$'000	2008 A\$'000
Past due less than 3 months	-	-	-	4,949
Past due 3 to 6 months	-	-	-	84
	-	-	-	5,033

14 Trade and other receivables (cont'd)

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due up to 6 months. These receivables are mainly arising by customers that have a good credit record with the Group.

15 Cash and cash equivalents

	The Company		The Group	
	2009 A\$'000	2008 A\$'000	2009 A\$'000	2008 A\$'000
Cash at bank and on hand	49	46	24,569	8,551
Short-term bank deposits	46,533	70,767	64,531	110,727
<b>Total cash and cash equivalents [Notes (a) and (b)]</b>	<b>46,582</b>	<b>70,813</b>	<b>89,100</b>	<b>119,278</b>
Less: Cash collateral [Note (c) and (d)]	-	-	(9,392)	(22,317)
	<b>46,582</b>	<b>70,813</b>	<b>79,708</b>	<b>96,961</b>

Notes:

- (a) Cash at bank earns interest at floating rates based on daily bank deposits rates. Short-term bank deposits are made for varying periods of one day to one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates.
- (b) At 31 December 2009, the total amount of cash and cash equivalents of the Group which were deposited with banks in the PRC and denominated in Renminbi ("RMB") amounted to A\$7,874,000(2008 - A\$3,345,000). The RMB is not freely convertible into other currencies.
- (c) Certain bank deposits were pledged to bankers to secure the banking facilities granted to the Group in respect of letters of credit. The USD cash collateral has an average maturity of 3 months (2008 - 3 months) with the weighted average effective interest rates of 0.57% (2008 - 2.19%).
- (d) Certain bank deposits held by its Australian subsidiary were pledged to secure the issuance of environmental bonds. The AUD cash collateral has an average maturity of 1 (2008 - 1) month with weighted average effective interest rate of 4.25% (2008 - 4.25%).

Cash and bank balances are denominated in the following currencies:

	The Company		The Group	
	2009 A\$'000	2008 A\$'000	2009 A\$'000	2008 A\$'000
Australian dollar	46,582	70,813	53,700	93,491
Renminbi	-	-	7,874	3,345
Singapore dollar	-	-	2,171	12,999
United States dollar	-	-	25,281	8,529
Others	-	-	74	914
	<b>46,582</b>	<b>70,813</b>	<b>89,100</b>	<b>119,278</b>

16 Share capital

	No. of ordinary shares		Amount	
	2009	2008	2009	2008
The Company and The Group			A\$'000	A\$'000
<b>Authorised:</b>				
Ordinary shares of A\$0.05 (2008 - A\$0.05) each [Note (a)]	<b>2,000,000,000</b>	2,000,000,000	<b>100,000</b>	100,000
<b>Issued and fully paid:</b>				
Ordinary shares of A\$0.05 (2008 - A\$0.05) each as at 1 January	<b>477,579,150</b>	454,945,150	<b>23,879</b>	22,747
Options exercised [Note (b)]	<b>13,356,000</b>	22,634,000	<b>668</b>	1,132
Ordinary shares of A\$0.05 (2008 - A\$0.05) each as at 31 December	<b>490,935,150</b>	477,579,150	<b>24,547</b>	23,879

Notes:

- (a) At the Company's Annual General Meeting, held on 30 May 2008, shareholders approved the subdivision of the Company's issued capital on the basis that every one ordinary share was subdivided into two ordinary shares. Unlisted options on issue were also adjusted in accordance with the ASX Listing Rules.
- (b) During the year 13,356,000 (2008 - 22,634,000) ordinary share were issued following the exercise of unlisted options. As at 31 December 2009, the Company had 57,570,000 (2008 - 72,226,000) unlisted options on issue at various exercise prices and expiry dates. The newly issued shares rank pari passu in all respects with the previously issued shares.
- (c) The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares (excluding treasury shares) rank equally with regard to the Company's residual assets.

17 Treasury shares

	No. of ordinary shares		Amount	
	2009	2008	2009	2008
The Company and The Group	'000	'000	A\$'000	A\$'000
At 1 January	<b>983</b>	-	<b>1,006</b>	-
Repurchased during the year	-	983	-	1,006
Balance at 31 December	<b>983</b>	983	<b>1,006</b>	1,006

The Company acquired during the year Nil (2008 - 983,295) of its own ordinary shares through an on-market share buy-back programme. The total amount paid to acquire the shares was A\$Nil (2008 - A\$1,006,065) and has been deducted from the shareholders' equity. The shares are held as "treasury shares" in accordance with Bermudan corporate law.

For personal use only

18 Reserves

(a)

	The Company		The Group	
	2009 A\$'000	2008 A\$'000	2009 A\$'000	2008 A\$'000
Share premium	87,575	76,850	87,575	76,850
Non-distributable reserves [Note (i)]	-	-	2,275	2,275
Capital reserve [Note (ii)]	-	-	637	637
Share option reserve [Note (iii)]	22,278	18,266	22,278	18,266
Fair value reserve [Note (iv)]	243	(2,371)	243	(12,639)
Contributed surplus [Note (v)]	3,312	3,312	-	-
Exchange fluctuation reserve	-	-	(8,822)	14,838
Retained profits	47,301	56,769	137,470	125,078
<b>Balance at 31 December</b>	<b>160,709</b>	<b>152,826</b>	<b>241,656</b>	<b>225,305</b>

Notes

- (i) In accordance with the accounting principles and financial regulations applicable to Sino-foreign joint venture enterprises, the subsidiaries in the PRC are required to transfer part of their profit after tax to the “Statutory Reserves Fund”, the “Enterprise Expansion Fund” and the “Staff Bonus and Welfare Fund”, which are non-distributable, before profit distributions to joint ventures partners. The quanta of the transfers are subject to the approval of the board of Directors of these subsidiaries.

The annual transfer to the Statutory Reserves Fund should not be less than 10% of profit after tax, until it aggregates to 50% of the registered capital. However, foreign enterprises may choose not to appropriate profits to the Enterprise Expansion Fund.

The Statutory Reserves Fund can be used to make good previous years' losses while the Enterprise Expansion Fund can be used for acquisition of property, plant and equipment and financing daily funds required. The Staff Bonus and Welfare Fund is utilised for employees collective welfare benefits and is included in other payables under current liabilities in the consolidated statement of financial position.

- (ii) This arose from the capitalisation of various reserves and retained profits in one of the Sino-foreign joint ventures of the Group. The purpose of the capitalisation is to increase the registered capital of the joint venture.
- (iii) During 2009, the Board exercised its discretion under the OM Holdings Limited Employee Share Option Plan and where relevant shareholders of the Company approved the grant of Nil (2008 - 56,650,000) unlisted options of the Company to certain Directors and employees of the Company and its subsidiaries.
- (iv) The fair value reserve of the Company represents the fair value loss on financial assets available-for-sale and forward exchange contracts.
- (v) The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued for acquisition of the subsidiaries and the aggregate net asset value of the subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

18 Reserves (cont'd)

(b)

The Company	<b>2009</b> <b>A\$'000</b>	2008 A\$'000
<b>Share premium:</b>		
At 1 January	<b>76,850</b>	71,021
Share options exercised	<b>3,322</b>	5,829
Share premium arising from share option exercised	<b>7,403</b>	-
At 31 December	<b>87,575</b>	76,850
<b>Contributed surplus [Note (a)]</b>		
At 1 January and 31 December	<b>3,312</b>	3,312
<b>Share option reserve:</b>		
At 1 January	<b>18,266</b>	4,510
Equity settled share-based transactions [Note (b)]	<b>11,415</b>	13,756
Share premium arising from share option exercised	<b>(7,403)</b>	-
At 31 December	<b>22,278</b>	18,266
<b>Fair value reserve</b>		
At 1 January	<b>(2,371)</b>	33,310
Fair value (loss)/gain of financial assets	<b>2,614</b>	(35,681)
At 31 December	<b>243</b>	(2,371)
<b>Retained profits/(accumulated losses)</b>		
At 1 January	<b>56,769</b>	14,861
Profit for the year	<b>5,073</b>	67,904
Dividends	<b>(14,541)</b>	(25,996)
At 31 December	<b>47,301</b>	56,769
<b>Total reserves</b>	<b>160,709</b>	152,826

Notes:

- (a) The contributed surplus of the Company represents additional capital injected into the company for the purpose of acquiring subsidiaries. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.
- (b) This arose from the recognition of expenses arising from the 56,650,000 options to certain Directors and employees of the Company and its subsidiaries in 2008 (Note 28).

For personal use only

19 Borrowings

The Group	2009 A\$'000	2008 A\$'000
<b>Non-current</b>		
Bank loans (Note 19.1)	411	-
<b>Current</b>		
Obligations under finance lease (Note 19.2)	-	24
Bank loans (Note 19.1)	912	2,146
	<b>912</b>	<b>2,170</b>
<b>Total borrowings</b>	<b>1,323</b>	<b>2,170</b>

19.1 Bank loans

The Group	2009 A\$'000	2008 A\$'000
Loans – unsecured [Note (a)]	1,323	-
Loans - secured [Note (b)]	-	2,146
Amount repayable within one year	(912)	(2,146)
Amount repayable after one year	411	-

Note:

- (a) The unsecured loan is repayable on demand. Interest is charged at 2.73% (2008 – Nil) per annum.
- (b) The loans were secured by:
- charge over certain bank deposits as disclosed in Note 15; and
  - pledge of certain property, plant and equipment as disclosed in Note 5.

Interest was charged at 6% per annum. The loans were fully repaid during the year and security was discharged by the bank.

The amount repayable within one year is included under current liabilities whilst the amount repayable after one year is included under non-current liabilities.

19.2 Obligations under finance leases

The Group	2009 A\$'000	2008 A\$'000
Minimum lease payments payable:		
Due not later than one year	-	24
Due later than one year and not later than five years	-	-
Due later than five years	-	-
	-	24
Finance charges allocated to future periods	-	-
Present value of minimum lease payments	-	24
Present value of minimum lease payments:		
Due not later than one year	-	24
Due later than one year and not later than five years	-	-
Due later than five years	-	-
	-	24

19 Borrowings (cont'd)

**19.3 Currency risk**

Total borrowings are denominated in the following currencies:

	<b>2009</b>	2008
	<b>A\$'000</b>	A\$'000
The Group		
Australian dollar	-	24
Renminbi	<b>1,323</b>	2,146
	<b>1,323</b>	2,170

**19.4 Effective interest rates**

The weighted average effective interest rates of total borrowings at the end of the reporting period are as follows:

	<b>2009</b>	2008
The Group		
Bank loans	<b>2.7%</b>	7.7%
Obligations under finance leases	-	6.8%

**19.5 Carrying amounts and fair values**

The carrying amounts of current borrowings approximate their fair value. The carrying amounts and fair values of non-current borrowings are as follows:

	The Group	
	Carrying amounts	Fair values
	A\$'000	A\$'000
<b>2009</b>		
Bank loans	<b>411</b>	400
<b>2008</b>		
Bank loans	-	-

The fair values are determined from the discounted cash flows analysis, using a discount rate based upon the borrowing rate which the Directors expect would be available to the Group at the end of the reporting period. No adjustment has been made to fair values as the differences between the carrying amounts and fair values are not significant to the Group.

20 Provisions

		<b>2009</b>	2008
		<b>A\$'000</b>	A\$'000
The Group			
Rehabilitation			
At 1 January		<b>622</b>	298
Movement for the year (Note 24)		<b>3,521</b>	324
Payments during the year		<b>(764)</b>	-
At 31 December	(i)	<b>3,379</b>	622
Employee long service leave			
At 1 January		<b>35</b>	-
Movement for the year (Note 24)		<b>45</b>	35
At 31 December	(ii)	<b>80</b>	35
<b>Total (i) + (ii)</b>		<b>3,459</b>	657

According to the Mine Management Plan submitted to The Northern Territory Government in Australia, the Group is obligated for the restoration of the disturbed area arising from mining activities conducted by OM (Manganese) Ltd, a wholly owned subsidiary.

Employees of a subsidiary are entitled, under the labour law of the country of its incorporation, to additional leave over and above their annual leave if they stay with the subsidiary beyond 10 years. Employee benefits payable later than one year has been measured at the present value of the estimated future cash outflows to be made for those benefits.

21 Trade and other payables

	The Company		The Group	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>A\$'000</b>	A\$'000	<b>A\$'000</b>	A\$'000
Trade payables	-	-	<b>14,419</b>	10,104
Accruals and other payables	<b>845</b>	3,244	<b>31,918</b>	35,395
Welfare expense payable	-	-	<b>519</b>	936
	<b>845</b>	3,244	<b>46,856</b>	46,435

Trade payables are generally on 30 to 90 (2008 - 30 to 90) days credit terms.

Trade and other payables denominated in the following currencies:

	The Company		The Group	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>A\$'000</b>	A\$'000	<b>A\$'000</b>	A\$'000
Australian dollar	<b>845</b>	3,244	<b>18,497</b>	27,233
Renminbi	-	-	<b>18,886</b>	11,820
United States dollar	-	-	<b>9,393</b>	7,371
Others	-	-	<b>80</b>	11
	<b>845</b>	3,244	<b>46,856</b>	46,435

22 Derivative financial instruments

	2009		2008	
	<b>Assets</b>	<b>Liabilities</b>	Assets	Liabilities
	<b>A\$'000</b>	<b>A\$'000</b>	A\$'000	A\$'000
The Group				
Forward currency contracts	-	-	-	17,206

For personal use only

23 Other Income

The Group	2009 A\$'000	2008 A\$'000
Interest income	2,253	2,726
Impairment of mine development costs written back (Note 9)	-	9,699
Gain on disposal of a subsidiary company	872	-
Write back of inventories	17,862	-
Sundry income	212	285
	<b>21,199</b>	<b>12,710</b>

24 Profit before taxation

The Group	Note	2009 A\$'000	2008 A\$'000
Profit before tax is arrived at after charging/(crediting):			
Amortisation of prepaid lease payment on land use rights	6	28	33
Amortisation of long term prepayments	7	33	9
Amortisation of mine development cost	9	1,620	1,694
Cost of inventories recognised as expenses #		185,372	312,542
Depreciation of property, plant and equipment	5	7,998	7,017
Directors' fees - Directors of the Company		545	478
Equity-settled share-based payment *		11,423	13,756
Exchange losses		14,871	19,778
Exploration and evaluation costs written off	8	3,084	11,917
Interest expenses			
- bank loans		405	963
- finance leases		-	10
Loss on disposal of property, plant and equipment		93	968
Loss on disposal of financial assets available for sale		39	58
Operating lease charges in respect of land and buildings		143	203
Provision for restoration	20	3,521	324
Provision for employee long service leave	20	45	35
<b>Staff costs</b>			
Directors' remuneration other than fees			
- Directors of the Company		2,026	10,375
- Directors of the subsidiaries		1,682	1,620
- Defined contribution plans		102	31
Key management personnel (other than Directors)			
- Salaries, wages and other related costs		1,470	2,252
- Defined contributions plans		93	157
Other than key management personnel			
- Salaries, wages and other related costs		8,755	8,632
- Defined contribution plans		598	522
		<b>14,726</b>	<b>23,589</b>
Write down of inventories to net realisable value *		-	3,511

# Cost of inventories includes amounts of A\$9,452,964 and A\$806,974 (2008 - A\$10,445,451 and A\$860,584) relating to staff costs and depreciation respectively.

\* Included in other operating expenses.

25 Taxation

The Group	2009 A\$'000	2008 A\$'000
Current taxation		
- Singapore income tax	2,112	6,116
- PRC tax	1,265	258
- Australian tax	-	7,058
	<b>3,377</b>	13,432
Deferred taxation (Note 12)		
Origination and reversal of temporary differences	124	4,088
Under provision deferred tax liabilities in prior year	(1,300)	-
	<b>(1,176)</b>	4,088
(Over)/under provision of current taxation in respect of prior years	<b>(934)</b>	9
	<b>1,267</b>	17,529

Provision for enterprise income tax of the subsidiaries operating in the People's Republic of China (the "PRC") is made in accordance with the Income Tax Law of the PRC concerning Foreign Investment Enterprises and Foreign Enterprises and various local income tax laws.

The Singapore Ministry of Trade and Industry approved the award of Global Trade Programme Status to the OM Materials (S) Pte Ltd ("OMS"). Accordingly, OMS is entitled to a concessionary rate of 10% for a period of 5 years with effect from 1 July 2004, subject to fulfilment of the specific conditions. At the reporting date, OMS was awarded the Global Trade Programme for a further five year period from 1 July 2009. Before 1 July 2004, the effective Singapore income tax rate was 20% on the estimated assessable profits.

Taxation has been provided at the appropriate tax rates prevailing in the countries in which the Group operates on the estimated assessable profits for the year. These rates range from 10% to 30% (2008 - 17.5% to 30%).

The income tax expenses for the year can be reconciled to the profit before income tax per the income statement as follows:

The Group	2009 A\$'000	2008 A\$'000
Profit before income tax	<b>28,297</b>	133,463
Tax at applicable tax rates	8,175	37,322
Utilisation of unrecognised tax losses and temporary differences arising from previous year	(44)	(11,549)
Tax effect of non-taxable revenue	(6,211)	(6,029)
Tax effect of non-deductible expenses	554	2,769
Tax effect of allowances given by tax jurisdiction	(273)	(4,993)
(Over)/under provision in prior years	<b>(934)</b>	9
Actual tax expenses	<b>1,267</b>	17,529

For personal use only

26 Earnings per share

The Group

The earnings per share is calculated based on the consolidated profits on the weighted average number of shares on issue of 482,220,112 (2008 - 466,066,068) shares during the financial year.

Fully diluted earnings per share was calculated on the consolidated profit divided by 506,321,734 (2008 - 491,115,369) ordinary shares. The number of ordinary shares is calculated based on the weighted average number of shares on issue during the financial year adjusted for the effects of all dilutive share options. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the year or if later, the date of the issue of the potential ordinary shares.

The following tables reflects the income statement and share data used in the computation of basic and diluted earnings per share from continuing operations for the years ended 31 December:

	<b>2009</b> <b>'000</b>	2008 '000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>482,220</b>	466,066
Effect of dilutive potential ordinary shares in respect of share options	<b>24,102</b>	25,049
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b>506,322</b>	491,115

27 Dividends

	<b>2009</b> <b>A\$'000</b>	2008 A\$'000
The Company and The Group		
Ordinary dividends paid:		
- final dividend of A\$0.03 (2008 - A\$ 0.04) per ordinary share paid in respect of the previous financial year	<b>14,541</b>	9,361
- interim dividend of A\$Nil (2008 - A\$0.035) per ordinary share paid in respect of the current financial year	-	16,635
	<b>14,541</b>	25,996

The Board will be proposing a final tax-exempt (one-tier) dividend of A\$0.02 cents per share amounting to approximately A\$9,819,000 at the Annual General Meeting to be held in May 2010. These financial statements do not reflect these dividends payable, which will be accounted for as a reduction in equity as a distribution of retained profits in the financial year ending 31 December 2010.

28 Employee benefits

The Company

**Employee Share Option Plan and Other Options Issued Following Shareholder Approval.**

At the Annual General Meeting held on 25 May 2007, the shareholders approved the introduction of the OM Holdings Limited Employee Share Option Plan which provided for the grant of share options to subscribe for shares in the Company to persons engaged in senior management positions and Directors of the Company or its subsidiaries. Each option shall be issued for no consideration and allows the option holder to subscribe for one ordinary share of the Company.

There are no participating rights or entitlements inherent in the options and holders of the options will not be entitled to participate in new issues of capital which may be offered to shareholders during the currency of the option.

Information with respect to the number of options granted under the Company's Employee Share Option Plan and other options issued following shareholders' approval is as follows:

	Options 2009	Weighted Average Exercise Price 2009 A\$	Options 2008	Weighted Average Exercise Price 2008 A\$
Outstanding at 1 January	72,226,000	1.61	19,335,000	0.66
Share split exercise	-	-	19,335,000	-
	<b>72,226,000</b>	<b>1.61</b>	38,670,000	0.31
Granted	-	-	56,650,000	1.97
Expired/lapsed	(1,300,000)	2.41	(460,000)	0.30
Exercised <sup>(1)</sup>	(13,356,000)	0.30	(22,634,000)	0.31
Outstanding at 31 December	<b>57,570,000</b>	<b>1.90</b>	72,226,000	1.61
Exercisable at 31 December	<b>24,170,000</b>	<b>1.63</b>	25,096,000	1.85

- (1) Consideration received from options exercised during the year was A\$3,989,680 (2008 - A\$6,961,140).

The following table summarises information about options outstanding and exercisable at 31 December 2009:

Exercise Price A\$	Outstanding Options	Average Life <sup>(2)</sup> Years	Exercisable	
			Options	Average Exercise Price A\$
2.58	1,000,000	2.87	1,000,000	2.58
2.49	21,400,000	2.01	6,000,000	2.49
1.87	6,000,000	2.00	-	-
1.755	6,000,000	2.00	-	-
1.64	6,000,000	2.00	-	-
1.52	7,000,000	2.00	7,000,000	1.52
1.405	7,000,000	1.87	7,000,000	1.405
0.72	1,000,000	2.45	1,000,000	0.72
0.365	750,000	3.00	750,000	0.365
0.30	1,420,000	2.33	1,420,000	0.30
<b>Total</b>	<b>57,570,000</b>		<b>24,170,000</b>	

- (2) Weighted-average contractual life remaining in years.

28 Employee benefits (cont'd)

The fair value of share options as at the date of grant, is estimated by an external independent valuer using a Binomial Model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the years ended 31 December 2009 and 31 December 2008 are shown below.

	<u>2009</u>	<u>2008</u>
Underlying share price	<b>A\$1.30 to A\$2.16</b>	A\$1.30 to A\$2.16
Option exercise price	<b>A\$1.97</b>	A\$1.97
Expected volatility	<b>62.87% to 97.25%</b>	62.87% to 97.25%
Expected option life	<b>1.51 to 5.78</b>	1.51 to 5.78
Risk free rate	<b>4.18% to 5.58%</b>	4.18% to 5.58%
Expected dividend yield	<b>2.51% to 4.14%</b>	2.51% to 4.14%
Fair value at measurement date	<b>A\$1.24</b>	A\$1.24

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Other than stated, no other features of the options grant were incorporated into the measurement of fair value.

**Post employment benefit plans**

The Group operates defined contribution retirement benefits schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in an independently administered fund.

The retirement benefits scheme cost charged to the income statement represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

29 Directors' remuneration

The remuneration of Directors of the Company (including base remuneration, sign-on entitlements to newly appointed Executive Directors, equity compensation, performance bonuses and other benefits) are disclosed in bands as follows:

	Number of Directors	
	<u>2009</u>	<u>2008</u>
Between A\$7,000,001 to A\$7,250,000	-	1
Between A\$5,500,001 to A\$5,750,000	1	-
Between A\$4,750,001 to A\$5,000,000	-	1
Between A\$4,000,001 to A\$4,250,000	1	-
Between A\$3,000,000 to A\$3,250,000	-	1
Between A\$1,500,001 to A\$1,750,000	-	1
Between A\$1,000,000 to A\$1,250,000	-	1
Between A\$750,001 to A\$1,000,000	1	-
Between A\$500,001 to \$750,000	1	2
A\$250,000 and below	3	1
<b>Total</b>	<b>7</b>	<b>8</b>

30 Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following are significant transactions with related parties:

	<b>2009</b> <b>A\$'000</b>	2008 A\$'000
The Group		
Company secretarial fees paid to a company of which a Director is a director and beneficial shareholder	<b>267</b>	360
Legal fees paid to a firm of which a Director is a director and beneficial owner	<b>41</b>	10
	<b>2009</b> <b>A\$'000</b>	2008 A\$'000
The Company		
Company secretarial fees paid to a company of which a Director is a director and beneficial shareholder	<b>267</b>	360
Legal fees paid to a firm of which a Director is a director and beneficial owner	-	10
Management fees charged to subsidiaries	<b>8,820</b>	18,253
Interest charged to subsidiaries	<b>6,805</b>	7,571

31 Commitments

31.1 Capital commitments

	The Company		The Group	
	<b>2009</b> <b>A\$'000</b>	2008 A\$'000	<b>2009</b> <b>A\$'000</b>	2008 A\$'000
Capital expenditure approved by the Directors but not contracted for	<b>63,800</b>	-	<b>63,800</b>	-

At the end of the reporting period, the Company executed a binding Memorandum of Agreement with Ntsimbintle Mining (Proprietary) Limited (“Ntsimbintle”) to subscribe for 25,925,900 of newly issued shares in Ntsimbintle for cash consideration of A\$63.8 million. This will allow the Company to hold a 26% interest in Ntsimbintle which holds a 51% interest in the Tshipi Kalahari Manganese Project in South Africa. Completion of the transaction between Ntsimbintle and the Company is subject to the finalisation of the Definitive Suite of Agreements, satisfactorily obtaining all regulatory consents and approvals, and the procurement of all board and shareholders’ approvals and consents to the extent required and not already obtained.

31.2 Operating lease commitments (non-cancellable)

At the financial position date, the Group was committed to making the following rental payments in respect of non-cancellable operating leases of office premises with an original term of more than one year:

	<b>2009</b> <b>A\$'000</b>	2008 A\$'000
The Group		
Not later than one year	<b>147</b>	169
Later than one year and not later than five years	<b>106</b>	354

For personal use only

### 31.2 Operating lease commitments (non-cancellable) (cont'd)

The leases on the Group's office premises on which rental payment are payable will expire on 14 April 2010 and 14 September 2011 subject to options to renew, the current rent payable on the leases are A\$3,355 and A\$11,313 per month respectively which are subject to revision on renewal.

The Company did not have any outstanding operating lease commitments as at the end of the reporting period.

### 31.3 Mineral Tenements

In order to maintain the mineral tenements in which a subsidiary is involved, the subsidiary is committed to fulfil the minimum annual expenditures in accordance with the requirements of the Northern Territory Department of Primary Industry Fisheries and Mines, Australia, for the next financial year are set out below:

	2009 A\$'000	2008 A\$'000
<b>Mineral covenant commitments</b>	<b>912</b>	<b>1,246</b>

### 31.4 Operating commitments

Operating commitments include the provision of mining and processing services, catering, cleaning and village management, electrical power services, road haulage and rail haulage. These commitments are not provided for or payable at the end of the reporting period.

	2009 A\$'000	2008 A\$'000
The Group		
Not later than one year	<b>88,120</b>	81,184
Later than one year and not later than five years	<b>104,669</b>	154,379
Later than five years	<b>3,600</b>	6,000

### 31.5 Other commitments

	2009 A\$'000	2008 A\$'000
The Group		
<u>Monax Mining Limited Farm-in Agreement</u> <sup>(1)</sup>		
Not later than one year	<b>250</b>	-
Later than one year and not later than five years	<b>1,750</b>	-
<u>Archer Exploration Farm-in Agreement</u> <sup>(2)</sup>		
Not later than one year	<b>75</b>	-
Later than one year and not later than five years	<b>525</b>	-

(1) A subsidiary has signed a A\$2 million Farm-in Agreement with Monax Mining Ltd to further explore Waddikee tenement manganese prospect on South Australia's Eyre Peninsula.

(2) A subsidiary has signed a A\$0.6 million Farm-in Agreement with Archer Exploration Ltd to further explore the Jamieson Tank manganese prospect on South Australia's Eyre Peninsula.

### 31.6 Environmental bonds

A subsidiary has environmental bonds to the value of A\$4,200,000 (2008 - A\$417,000) lodged with the Northern Territory Government (Department of Business, Industry and Resources Development) to secure environment rehabilitation commitments.

### 32 Contingent liabilities

A subsidiary of the Group engaged Lonsdale Investments Pty Ltd (previously trading as ProMet Engineers Pty Ltd) ("ProMet") to design a process plant for the subsidiary's mining operation at Bootu Creek Manganese Mine. The subsidiary has refused to pay A\$645,000 of the invoices claimed by ProMet in respect to the design services performed, and Supreme Court proceedings were commenced against the subsidiary in August 2006 seeking recovery of these monies.

In December 2006, the subsidiary commenced a counterclaim against ProMet and two of ProMet's directors, for alleged breaches of contract, the Trade Practices Act 1974 (Cth) and the Fair Trading Act 1987 (WA) and negligence.

The subsidiary's damages claim against ProMet and the two directors are for monies paid to ProMet under the contract; the cost of rectification of ProMet's defective work; additional costs to complete and commission the plant; additional charges payable by the subsidiary as a result of the plant not producing at the required production volumes; and the loss of the benefit of revenue resulting from the inability to make sales of manganese product at the designed production volumes.

The quantum of the subsidiary's claim is in excess of A\$15 million and is listed for hearing by the Court in May 2010. No provision is made in the financial statements as the Directors are confident of succeeding in its counter claim against ProMet.

### 33 Operating segments

For management purposes, the Group is organised into the following reportable operating segments as follows:

- 1) Ores
- 2) Ferroalloys
- 3) Others

The chief executive officer monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as set out below, is measured differently from operating profit or loss in the consolidated financial statements.

Group financing and income taxes are managed on a group basis and are not allocated to operating segments.

Sales between operating segments are carried out at arm's length.

For personal use only

33 Operating segments (cont'd)

	Ores		Ferroalloys		Others		Elimination		Total operations	
	2009 A\$'000	2008 A\$'000	2009 A\$'000	2008 A\$'000	2009 A\$'000	2008 A\$'000	2009 A\$'000	2008 A\$'000	2009 A\$'000	2008 A\$'000
Revenue										
External sales	<b>228,544</b>	370,122	<b>51,791</b>	203,891	-	52	-	-	<b>280,335</b>	574,065
Inter-segment sales	<b>286,502</b>	287,647	<b>5,454</b>	64,185	-	-	<b>(291,956)</b>	(351,832)	-	-
	<b>515,046</b>	657,769	<b>57,245</b>	268,076	-	52	<b>(291,956)</b>	(351,832)	<b>280,335</b>	574,065
Result										
Segment results	<b>21,563</b>	84,919	<b>4,886</b>	46,780	-	11	-	-	<b>26,449</b>	131,710
Profit from operations									<b>26,449</b>	131,710
Finance costs									<b>(405)</b>	(973)
Finance Income									<b>2,253</b>	2,726
Profit before income tax									<b>28,297</b>	133,463
Income tax expenses									<b>(1,267)</b>	(17,529)
Profit for the year									<b>27,030</b>	115,934
Other information										
Segment assets	<b>300,226</b>	241,434	<b>32,863</b>	79,308	-	2,483	-	-	<b>333,089</b>	323,225
Segment liabilities	<b>206,317</b>	183,155	<b>15,107</b>	30,411	-	185	-	-	<b>221,424</b>	213,751
Costs to acquire property, plant and equipment	<b>29,613</b>	13,895	<b>3,813</b>	1,035	-	13	-	-	<b>33,426</b>	14,943
Depreciation of property, plant and equipment	<b>7,701</b>	6,274	<b>293</b>	742	<b>4</b>	1	-	-	<b>7,998</b>	7,017
Amortisation of prepaid lease	<b>20</b>	10	<b>8</b>	23	-	-	-	-	<b>28</b>	33
Amortisation of long term prepayments	<b>25</b>	7	<b>8</b>	2	-	-	-	-	<b>33</b>	9
Amortisation of mine development	<b>1,620</b>	1,694	-	-	-	-	-	-	<b>1,620</b>	1,694
Impairment of evaluation and exploration costs	<b>2,942</b>	10,741	<b>(46)</b>	541	<b>188</b>	635	-	-	<b>3,084</b>	11,917

33 Operating segments (cont'd)

**33.1 Geographical segments**

Revenue and non-current assets information based on geographical location of customers and assets respectively are as follows:

	<b>2009</b>	2008
	<b>A\$'000</b>	A\$'000
Revenue		
PRC	<b>256,791</b>	414,127
Korea	<b>11,688</b>	61,504
Australian	<b>9,684</b>	17,705
Others	<b>2,172</b>	80,729
	<b>280,335</b>	574,065

	<b>2009</b>	2008
	<b>A\$'000</b>	A\$'000
Non-current assets		
PRC	<b>22,685</b>	15,299
Korea	<b>52</b>	185
Australian	<b>90,158</b>	77,088
Others	<b>12,537</b>	6,886
	<b>125,432</b>	99,458

Others include Iran, Bermuda and Madagascar.

Revenue of approximately A\$31,383,000 (2008 - A\$56,371) are derived from a single external customer. This revenue is attributable to the Ores (2008 - Alloys) segment.

Reportable segments' assets are reconciled to total assets as follows:

	<b>2009</b>	2008
	<b>A\$'000</b>	A\$'000
Segment assets	<b>333,089</b>	323,225
Elimination	<b>(71,060)</b>	(69,553)
Property, plant and equipment	<b>5</b>	10
Available-for-sale investment	<b>10,457</b>	4,443
Goodwill	<b>2,065</b>	2,190
Other receivables	<b>396</b>	102
Cash and cash equivalents	<b>48,329</b>	71,494
	<b>323,281</b>	331,911

Reportable segments' liabilities are reconciled to total liabilities as follows:

	<b>2009</b>	2008
	<b>A\$'000</b>	A\$'000
Segment liabilities	<b>221,424</b>	213,751
Elimination	<b>(166,176)</b>	(136,602)
Other payables	<b>2,338</b>	4,032
	<b>57,586</b>	81,181

### 34 Financial risk management objectives and policies

The Company and the Group are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks included credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Company's and the Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize adverse effects from the unpredictability of financial markets on the Company's and the Group's financial performance. The Group use financial instruments such as forward foreign exchange contracts to hedge certain risk exposures.

Risk management is carried out by the Finance Division under policies approved by the Board of Directors. The Finance Division identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investing excess liquidity.

There has been no change to the Company's and the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

#### 34.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Company or the Group to incur a financial loss. The Company's and the Group's exposure to credit risk arises primarily from trade and other receivables. For trade receivables, the Group's adopt the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Company and the Group adopt the policy of dealing only with high credit quality counterparties.

The Company's and the Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and at the entity level by respective management. The Group's trade receivables comprise 7 debtors (2008 - 3 debtors) that represented 62% (2008 - 82%) of trade receivables.

#### Exposure to credit risk

As the Company and the Group do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the end of the reporting period, except as follows:

	Company	
	2009 A\$'000	2008 A\$'000
Corporate guarantees provided to banks on subsidiaries' banking facilities	109,050	119,337

The Company's and the Group's major classes of financial assets are bank deposits and trade receivables. Cash is held with financial institutions of reputable financial institutions. Further details of credit risks on trade and other receivables are disclosed in Note 14.

As at 31 December 2009, the Company has given an unlimited corporate guarantee to banks in respect of banking facilities granted to certain of its subsidiaries. The extent of facilities utilised by its subsidiaries as at 31 December 2009 amounted to A\$14,087 (2008 - A\$NIL).

34 Financial risk management objectives and policies (cont'd)

**34.2 Liquidity risk**

Liquidity or funding risk is the risk that the Company and the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company's and the Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's and the Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The table below analyses the maturity profile of the Company's and the Group's financial liabilities based on contractual undiscounted cash flow:

	Less than 1 year A\$'000	Between 2 and 5 years A\$'000	Over 5 years A\$'000	Total A\$'000
<b>The Group</b>				
<b>At 31 December 2009</b>				
Trade and other payables	<b>46,856</b>	<b>4,212</b>	-	<b>51,068</b>
Provisions	-	-	<b>3,459</b>	<b>3,459</b>
Loans and borrowings	<b>912</b>	<b>411</b>	-	<b>1,323</b>
	<b>47,768</b>	<b>4,623</b>	<b>3,459</b>	<b>55,850</b>
<b>At 31 December 2008</b>				
Trade and other payables	63,641	-	-	63,641
Provisions	-	-	657	657
Loans and borrowings	2,170	-	-	2,170
	65,811	-	657	66,468
<b>The Company</b>				
<b>At 31 December 2009</b>				
Trade and other payables	<b>845</b>	-	-	<b>845</b>
<b>At 31 December 2008</b>				
Trade and other payables	3,244	-	-	3,244

The Company and the Group ensure that there are adequate funds to meet all its obligations in a timely and cost-effective manner.

**34.3 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Company's and the Group's financial instrument will fluctuate because of changes in market interest rates.

All of the Company's and Group's interest bearing financial assets and liabilities carry fixed interest rates and are therefore not expose to any interest rate risk.

34 Financial risk management objectives and policies (cont'd)

**34.4 Foreign currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of group entities, primarily United States Dollars (USD), Renminbi (RMB), Singapore Dollar (SGD). The foreign currencies in which these transactions are denominated are mainly United States Dollar (USD). Foreign currency forward contracts are entered into to manage the Group's exposure to movements in foreign currency exchange rates on specific transactions.

At 31 December 2009, the Group has no unsettled forward foreign exchange contracts.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD, RMB and SGD exchange rates (against AUD), with all other variables held constant, of the Group's profit net of tax and equity.

		The Group			
		2009		2008	
		Profit net of tax A\$'000	Equity A\$'000	Profit net of tax A\$'000	Equity A\$'000
United States dollars	- strengthened 5% (2007 - 5%)	1,107	1,107	69	69
	- weakened 5% (2007 - 5%)	(1,107)	(1,107)	(69)	(69)
RMB	- strengthened 5% (2007 - 5%)	(6)	(6)	116	116
	- weakened 5% (2007 - 5%)	6	6	(116)	(116)
SGD	- strengthened 5% (2007 - 5%)	109	109	650	650
	- weakened 5% (2007 - 5%)	(109)	(109)	(650)	(650)

**34.5 Market price risk**

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices.

The Group and the Company are exposed to market price risk arising from its investment in equity investments quoted on the ASX in Australia classified as available-for-sale. Available-for-sale equity instruments are held for strategic rather than trading purposes. The Group does not actively trade available-for-sale investments.

Market price sensitivity

At the end of the reporting period, if the market share price had been 2% (2008 - 2%) higher/lower with all the other variables held constant, the Group's other reserve in equity would have been A\$209,147 (2008 - A\$88,850) higher/lower, arising as a result of increase/decrease in fair value of equity instruments classified as available-for-sale.

The Group's sensitivity to market price has not changed significantly from the prior year.

For personal use only

### 35 Capital management

The Group's objectives when managing capital are

- (a) To safeguard the Group's ability to continue as a going concern
- (b) To support the Group's stability and growth;
- (c) To provide capital for the purpose of strengthening the Group's risk management capability; and
- (d) To provide an adequate return to shareholders.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

There were no changes in the Group's approach to capital management during the year.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

### 36 Financial instruments

#### Fair values

The carrying amount of financial assets and liabilities with a maturity of less than one year is assumed to approximate their fair values.

However, the Company and the Group do not anticipate that the carrying amounts recorded at financial position date would be significantly different from the values that would eventually be received or settled.

#### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie. As prices) or indirectly (i.e. Derived from prices)
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Level 1 A\$'000	Level 2 A\$'000	Level 3 A\$'000	Total A\$'000
<b>At 31 December 2009</b>				
Available-for-sale financial assets				
- Quoted equity investments	10,457	-	-	10,457
<b>At 31 December 2008</b>				
Available-for-sale financial assets				
- Quoted equity investments	4,443	-	-	4,443

37 Comparative figures

To conform with the current year's presentation, the following accounts have been restated:

	<b>As restated A\$'000</b>	As previously reported A\$'000
The Group		
<b>Consolidated Statement of Comprehensive Income</b>		
Cost of sales	<b>312,542</b>	330,995
Administrative expenses	<b>24,289</b>	32,055
Other operating expenses/(income)	<b>76,666</b>	40,748
Other revenue	<b>12,710</b>	3,011

38 Significant events after the reporting period

The Company and The Group

On 21 January 2010 the Company announced that it had agreed to subscribe to a strategic investment in ASX listed iron ore producer Northern Iron Limited ("NFE").

Pursuant to a share subscription agreement, the Company subscribed for 28.25 million ordinary shares at A\$1.45 per share, totaling A\$40.96 million, resulting in the Company becoming a 10% shareholder in NFE. The Company and NFE agreed to a prescribed manner in which the subscription funds are to be applied in relation to capital rectification works and working capital requirements at NFE's Sydvaranger Iron Ore Project located in northern Norway.

The Company and NFE have also agreed to enter into good faith negotiations for a formal marketing agreement over NFE's uncommitted concentrate sales into Asia.

The Company subsequently further increased its shareholding in NFE by way of two off market transfers.

The Company now holds 42,801,565 ordinary shares in NFE (equating to a 14.65% interest) at a total cost of approximately A\$61.4 million.

For personal use only