

OM HOLDINGS LIMITED

(ARBN 081 028 337)



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31 March 2008

Company Announcements Office
Australian Securities Exchange Limited
4th Floor
20 Bridge Street
SYDNEY NSW 2000


Dear Sir/Madam

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

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 2007.

The 2007 Annual Report (including Reports and Financial Statements) will be despatched to all shareholders by Wednesday 30 April 2008.

Yours faithfully
OM HOLDINGS LIMITED



Heng Siow Kwee/Julie Wolseley
Company Secretary



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 a capacity of 600,000 to 650,000 tonnes of manganese product annually. Bootu Creek has further exploration potential given that its tenement holdings extend over 2,872 km².

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 also holds a 11% shareholding in Territory Resources Ltd, a company presently operating the Frances Creek iron ore project in the Northern Territory.

Financial statements
OM Holdings Limited
and its subsidiaries
For the year ended 31 December 2007

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Company information

Company registration number	ARBN 081 028 337
Registered office	Clarendon House, 2 Church Street Hamilton, HM11 Bermuda
Directors	John Raubenheimer (Non – Executive Chairman) Low Ngee Tong (Chief Executive Officer) Julie Anne Wolseley (Non-Executive Director) Ong Beng Chong (Non-Executive Director) Tan Peng Chin (Non-Executive Director)
Secretaries	Heng Siow Kwee Julie Anne Wolseley I.S. Outerbridge
Bankers	Commonwealth Bank of Australia National Australia Bank Ltd
Auditors	Foo Kon Tan Grant Thornton Certified Public Accountants 47 Hill Street #05-01 Singapore Chinese Chamber of Commerce & Industry Building Singapore 179365 Partner-in-charge: Mr Henry Lim

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Directors' report

The directors present their report and the audited financial statements of OM Holdings Limited (the "Company") and its subsidiaries (together "the Group") for the year ended 31 December 2007.

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 2007 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 6 to 51.

Share Capital

Details of the movements in the share capital of the Company are set out in Note 15 to the financial statements.

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 28 to the financial statements.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group are set out in Note 4 to the financial statements.

Interests in Subsidiaries

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

Names of Directors

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

John Raubenheimer (Non-Executive Chairman) (Appointed on 3 July 2007)
Low Ngee Tong (Chief Executive Officer)
Julie Anne Wolseley (Non-Executive Director and Joint Company Secretary)
Ong Beng Chong (Non-Executive Director appointed on 25 May 2007)
Tan Peng Chin (Non-Executive Director appointed on 14 September 2007)

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.

Directors' Interests in Share Capital

As at 31 December 2007, the interest of the directors and their associates 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 1.1.2007	As at 31.12.2007	As at 1.1.2007	As at 31.12.2007
	<u>Number of ordinary shares fully paid</u>			
John Raubenheimer	-	500,000	-	-
Low Ngee Tong (Note a)	990,000	375,000	13,525,000	18,197,500
Julie Anne Wolseley	16,667	1,525,001	-	-
Ong Beng Chong	-	383,000	-	-

Notes:

- (a) Low Ngee Tong was deemed to be interested in the 18,197,500 ordinary shares by virtue of his corporate interest in Ramley International Limited, which held such shares.

Unissued Shares under Option

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

Date options granted	Balance at 1.1.07	Granted/ (cancelled) during the year	Exercised during the year	Balance at 31.12.07	OM Holdings Limited Unlisted Options (in '000)		Period exercisable
					A\$ Exercise price per share	No. of options holders at 31.12.07	
21.06.2004	1,000	-	(500)	500	0.72	1	21.06.2004 - 30.06.2009
20.12.2005	2,428	-	(1,375)	1,053	1.05	8	20.12.2005 - 30.11.2008
07.11.2006	1,320	(150)	(264)	906	0.60	8	07.11.2007 - 31.12.2009
07.11.2006	1,320	(150)	(264)	906	0.72	8	07.11.2007 - 30.06.2010
01.06.2007	-	5,000	(2,000)	3,000	0.48	1	01.06.2007 - 31.05.2010
01.06.2007	-	4,750 (1,000)	-	3,750	0.56	2	31.05.2008 - 31.05.2012
01.06.2007	-	1,000	-	1,000	0.28	1	12.03.2008 - 12.03.2012
01.06.2007	-	1,500	(970)	530	0.60	6	01.06.2007 - 31.05.2010
01.06.2007	-	3,120 (25)	-	3,095	0.60	25	31.05.2008 - 31.05.2010
01.06.2007	-	1,620 (25)	-	1,595	0.60	25	31.05.2009 - 31.05.2011
02.07.2007	-	500	-	500	0.73	1	02.07.2007 - 30.06.2010
02.07.2007	-	500	-	500	0.73	1	02.07.2008 - 30.06.2010
24.09.2007	-	1,000	-	1,000	0.73	1	24.09.2007 - 30.06.2010
24.09.2007	-	1,000	-	1,000	0.73	1	01.07.2008 - 30.06.2010
	6,068	18,640	(5,373)	19,335			

There were no unissued shares of subsidiaries under option as at 31 December 2007.

Ms Julie Anne Wolseley, Mr Low Ngee Tong and Mr John Raubenheimer are interested in 1.25 million, 6 million and 2 million unlisted options respectively at the end of the financial year.

Details of the share options are set out in Note 27 to the financial statements.

Subsequent Events

Details of subsequent events are set out in Note 40 to the financial statements.

Auditors

The Company's auditors, Foo Kon Tan Grant Thornton, Certified Public Accountants, offer themselves for re-appointment at the Company's forthcoming annual general meeting.

Australian Takeover Provisions

The Company is not subject to any takeover provisions in the Australian Corporations Act, 2001.

On behalf of the Directors



JOHN RAUBENHEIMER



LOW NGEE TONG

Dated: 31 March 2008

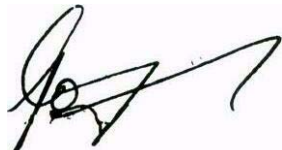
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Statement by directors

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In the opinion of the directors, the accompanying balance sheets, consolidated income statement, consolidated statement of changes in equity and the consolidated cash flow statement, together with the notes thereon, are drawn up 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 2007 and of the results of the business, 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



JOHN RAUBENHEIMER



LOW NGEE TONG

Dated: 31 March 2008

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Independent auditors' 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 balance sheets of the Group and the Company as at 31 December 2007, the income statement, statement of changes in equity and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the International Financial Reporting Standards ("IFRS"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

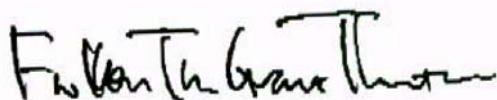
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 the directors, 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.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 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
Certified Public Accountants

Singapore, 31 March 2008

Balance sheets

	Notes	The Company		The Group	
		31 December 2007 A\$'000	31 December 2006 A\$'000	31 December 2007 A\$'000	31 December 2006 A\$'000
Assets					
Non-Current					
Property, plant and equipment	4	-	-	59,686	59,207
Prepaid lease payments on land use rights	5	-	-	1,192	1,248
Long term prepayments	6	-	-	620	698
Exploration and evaluation costs	7	-	-	-	-
Mine development costs	8	-	-	12,379	13,344
Goodwill	9	-	-	2,190	2,190
Financial asset available for sale	10	40,243	9,250	40,243	9,250
Interests in subsidiaries	11	110,381	54,548	-	-
		150,624	63,798	116,310	85,937
Current					
Inventories	12	-	-	51,023	34,919
Trade and other receivables	13	3	-	26,938	14,868
Prepayments		145	-	312	1,067
Cash collateral	14	-	-	3,768	7,178
Cash and cash equivalents	14	877	59	20,614	4,437
		1,025	59	102,655	62,469
Total assets		151,649	63,857	218,965	148,406
Equity					
Capital and Reserves					
Share capital	15	22,747	14,833	22,747	14,833
Reserves	28	127,014	48,778	141,611	54,780
		149,761	63,611	164,358	69,613
Minority interests		-	-	1,809	1,869
Total Equity		149,761	63,611	166,167	71,482
Liabilities					
Non-Current					
Borrowings	16	-	-	5	18,591
Provisions	17	-	-	298	278
		-	-	303	18,869
Current					
Trade and other payables	18	1,888	246	41,658	47,707
Tax payable		-	-	4,805	285
Borrowings	16	-	-	6,032	10,063
		1,888	246	52,495	58,055
Total equity and liabilities		151,649	63,857	218,965	148,406

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

Consolidated Income statement

		The Group	
		Year ended 31 December 2007	Year ended 31 December 2006
	Notes	A\$'000	A\$'000
Revenue	3	290,490	183,833
Cost of sales		(180,613)	(164,722)
Gross profit		109,877	19,111
Other income	19	8,877	1,923
Distribution costs		(29,097)	(18,450)
Administrative expenses		(18,432)	(9,582)
Other operating expenses		(7,549)	(23,293)
Finance costs		(1,854)	(1,760)
Share of loss of associate		-	(86)
Gain on deemed disposal of partial interest in an associate		-	537
Profit/(loss) before taxation	20	61,822	(31,600)
Taxation	21	(4,556)	(718)
Profit/(loss) for the year		57,266	(32,318)
Attributable to:			
Equity holders of the parent		56,864	(32,535)
Minority interests		402	217
		57,266	(32,318)
Dividends	23	4,529	-
Earnings/(loss) per share			
- Basic	24	28.60 cents	(23.18 cents)
- Diluted	24	26.06 cents	(21.88 cents)

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

Consolidated Statement of Changes in Equity

< ----- Equity attributable to equity holders of the Company ----- >

	Share capital A\$'000	Share premium 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	Dividend reserve A\$'000	Total A\$'000	Minority interests A\$'000	Total equity A\$'000
At 1 January 2006	13,043	55,302	1,278	637	1,567	171	(1,600)	17,787	341	88,526	1,868	90,394
Exchange realignment	590	-	-	-	-	-	-	2	-	592	-	592
Currency translation differences	-	-	-	-	-	-	(1,408)	-	-	(1,408)	3	(1,405)
Fair value gains on available for sale assets	-	-	-	-	-	6,648	-	-	-	6,648	-	6,648
Transfers	-	-	157	-	-	-	-	(394)	-	(237)	66	(171)
<i>Net gains/losses directly recognised in equity</i>	<i>590</i>	<i>-</i>	<i>157</i>	<i>-</i>	<i>-</i>	<i>6,648</i>	<i>(1,408)</i>	<i>(392)</i>	<i>-</i>	<i>5,595</i>	<i>69</i>	<i>5,664</i>
Issue of shares	1,200	7,129	-	-	-	-	-	-	-	8,329	-	8,329
Equity settled share-based transactions	-	-	-	-	178	-	-	-	-	178	-	178
Dividend paid to minority interest	-	-	-	-	-	-	-	(139)	-	(139)	(285)	(424)
Net loss for the year	-	-	-	-	-	-	-	(32,535)	-	(32,535)	217	(32,318)
2006 final dividend paid	-	-	-	-	-	-	-	-	(341)	(341)	-	(341)
Balance at 31 December 2006	14,833	62,431	1,435	637	1,745	6,819	(3,008)	(15,279)	-	69,613	1,869	71,482
Currency translation differences	-	-	-	-	-	-	(2,913)	-	-	(2,913)	(284)	(3,197)
Fair value gains on available for sale assets	-	-	-	-	-	26,831	-	-	-	26,831	-	26,831
Transfers	-	-	22	-	-	-	-	(459)	-	(437)	-	(437)
<i>Net gains/losses directly recognised in equity</i>	<i>-</i>	<i>-</i>	<i>22</i>	<i>-</i>	<i>-</i>	<i>26,831</i>	<i>(2,913)</i>	<i>(459)</i>	<i>-</i>	<i>23,481</i>	<i>(284)</i>	<i>23,197</i>
Issue of shares under entitlements issue	7,417	7,925	-	-	-	-	-	-	-	15,342	-	15,342
Share options exercise	887	3,707	-	-	-	-	-	-	-	4,594	-	4,594
Cancellation of ordinary shares following selective share buy back	(390)	(3,042)	-	-	-	-	-	-	-	(3,432)	-	(3,432)
Equity settled share-based transactions	-	-	-	-	2,765	-	-	-	-	2,765	-	2,765
Dividend paid to minority interest	-	-	-	-	-	-	-	-	-	-	(178)	(178)
Utilisation of hedge reserve	-	-	-	-	-	(340)	-	-	-	(340)	-	(340)
Net profit for the year	-	-	-	-	-	-	-	56,864	-	56,864	402	57,266
Dividend paid	-	-	-	-	-	-	-	(4,529)	-	(4,529)	-	(4,529)
Balance at 31 December 2007	22,747	71,021	1,457	637	4,510	33,310	(5,921)	36,597	-	164,358	1,809	166,167

* Fair value reserve includes hedging reserve of A\$ Nil (2006: A\$340,000).

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

Consolidated cash flow statement

	Year ended 31 December 2007 A\$'000	Year ended 31 December 2006 A\$'000
Cash Flows from Operating Activities		
Profit/(loss) before taxation	61,822	(31,600)
Adjustments for:		
Depreciation of property, plant and equipment	8,001	3,666
Amortisation of prepaid lease	35	25
Amortisation of long term prepayments	8	9
Amortisation of mine development	965	1,158
Share of loss of an associate	-	86
Gain on deemed disposal of partial interest in an associate	-	(537)
Interest Income	(1,021)	(768)
Interest expenses	1,854	1,760
Loss on disposal of property, plant and equipment	19	107
Equity-settled share-based payments	2,765	178
Impairment/expensing of exploration and evaluation costs	3,629	3,183
Impairment of mine development costs	-	12,882
(Provision)/write down of inventories to net realisable value	(492)	4,949
Operating profit/(loss) before working capital changes	77,585	(4,902)
Increase in inventories	(15,612)	(22,013)
(Increase)/decrease in trade and bill receivables	(9,867)	5,719
Increase in prepayments, deposits and other receivables	(1,292)	(186)
(Decrease)/increase in trade and bill payables	(6,759)	6,878
(Decrease)/increase in other payables and accruals	(133)	3,088
Decrease in long term liabilities	-	(3,645)
Cash generated from/(used in) operations	43,922	(15,061)
Interest paid	(1,854)	(1,760)
Overseas income tax paid	(35)	(1,478)
Net cash generated from/(used in) operating activities	42,033	(18,299)
Cash Flows from Investing Activities		
Payments for exploration and evaluation costs	(3,629)	(2,308)
Payments for mine development costs	-	(3,640)
Purchase of property, plant and equipment	(8,828)	(16,072)
Payments for land use rights	(21)	(4)
Interest received	1,021	768
Net cash used in investing activities	(11,457)	(21,256)
Cash Flows from Financing Activities		
Dividends paid to minority interests	(178)	(285)
Dividends paid	(4,529)	(341)
Repayment of bank and other loans	(22,618)	-
Net proceeds from bank and other loans	-	20,956
Decrease in cash collateral	3,410	1,937
Proceeds from issue of shares, net of issue costs	16,504	8,640
Net cash (used in)/generated from financing activities	(7,411)	30,907
Net increase/(decrease) in cash and cash equivalents	23,165	(8,648)
Effect of foreign exchange rates	(6,988)	(1,103)
Cash and cash equivalents at beginning of year	4,437	14,188
Cash and cash equivalents at end of year (Note 14)	20,614	4,437

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

Notes to the financial statements

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2007 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 is 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 related interpretations. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

In the previous year, the Company and the Group prepared their financial statements in accordance with Singapore Financial Reporting Standards (“SFRS”). There are no differences between SFRS and IFRS in relation to the financial statements of the Company and the Group, except for IAS 17, of which the effect is disclosed below:

	SFRS	Effect of transition to IAS	IAS
At 31 December 2007			
The Group	A\$'000	A\$'000	A\$'000
<u>Increase/(decrease) in non-current assets</u>			
Decrease in property, plant and equipment	60,306	(620)	59,686
Increase in long term prepayments	-	620	620
<hr/>			
At 31 December 2006			
<u>Increase/(decrease) in non-current assets</u>			
Decrease in property, plant and equipment	59,905	(698)	59,207
Increase in long term prepayments	-	698	698
<hr/>			

Previous SFRS allowed leasehold property to be classified under property, plant and equipment. This approach was applied to the Singapore subsidiary for the periods after the property was acquired. The property, plant and equipment of the Singapore subsidiary has been restated in accordance with IAS 17 for the years ended 31 December 2007 and 31 December 2006.

2(a) Basis of preparation (cont'd)

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.

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 2007 was A\$4,805,000 (2006 - A\$285,000).

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:

	2007	2006
	A\$'000	A\$'000
Ores	2,190	2,190

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on approved financial budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimate rates stated below:

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

2(a) Basis of preparation (cont'd)

Critical assumptions used and accounting estimates in applying accounting policies (cont'd)

The recoverable amounts of the CGUs are determined from value in use calculations. 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. 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 capitalised 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's management 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.

2(b) Interpretations and amendments to published standards effective in 2007

On 1 January 2007, the Group adopted the new or revised IAS, IFRS and IFRIC that are mandatory for application on that date. This includes the following IAS, IFRS and IFRIC, which are relevant to the Group:

IAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures
IFRS 7	Financial Instruments: Disclosures

The adoption of the above IFRS and IAS did not result in any substantial changes to the Group's accounting policies or any significant impact on these financial statements. IFRS 7 and the complementary amended IAS 1 introduce new disclosures relating to financial instruments and capital respectively.

2(c) IAS, IFRS and IFRIC not effective

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

IAS 23 (Revised)	Borrowing Costs
IFRS 8	Operating Segments
IFRIC – Int 11	IFRS 2 – Group and Treasury Share Transactions
IFRIC – Int 12	Service Concession Arrangements
IFRIC – Int 13	Customer Loyalty Programmes

At the date of this report, the directors do not anticipate that the adoption of these IAS, IFRS and IFRIC in future periods will have a material impact on the consolidated financial statements 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 balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated profit and loss account.

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. In addition, they are subject to annual impairment testing. Indefinite life intangibles are not amortised but are subject to annual impairment testing.

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:

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

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.

Leasehold building is depreciated over its estimated useful life or the lease period of the land, whichever is shorter.

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.

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 a land in Singapore that is held under 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 which 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.

Exploration and evaluation costs (cont'd)

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 demonstrable, the relevant capitalised exploration and evaluation costs are classified as mine development costs.

Mine development 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 mining 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, accumulated development costs are transferred to mine properties. When production commences, carried forward mine properties expenditure is amortised on a unit of production basis. The unit 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.

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 2006. These costs will 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 2006 and will be amortised over the life of the mine according to the rate of depletion of the economically recoverable reserves.

Financial assets

Financial assets 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 recognised on the balance sheet when, and only when the Company and the Group becomes a party to the contractual provisions of the financial instrument. 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 balance sheet date whether or not there is objective evidence that a financial asset or a Group of financial assets is impaired.

The Group does not designate any financial assets at fair value through profit and loss or have held-to-maturity investment.

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 balance sheet date. These are classified as non-current assets.

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in the income statement. Any reversal shall not result in a carrying amount that exceeds what the amortised cost would have been had any impairment loss not been recognised at the date the impairment is reversed. Any reversal is recognised in the income statement.

Loans and receivables are provided against when there is objective evidence that the Company and the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Loans and receivables are included in trade and other receivables in the balance sheet.

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 balance sheet 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.

Available-for-sale financial assets (cont'd)

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.

Determination of fair value

The fair values of quoted financial assets are based on current bid prices.

Derivatives financial instruments and hedging contracts

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.

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 sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity as 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.

Derivatives that are not designated or do not qualify for hedge accounting

Fair value changes on these derivatives are recognised in the income statement when the changes arise.

Subsidiaries

A subsidiary is defined as a company in which the investing company has a long-term equity interest of more than 50% or over whose financial and operating policy decisions the Group controls.

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.

Related party

A party is considered to be related to the Group if:

- (i) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (ii) the party is an associate;
- (iii) the party is a jointly-controlled entity;
- (iv) the party is a member of the key management personnel of the Group or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Prepayments

Prepayments are recognised and carried at cost.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost 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, which are readily convertible to cash and which are not subject to any significant risk of changes in value, and which form an integral part of the Company's and the Group's cash management.

Share capital and share premium

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.

Financial liabilities

The Company and 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 Company and the Group becomes a party to the contractual agreements of the instrument. All interest related charges is recognised as an expense in "finance cost" in the income statement.

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.

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 balance sheet date. Other borrowings due to be settled more than twelve months after the balance sheet date are included in non-current borrowings in the balance sheet.

Trade and bill payables, other payables and accruals and other long term liabilities are initially measured at cost, which is the fair value of the consideration to be paid in future for goods and services received.

Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of currency forwards are determined using actively quoted forward exchange rates. The fair values of interest rate swaps are calculated as the present value of the estimated future cash flows discounted at actively quoted interest rates.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date or whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (i) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (ii) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- (iii) There is a change in the determination of whether fulfillment is dependant on a specified asset; or
- (iv) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios i), iii) or iv) and at the date of renewal or extension period for scenario ii).

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC - Int 4.

Group as a leasee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased term, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges charged are reflected in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the leased term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its trading 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 the borrowings.

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

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Financial guarantees (cont'd)

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 amounts payable to the bank.

Income taxes

The liability method of tax effect accounting is adopted by the Company and the Group. Current taxation is provided at the current taxation rates based on the tax payable on the income for the financial year that is chargeable to tax. Deferred taxation is provided at the current taxation rates on all temporary differences existing at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences (unless the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss). Deferred income tax is provided on all temporary differences arising on the investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised (unless the deferred tax asset arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.)

The statutory tax rates enacted at the balance sheet date are used to determine deferred income tax.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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.

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

Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the balance sheet date. Employees 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. Accrual is made for unconsumed leave as a result of services rendered by employees up to the balance sheet date.

Employee Share Option Scheme

The Company also has an employee share option plan for granting of non-transferable options which was approved by shareholders on 25 May 2007.

The Company issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. When the options are exercised, equity is increased by the amount of the proceeds received.

Impairment of assets

The carrying amounts of the Company's and Group's assets subject to impairment are reviewed at each balance sheet 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 belongs 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 the 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 asset's or cash-generating unit's 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.

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Impairment of assets (cont'd)

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.
- A reversal of an impairment loss is credited as income in the income statement.

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 that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the functional currency"). The consolidated financial statements of the Group and the balance sheet of the Company are presented in Australian dollars to the nearest dollar, which is also the functional currency of the Company.

Conversion of foreign currencies

Monetary items

Foreign currency monetary items measured at fair value are translated into the functional currency at rates of exchange closely approximating those ruling at the balance sheet date. Transactions in foreign currencies are converted at rates closely approximating those ruling at transaction dates. Except for the situation described below and in the note on derivative financial instruments, exchange differences arising from such transactions are recorded in the income statement in the period in which they arise.

- Where a monetary item in substance forms part of the Company's net investment in the foreign subsidiaries and associates, exchange differences arising on such a monetary item are recorded directly to the exchange fluctuation reserve to the extent that the net investment is represented by net assets in the foreign entity until the disposal of the investments.

Non-monetary items

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Currency translation differences on non-monetary items, whereby the gains or losses are recognised in the income statement, such as equity investments held at fair value through profit or loss or investment properties carried at fair value, are reported as part of the fair value gains or losses in "other gains/losses – net".

Conversion of foreign currencies (cont'd)

Changes in the fair value of monetary securities denominated in foreign currencies classified as available for sale are analysed into currency translation differences on the amortised cost of the securities, and other changes. Currency translation differences on the amortised cost are recognised in the income statement, and other changes are recognised in the fair value reserve within equity.

Currency translation differences on other non-monetary items whereby the gains or losses are recognised directly in equity, such as property, plant and equipment are included in the asset revaluation reserve. Non-monetary items that are measured in items of historical cost in a foreign currency are not retranslated.

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 date of the balance sheet;
- (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.

Segment reporting

A segment is a distinguishable component of the Group within a particular economic environment (geographical segments) and to a particular industry (business segment) which is subject to risks and rewards that are different from those of other segments.

Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, borrowings and expenses, and corporate assets and expenses.

Segment information is presented in respect of the Group's geographical and business segments. The primary format, business segments, is based on the Group's management and internal reporting structure. In presenting information on the basis of business segments, segment revenue and segment assets are based on the nature of the products or services provided by the Group. Information for geographical segments is based on the location of customers and assets respectively.

Financial instruments

Financial instruments carried on the balance sheet include cash and cash equivalents, financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. These instruments are recognised when contracted for.

Disclosures on financial risk management objectives and policies are provided in Note 37.

3 Revenue

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 Property, plant and equipment

The Group

	Construction in-progress A\$'000	Leasehold buildings and improvements A\$'000	Plant & Machinery A\$'000	Computer equipment, office equipment and furniture A\$'000	Motor vehicles A\$'000	Total A\$'000
Cost						
At 1 January 2006	36,412	5,297	7,507	865	426	50,507
Additions	15,184	377	226	186	99	16,072
Transfers	(49,584)	525	49,059	-	-	-
Disposals	-	-	-	(120)	(51)	(171)
Exchange realignment	(8)	(343)	(314)	(9)	(19)	(693)
At 31 December 2006	2,004	5,914	56,478	922	455	65,773
Additions	4,106	47	4,167	149	359	8,828
Transfers	(2,836)	(139)	(1,070)	4,045	-	-
Disposals	-	-	(6)	(25)	(21)	(52)
Exchange realignment	-	(223)	(299)	(8)	(15)	(545)
At 31 December 2007	3,274	5,599	59,270	5,083	778	74,004
Accumulated depreciation						
At 1 January 2006	-	884	1,845	191	201	3,121
Exchange realignment	-	(47)	(97)	(4)	(9)	(157)
Disposals	-	-	-	(24)	(40)	(64)
Depreciation for the year	208	352	2,875	168	63	3,666
At 31 December 2006	208	1,189	4,623	331	215	6,566
Exchange realignment	-	(43)	(144)	(7)	(22)	(216)
Transfers	-	(24)	-	24	-	-
Disposals	-	-	-	(25)	(8)	(33)
Depreciation for the year	118	274	7,068	491	50	8,001
At 31 December 2007	326	1,396	11,547	814	235	14,318
Net book value						
At 31 December 2007	2,948	4,203	47,723	4,269	543	59,686
At 31 December 2006	1,796	4,725	51,855	591	240	59,207

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

The cost of property, plant and equipment includes an amount of A\$442,000 (2006 - A\$71,000) in respect of assets held under finance leases and the related accumulated depreciation amounts to A\$154,000 (2006 - A\$18,000).

Certain property, plant and equipment with an aggregate net book value amounting to A\$1,691,000 (2006 - A\$1,524,000) were pledged to a bank to secure an interest bearing loan (Note 16).

5 Prepaid lease payments on land use rights

	2007	2006
The Group	A\$'000	A\$'000
<u>Cost</u>		
At beginning of year	1,328	1,324
Additions	21	4
	1,349	1,328
<u>Accumulated amortisation</u>		
- Prior year	(70)	(45)
- Current year	(35)	(25)
	(105)	(70)
Exchange realignment	(52)	(10)
At end of year	1,192	1,248

6 Long term prepayments

	2007	2006
The Group	A\$'000	A\$'000
<u>Cost</u>		
At beginning of year and end of year	765	765
<u>Accumulated amortisation</u>		
- Prior year	(19)	(10)
- Current year	(8)	(9)
	(27)	(19)
Exchange realignment	(118)	(48)
At end of year	620	698

Leasehold land is situated in Singapore and held under long-term leases.

The Group is not able to allocate the cost of the leasehold property into land and building respectively. However, the directors are of the view that the cost relates substantially to the cost of the land. The full cost of acquiring the leasehold property is therefore depreciated over the remaining lease period.

7 Exploration and evaluation expenditure

	2007	2006
The Group	A\$'000	A\$'000
At beginning of year	-	8,743
Costs incurred during the year	3,629	2,308
Impairment/expensing for the year	(3,629)	(3,183)
	-	7,868
Less: Transfer to mine development costs (Note 8)	-	(7,868)
At end of year	-	-

The ultimate recoupment of such costs is dependent upon successful development and commercial exploitation or alternatively, sale of the respective areas. The directors consider that the results of the ongoing exploration and evaluation in the identified areas of interest are positive.

8 Mine development costs

	2007	2006
The Group	A\$'000	A\$'000
At beginning of year	14,502	15,876
Costs incurred during the year	-	3,640
Transfer from exploration and evaluation costs (Note 7)	-	7,868
Impairment for the year	-	(12,882)
At end of year	14,502	14,502
At 31 December		
Cost	14,502	14,502
Accumulated amortisation		
- Prior year	(1,158)	-
- Current year	(965)	(1,158)
	12,379	13,344

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.

9 Goodwill

	2007	2006
The Group	A\$'000	A\$'000
Cost	2,190	2,190
Net book value	2,190	2,190

10 Available-for-sale financial assets

	2007	2006
The Company and The Group	A\$'000	A\$'000
Quoted equity investment at beginning of year	9,250	2,771
Additions	4,162	-
Fair value gains transferred to equity	26,831	6,479
Quoted equity investment as at end of year	40,243	9,250

Note:

The fair value of quoted equity investments is determined by reference to quoted bid prices on the ASX at the balance sheet date.

11 Interests in subsidiaries

The Company	2007 A\$'000	2006 A\$'000
Investments, at cost	8,013	8,013
Amounts due from subsidiaries:		
- Interest-free	16,925	12,862
- Interest-bearing	85,443	63,613
Provision for impairment loss	-	(29,940)
	110,381	54,548

The amounts due from subsidiaries are unsecured. The amounts include a balance of A\$85,443,000 (2006 - A\$63,613,000) which is interest-bearing at 10.6% to 11.35% (2006 - 10.1% to 10.6%) per annum. The remaining balances, which represent quasi investment, are interest-free.

The subsidiaries are:

<u>Name</u>	<u>Country of incorporation/ of business</u>	<u>Percentage of equity held</u>		<u>Principal activities</u>
		2007	2006	
<u>Held by the Company</u>				
OM Holdings (B.V.I.) Ltd ("OMBVI")	The British Virgin Islands	100%	100%	Investment holding
OM (Manganese) Ltd ("OMM") ⁽¹⁾	Australia	100%	100%	Operation of manganese mine
OM Holdings Investment Limited ("OMHI") (Incorporated on 18 October 2007)	The British Virgin Islands	100%	100%	Investment holding
OM Manufacturing (China) Ltd ("OMC") ⁽²⁾	Hong Kong	100%*	100%*	Investment holding
Liaoyang International Boronalloy Co. Ltd ("LFB") ⁽³⁾	PRC	51%*	51%*	Sales and processing of ferroboron
OM Materials (Tianjin) Ltd ("OMT") ⁽⁴⁾	PRC	100%*	100%*	Trading of metals and fabricated metals
OM Materials (S) Pte Ltd ("OMS") ⁽⁵⁾	Singapore	100%*	100%*	Investment holding and trading of metals and ferroalloy products
OM Materials (Qinzhou) Co Ltd ("OMQ") ⁽⁶⁾	PRC	100%*	100%*	Sales and processing of ferroalloy and ores
OM Materials (PNG) Limited ⁽⁷⁾	Papua New Guinea	100%*	100%*	Exploration and evaluation activities

* Held indirectly.

(1) audited by WHK, Horwath

(2) audited by Messrs. Daniel C M Lo & Co.

11 Interests in subsidiaries (cont'd)

- (3) audited by Liaoning Tian Yi Certified Public Accountants Co. Ltd
(4) audited by Tianjin Zhengze Certified Public Accountants
(5) audited by Foo Kon Tan Grant Thornton
(6) audited by Guangxi JiaHai Accountant Affairs Office Co. Ltd
(7) audited by HLB Niugini Certified Public Accountants

12 Inventories

	2007	2006
The Group	A\$'000	A\$'000
Raw materials, at net realisable value	36,950	10,852
Work-in-progress, at cost	239	1,447
Finished goods, at cost	13,834	22,620
	51,023	34,919

13 Trade and other receivables

	The Company		The Group	
	2007	2006	2007	2006
	A\$'000	A\$'000	A\$'000	A\$'000
Trade and bill receivables	-	-	11,551	8,726
Bill receivables	-	-	12,805	2,090
Allowance for impairment of trade receivables	-	-	(875)	(812)
Net trade receivables	-	-	23,481	12,423
Deposit and other receivables	3	-	2,606	1,703
Derivative financial assets	-	-	851	696
Employee loans	-	-	-	46
	3	-	26,938	14,868

Trade and other receivables are denominated in the following currencies:

	The Company		The Group	
	2007	2006	2007	2006
	A\$'000	A\$'000	A\$'000	A\$'000
Australian dollars	3	-	2,234	1,552
Renminbi	-	-	5,686	7,756
United States dollars	-	-	19,018	5,560
	3	-	26,938	14,868

14 Cash and cash equivalents

	The Company		The Group	
	2007 A\$'000	2006 A\$'000	2007 A\$'000	2006 A\$'000
Cash at bank and on hand	877	59	10,538	4,437
Short-term bank deposits	-	-	13,844	7,178
Total cash and cash equivalents [Notes (a) and (b)]	877	59	24,382	11,615
Less: Cash collateral (Note c)	-	-	(3,768)	(7,178)
	877	59	20,614	4,437

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 2007, 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\$6,313,000 (2006- A\$2,444,000). 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 bank loans (Note 16) and letters of credit. The USD cash collateral has an average maturity of 6 months (2006: 6 months) with the weighted average effective interest rates of 5.98% (2006:5.00%).

Cash and bank balances are denominated in the following currencies:

	The Company		The Group	
	2007 A\$'000	2006 A\$'000	2007 A\$'000	2006 A\$'000
Australian dollars	877	59	12,394	283
Renminbi	-	-	6,313	2,444
United States dollars	-	-	1,303	1,656
Others	-	-	604	54
	877	59	20,614	4,437

15 Share capital

The Company	2007 A\$'000	2006 A\$'000
Authorised:		
1,000,000,000 ordinary shares of A\$0.10 each	100,000	100,000
Issued and fully paid:		
148,332,717 (2006 - 136,332,717) ordinary shares of A0.10 each as at 1 January	14,833	13,633
Placement Nil (2006 - 12,000,000) new shares	-	1,200
Shares issued under entitlements issue [Note (a)]	7,417	-
Cancellation of ordinary shares following selective share buy back [Note (b)]	(390)	-
Options exercised [Note (c)]	887	-
227,472,575 (2006 - 148,332,717) ordinary shares of A\$0.10 each as at 31 December	22,747	14,833

15 Share capital (cont'd)

Notes:

- (a) In May 2007, the Company successfully completed a pro-rata 1 for 2 non-renounceable entitlements issue to shareholders at an issue price of A\$0.22 per share, raising A\$16.3 million from the issue of 74,166,358 ordinary shares. The proceeds raised via the entitlements issue were applied to repay debt related to the Bootu Creek Manganese Mine (A\$5.5 million) and the balance was applied to fund capital improvements at the Bootu Creek Manganese Mine as well as replenish working capital.
- (b) On 2 August 2007, the Company announced that it had entered into a conditional selective share buy back agreement with Mr Trevor Tennant, to buy back 3.9 million ordinary shares held in the capital of the Company at a price of A\$0.88 per share, for total consideration of A\$3.432 million. The selective share buy back was approved by the shareholders at a General Meeting held on 31 August 2007 and settled on 4 September 2007.
- (c) During the year an additional 8,873,500 ordinary shares were issued following the exercise of unlisted options. As at 31 December 2007, the Company had 19,335,000 unlisted options on issue at various exercise prices and expiry dates. Since then 1,298,000 unlisted options have been exercised into ordinary shares and 18,037,000 unlisted options remain outstanding.

16 Borrowings

The Group	2007 A\$'000	2006 A\$'000
Non-current		
Bank loans, secured	-	18,430
Finance lease liabilities	5	161
	5	18,591
Current		
Bank loans		
- Secured	5,000	9,828
- Unsecured	862	-
Finance lease liabilities	170	235
	6,032	10,063
Total borrowings	6,037	28,654

The Group	2007 A\$'000	2006 A\$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	5,862	17,428
In the second to fifth years, inclusive	-	10,830
	5,862	28,258
Other borrowings repayable:		
Within one year or on demand	170	235
In the second to fifth years, inclusive	5	161
	175	396
	6,037	28,654

16 Borrowings (cont'd)

Borrowings denominated in the following currencies:

	The Group	
	2007 A\$'000	2006 A\$'000
Australian dollars	5,175	27,100
Renminbi	862	976
United States dollars	-	578
	6,037	28,654

Notes:

- (a) Bank loans of A\$5,862,000 (2006 - A\$28,258,000) are secured by:
- (i) charge over certain bank deposits as disclosed in Note 14;
 - (ii) pledge of certain property, plant and equipment as disclosed in Note 4; and
 - (iii) a fixed and floating charge over all of OMM's assets including the Bootu Creek Manganese Mine project assets and a mortgage over the mining tenements. As at 31 December 2007 certain of the bank loans were also secured by a mortgage over the Company's shareholding in Territory Resources Limited. On 10 March 2008 the mortgage over the Territory Resources Limited shareholding was discharged.
- (b) Other information about the borrowings:

	Original currency	Effective interest rate			
		2007		2006	
		Fixed	Floating	Fixed	Floating
Bank loans	A\$	-	9.48%	-	8.45%
Bank loans	RMB	-	6%	-	6.00%
Finance lease liabilities	A\$	7.4%	-	7.00%	-
Bank loans	US\$	-	6%	-	5.80%

The carrying amounts of the Group's current borrowings approximate their fair values.

- (c) Finance lease liabilities

	2007 A\$'000	2006 A\$'000
The Group		
Payables – minimum lease payments		
- not later than 12 months	160	235
- between 12 months and five years	22	192
- greater than 5 years	-	-
Minimum lease payment	182	427
Future finance charges	(7)	(31)
Present value	175	396

17 Provisions

The Group	2007 A\$'000	2006 A\$'000
Provision for restoration		
At beginning of year	278	257
Movement for the year	20	21
At end of year	298	278

According to the Mining 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 OMM, a wholly owned subsidiary.

18 Trade and other payables

	The Company		The Group	
	2007 A\$'000	2006 A\$'000	2007 A\$'000	2006 A\$'000
Trade payables	-	-	17,714	20,456
Bill payables	-	-	-	9,565
Accruals and other payables	1,888	246	23,102	17,387
Welfare expense payable	-	-	256	299
Derivative financial liabilities	-	-	586	-
	1,888	246	41,658	47,707

Trade and other payables are denominated in the following currencies:

	The Company		The Group	
	2007 A\$'000	2006 A\$'000	2007 A\$'000	2006 A\$'000
Australian dollars	1,888	246	13,229	13,346
Renminbi	-	-	19,236	9,005
United States dollars	-	-	9,187	25,343
Others	-	-	6	13
	1,888	246	41,658	47,707

19 Other Income

The Group	2007 A\$'000	2006 A\$'000
Interest income	1,021	768
Exchange gain	-	1,038
Gain on sale of marketing rights	7,823	-
Sundries	33	117
	8,877	1,923

20 Profit/(loss) before taxation

The Group	2007 A\$'000	2006 A\$'000
Profit/(loss) before tax was arrived at after charging/(crediting):		
Amortisation of prepaid lease payment on land use rights	35	25
Amortisation of long term prepayments	8	9
Amortisation of mine development costs	965	1,158
Cost of inventories recognised as expenses #	180,613	164,722
Depreciation of property, plant and equipment	8,001	3,666
Directors' fee - directors of the Company	308	225
Equity-settled share-based payment *	2,765	178
Exchange loss	2,426	286
Finance charges on finance leases	31	66
Interest on bank loans	1,854	1,760
Inventory written off	147	3,961
Impairment/expensing exploration and evaluation costs	3,629	3,183
Impairment of mine development costs	-	12,882
Loss on disposal of property, plant and equipment	19	107
Operating lease charges in respect of land and buildings	270	218
<u>Staff costs</u>		
Directors' remuneration other than fees		
- Directors of the Company	2,116	667
- Directors of the subsidiaries	2,575	933
- Defined contribution plans	72	64
Key management personnel (other than directors)		
- Salaries, wages and other related costs	993	1,317
- Defined contributions plans	94	87
Other than directors and key management personnel		
- Salaries, wages and other related costs	1,958	1,884
- Defined contribution plans	27	8
	7,835	4,960
(Provision)/write down of inventories to net realisable value *	(492)	4,949

Cost of inventories includes an amount of A\$1,580,750 (2006 - A\$1,703,095) relating to staff costs and depreciation.

* Included in other operating expenses.

21 Income tax expenses

The Group	2007 A\$'000	2006 A\$'000
<u>Income tax for the year</u>		
Singapore income tax	4,204	220
Enterprise income tax	365	1,685
	4,569	1,905
Overprovision in prior years	(13)	(1,187)
	4,556	718

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.

For OM Materials (S) Pte Ltd ("OMS"), the Singapore Ministry of Trade and Industry approved the award of Global Trade Programme Status to the controlled entity and therefore OMS is entitled to a concessionary rate of 10% for a period of 5 years with effect from 1 July 2004. Before 1 July 2004, the effective Singapore income tax rate was 20% on assessable profits.

21 Income tax expenses (cont'd)

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 17.5% to 30% (2006 - 17.5% to 30%) per annum.

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

The Group	2007 A\$'000	2006 A\$'000
Profit/(loss) before income tax	61,822	(31,600)
Tax at applicable tax rates	23,419	(12,277)
Unrecognised tax losses and temporary differences	-	12,619
Utilisation of unrecognised tax losses and temporary differences arising from previous year	(3,446)	-
Effect of tax rate in foreign jurisdiction	1,318	(3,815)
Tax effect of non-taxable revenue	(14,212)	(76)
Tax effect of non-deductible expenses	1,803	5,734
Tax effect of allowances given by tax jurisdiction	(4,265)	(204)
Double tax relief	(48)	(76)
Overprovision in prior years	(13)	(1,187)
Actual tax expenses	4,556	718

23 Dividends

The Group	2007 A\$'000	2006 A\$'000
In respect of current financial year: Interim dividend declared and paid of A\$ 0.02 per ordinary share (2006 - A\$ Nil) per ordinary share	4,529	-
	4,529	-
In respect of current financial year: 2006 final dividend paid of A\$ Nil per ordinary share (2005 - A\$ 0.0025) per ordinary share	-	341
	-	341

24 Earnings/(loss) per share

The calculation of basic earnings per share is based on the profit attributable to the equity holders of the Company of A\$56,864,000 (2006 – loss of A\$32,535,000) and the weighted average number of ordinary shares of 198,838,000 (2006 – 140,387,512) on issue during the year.

Diluted earnings per share is calculated based on the profit attributable to the equity holders of the Company of A\$56,864,000 (2006 – loss of A\$32,535,000) and the weighted average number of ordinary shares adjusted for the effects of all dilutive potential shares of 218,173,000 (2006 - 148,658,012), calculated as follows:

24 Earnings/(loss) per share (cont'd)

	2007 000'	2006 000'
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	198,838	140,387
Effect of dilutive potential ordinary shares in respect of share options	19,335	8,271
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	218,173	148,658

25 Derivative financial instruments

The Group	2007		2006	
	Assets A\$'000	Liabilities A\$'000	Assets A\$'000	Liabilities A\$'000
Forward currency contracts	851	586	349	-
Call options	-	-	347	-

As at 31 December 2007, the terms of these contracts were as follows:

	Exchange Rate	Contract amount \$'000	Maturity
Forward currency contracts			
Sell contracts - US dollars	0.8488	US\$37,100	January to September 08
Buy contracts – Australian dollars	1.2642	A\$42,000	From 18 January 08 to 19 September 08
Call options			
Australian call options	0.8580	A\$2,574	January 08
Singapore dollars call options	1.5182	US\$5,100	January to July 08

The carrying amounts of forward currency contracts are the same as their fair values.

The terms of the forward currency contracts and call options are stated at fair values.

26 Deferred tax

(a) The Group

As at 31 December 2007, the Group has tax losses arising in Hong Kong of A\$359,000 (2006 - A\$401,000), in the PRC of A\$ Nil (2006 - A\$364,000) and in Australia of A\$11,300,000 (2006: A\$12,800,000) which are 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 and Australia can be carried forward indefinitely without any expiry date while the tax losses arising from the PRC will expire in the period of 5 years.

As at 31 December 2007, the tax losses which arose from the PRC subsidiary was fully utilised against its profits for the year.

(b) The Company

As at 31 December 2007 and 2006, the Company did not have any deferred tax.

27 Share options

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 provides for the grant of unlisted share options to subscribe for shares in the Company to directors and employees of the Company and its subsidiaries. Each option shall be issued for no consideration and allows the option holder to subscribe for one ordinary share in 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.

All other unlisted options issued prior to the introduction of the OM Holdings Limited Employee Share Option Plan have been approved by shareholders including the terms and conditions upon which they have been issued.

Certain of the Company's employees (including directors) have been granted share options. Details of the movements in the Company's share options granted were as follows:

< ----- Number of share options ----- >						
	Option type (Note a)	Outstanding at 1 January 2007	Granted during the year (Note d)	Exercised during the year	Lapsed during the year (Note b)	Outstanding at 31 December 2007 (Note c)
Directors						
Julie Wolseley	2004/ 2007(c)	500,000	1,750,000	(1,000,000)	-	1,250,000
William Mackenzie	2005 2007(c)	529,000	1,000,000	(1,029,000)	(500,000)	-
Yeo Wee Kiong	2004 2007(c)	500,000	1,000,000	(1,000,000)	(500,000)	-
Low Ngee Tong	2007(c)	-	6,000,000	-	-	6,000,000
John Raubenheimer	2007(e)	-	2,000,000	-	-	2,000,000
Ong Beng Chong	2007(e)	-	500,000	(500,000)	-	-
		1,529,000	12,250,000	(3,529,000)	(1,000,000)	9,250,000
< ----- Number of share options ----- >						
	Option type (Note a)	Outstanding at 1 January 2007	Granted during the year (Note c)	Exercised during the year	Lapsed during the year (Note b)	Outstanding at 31 December 2007
Other employees	2005	1,899,500	-	(846,500)	-	1,053,000
Other employees	2006	2,640,000	-	(528,000)	(300,000)	1,812,000
Other employees	2007(b)	-	6,240,000	(970,000)	(50,000)	5,220,000
Other employees	2007(c)	-	1,000,000	-	-	1,000,000
Other employees	2007(d)	-	1,000,000	-	-	1,000,000
Consultant/broker	2007(a)	-	3,000,000	(3,000,000)	-	-
		4,539,500	11,240,000	(5,344,500)	(350,000)	10,085,000
		6,068,500	23,490,000	(8,873,500)	(1,350,000)	19,335,000

27 Share options (cont'd)

Notes:

(a) Details of the specific categories of options are as follows:

Option type	Date of grant	Exercise period	Exercise price
2004	21 June 2004	From 21 June 2004 to 30 June 2009	A\$0.72
2005	20 December 2005	From 20 December 2005 to 30 November 2008	A\$1.05
2006	7 November 2006	From 7 November 2007 to 31 December 2009 From 7 November 2007 to 30 June 2010	A\$0.60 A\$0.72
2007	(a) 2 March 2007	On or before 2 March 2012	A\$0.20
	(b) 1 June 2007	Immediately From 31 May 2009 to 31 May 2011 From 31 May 2008 to 31 May 2010	A\$0.60 A\$0.60 A\$0.60
	(c) 1 June 2007	From 12 March 2008 to 12 March 2012 From 12 March 2009 to 12 March 2012 Immediately to 31 May 2012 From 31 May 2008 to 31 May 2012	A\$0.28 A\$0.28 A\$0.48 A\$0.56
	(d) 2 July 2007	Immediately to 30 June 2010 From 1 July 2008 to 30 June 2010	A\$0.73 A\$0.73
	(e) 24 September 2007	Immediately to 31 May 2010 Immediately to 30 June 2010 From 1 July 2008 to 30 June 2010	A\$0.60 A\$0.73 A\$0.73

(b) Options were lapsed upon resignation of the relevant directors and employees from the Group.

(c) On various dates, the Board and where relevant shareholders of the Company approved the grant of 23,490,000 (2006: 2,640,000) options in the Company to directors and employees of the Company and its subsidiaries. The fair value of the equity-settled share options granted during the year was A\$2,764,704 (2006 - A\$250,483). The fair value of the share options was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. Details of the inputs to the model used as disclosed as follows:

Dividend yield (%)	72.46 - 80
Expected volatility (%)	-
Risk free interest rate (%)	6.16 to 6.33
Expected life of option (years)	1.50 to 3.01
Share price on the issue date of option (A\$)	0.655 to 0.83

28 Reserves

(a) The Group

	2007	2006
	A\$'000	A\$'000
Share premium	71,021	62,431
Non-distributable reserves [Note (i)]	1,457	1,435
Capital reserve [Note (ii)]	637	637
Share option reserve [Note (iii)]	4,510	1,745
Fair value reserve [Note (iv)]	33,310	6,819
Exchange fluctuation reserve	(5,921)	(3,008)
Retained profits/(accumulated losses)	36,597	(15,279)
	141,611	54,780

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 balance sheet.

- (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 2007, the Board and where relevant shareholders of the Company approved the grant of 20,490,000 (2006: 2,640,000) options of the Company to directors and employees of the Company and its subsidiaries.
- (iv) The fair value reserve of the Company represents the fair value gain on financial assets available-for-sale.

28 Reserves (cont'd)

(b) The Company

	2007	2006
	A\$'000	A\$'000
Share premium:		
At beginning of year	62,431	55,302
Shares issued under entitlements issue	7,925	-
Share options exercised	3,707	-
Cancellation of ordinary shares following selective share buy back	(3,042)	-
Issue of new shares	-	7,129
At end of year	71,021	62,431
Contributed surplus [Note (a)]		
At beginning of year and end of year	3,312	3,312
Share option reserve [Note (b)]:		
At beginning of year	1,745	1,567
Equity settled share-based transactions	2,765	178
At end of year	4,510	1,745
Fair value reserve		
At beginning of year	6,479	-
Fair value gains of financial assets	26,831	6,479
At end of year	33,310	6,479
Retained profits/(accumulated losses)		
At beginning of year	(25,189)	182
Profit/(loss) for the year	44,579	(25,371)
Dividends	(4,529)	-
At end of year	14,861	(25,189)
Total reserves	127,014	48,778

Notes:

- (a) 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.
- (b) This arose from the recognition of expenses arising from the grant of 20,490,000 options to certain directors and employees of the Company and its subsidiaries during 2007 (Note 27).

29 Note to consolidated cash flow statement

Major non-cash transactions

Exploration and evaluation costs of A\$Nil (2006 - A\$7,868,000) were transferred to mine development costs associated with the development of the Bootu Creek Manganese Project.

30 Remuneration of directors

	2007	2006
	A\$'000	A\$'000
Amounts received by directors of the Company:		
Fees	308	225
Salaries and other related costs	2,969	695
Retirement benefits scheme contributions	365	-
Equity-settled share-based payment	1,057	-
	4,699	920

The number of directors of the Company whose remuneration fell within the following bands:

<u>Australian dollars</u>	Year ended 31 December 2007 Number of individuals	Year ended 31 December 2006 Number of individuals
10,000 to 19,999	1	-
20,000 to 29,999	1	-
30,000 to 39,999	1	-
40,000 to 49,999	1	-
50,000 to 59,999	1	3
60,000 to 69,999	1	-
70,000 to 79,999	1	-
100,000 to 109,999	-	1
140,000 to 149,999	1	-
180,000 to 189,999	-	1
200,000 to 209,999	-	1
220,000 to 229,999	1	-
250,000 to 259,999	-	-
300,000 to 309,999	-	1
2,620,000 to 2,629,999	1	-

31 Retirement benefits schemes

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.

32 Commitments

(a) Operating lease commitments

As at 31 December, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings payable as follows:

	2007	2006
	A\$'000	A\$'000
The Group		
Within next year	269	262
In the second to fifth years inclusive	1,698	1,967
	1,967	2,229

The Group leases a number of properties under operating leases. The leases run for a period of one to three years with one of the leases having option to renew at the expiry date. None of these leases included contingent rentals.

(b) 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 balance sheet date.

	2007	2006
	A\$'000	A\$'000
The Group		
Not later than 12 months	43,878	43,952
Between 12 months and five years	37,505	78,682
Later than 5 years	6,300	8,400
	87,683	131,034

(c) Others

As at 31 December 2007, the Company has given a corporate guarantee to banks in respect of banking facilities granted to certain of its trading subsidiaries. The extent of facilities utilised by the controlled entity as at 31 December 2007 amounted to A\$16,965,000 (2006 - A\$19,715,000).

33 Contingent liabilities

- (i) A subsidiary of the Group is currently a defendant in a lawsuit brought by a construction company in the PRC. In respect of the construction work conducted by the construction company for the subsidiary, the construction company is claiming an additional contract value of approximately A\$353,000 including interest as additional costs were incurred due to the changing requests by the subsidiary. The management of the subsidiary believes that the subsidiary has a valid defence to the litigation and, accordingly, has not provided for the amount of claim by the construction company.

Contingent liabilities (cont'd)

- (ii) Another subsidiary of the Group engaged Lonsdale Investments Pty Ltd (previously trading as Promet Engineers Pty Ltd) ("Promet") to design the process plant for the subsidiary's mining operation at Bootu Creek. 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 will be finalised once it has completed the rectification of Promet's defective design work, but is expected to substantially exceed the amount claimed against the subsidiary.

34 Related party transactions

The following transactions were carried out with related parties:

	2007	2006
	A\$'000	A\$'000
The Company and the Group		
Service fees paid to a company in which Julie Wolseley is a director	160	157

35 Environmental bonds

A subsidiary has environmental bonds to the value of A\$368,500 (2006: A\$368,500) lodged with the Northern Territory Government (Department of Business, Industry and Resources Development) securing environmental rehabilitation commitments.

36 Segment information

All operating revenue, segment results, segment assets and segment liabilities for the financial years ended 31 December 2007 and 31 December 2006 were related to the Group's principal business activities. The Group's principal business activities during the financial years were the mining, processing and sale of specialised metal materials in the jurisdictions of Australia, PRC, Singapore and Korea.

(a) Geographical segments

Analysis of operating revenue, segment results, segment assets and segment liabilities by geographical location based on location of customers is as follows:

	PRC		Korea		Others		The Group	
	2007	2006	2007	2006	2007	2006	2007	2006
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Sales to customers outside the Group	248,488	147,793	12,808	8,391	29,194	27,649	290,490	183,833
Segment results	50,867	(7,174)	4,993	454	825	1,267	56,685	(5,453)
Unallocated corporate income and expenses							(1,853)	(2,565)
Profit/(loss) from operations							54,832	(8,018)
Finance costs							(1,854)	(1,760)
Finance Income							1,021	768
Gain on disposal of marketing rights							7,823	-
Gain arising on dilution of interest in associate							-	537
Impairment write down							-	(12,882)
Provisions							-	(10,159)
Share of loss of an associate							-	(86)
Profit/(loss) before income tax							61,822	(31,600)
Income tax expenses							(4,556)	(718)
Profit/(loss) for the year							57,266	(32,318)
Assets								
Segment assets	162,597	123,785	3,055	1,951	9,557	11,115	175,209	136,851
Unallocated corporate assets							43,756	11,555
							218,965	148,406
Liabilities								
Segment liabilities	45,063	67,246	1,163	1,744	4,678	7,675	50,904	76,665
Unallocated corporate liabilities							1,894	259
							52,798	76,924

36 Segment information (cont'd)

(a) Geographical segments (cont'd)

	PRC		Korea		Others		The Group	
	2007 A\$'000	2006 A\$'000	2007 A\$'000	2006 A\$'000	2007 A\$'000	2006 A\$'000	2007 A\$'000	2006 A\$'000
Cost to acquire property, plant and equipment	8,768	15,766	14	11	46	295	8,828	16,072
Depreciation of property, plant and equipment	6,844	2,933	353	183	804	550	8,001	3,666
Amortisation of prepaid lease	30	20	2	1	4	4	35	25
Amortisation of long term prepayments	7	7	-	1	1	1	8	9
Amortisation of mine development	-	10,306	-	644	-	1,932	-	12,882
Impairment of evaluation and exploration costs	3,104	2,546	160	159	365	477	3,629	3,183

36 Segment information (cont'd)

(a) Geographical segments (cont'd)

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment analysed by geographical location of assets:

	PRC		Singapore		Australia		The Group	
	2007 A\$'000	2006 A\$'000	2007 A\$'000	2006 A\$'000	2007 A\$'000	2006 A\$'000	2007 A\$'000	2006 A\$'000
Carrying amounts of segment assets:								
Segment assets	41,841	38,655	61,094	27,670	72,274	70,526	175,209	136,851
Unallocated corporate assets							43,756	11,555
							218,965	148,406
Costs to acquire property, plant and equipment	400	1,354	262	15	8,166	14,703	8,828	16,072

(b) Business segments

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment analysed by geographical location of assets:

	Ores		Ferroalloys		Others		The Group	
	2007 A\$'000	2006 A\$'000	2007 A\$'000	2006 A\$'000	2007 A\$'000	2006 A\$'000	2007 A\$'000	2006 A\$'000
Sales to customers outside the Group	220,822	124,104	69,602	55,607	66	4,122	290,490	183,833
Carrying amounts of segment assets:								
Segment assets	129,126	102,554	46,072	33,411	11	886	175,209	136,851
Unallocated corporate assets							43,756	11,555
							218,965	148,406
Cost to acquire property, plant and equipment	8,432	14,986	396	1,085	-	1	8,828	16,072

37 Financial risk management objectives and policies

37.1 Financial risk factors

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

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

Treasury Risk Management

A treasury committee consisting of senior executives of a subsidiary plus an external treasury advisor meet on a regular basis to analyse currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The primary objective of the financial risk policy is to minimise the financial risk and uncertainty that the subsidiary faces through the uncertain and volatile nature of its cash flows that could materially reduce the subsidiary's revenues and profitability.

37.2 Market risk

37.2.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group operates and sells its products in several countries and transacts in foreign currencies. As a result, the Group is exposed to movements in foreign currency exchange rates arising from normal trading transactions, primarily with respect to United States Dollars, Renminbi and Euro. Foreign currency forward contracts are entered into to manage the Group's exposure to movements in foreign currency exchange rates on specific transactions.

Forward foreign exchange contracts are entered into to manage exposure to fluctuations in foreign currency exchange rates on specific transactions. The Group's risk management policy is to enter into foreign currency forward contracts for up to 50% of net foreign currency receipts anticipated over the next one year.

At 31 December 2007, the settlement dates on open foreign currencies forward contracts are 9 months (2006: 6 months).

37.2.2 Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's exposure to movements in market interest rates relate primarily to its short term deposits placed with financial institutions and debt borrowings with financial institutions and related companies. The Group has no policy to hedge against its interest rate risk. The Group is in a net interest expenses position during the current financial year.

In respect of interest-bearing financial assets and financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier:

Financial assets

2006	Note	Effective Interest rate %	1 year or Less A\$'000
Fixed deposits	14	5.00	7,178

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

37.2.2 Cash flow and fair value interest rate risk (cont'd)

Financial assets

2007	Note	Effective Interest rate %	1 year or Less A\$'000
Fixed deposits	14	5.98	13,326

Financial liabilities

2006	Note	Effective Interest rate %	1 year or Less A\$'000	1 to 5 years A\$'000
Bank borrowings	16	7.94	17,428	10,830
2007	Note	Effective Interest rate %	1 year or Less A\$'000	1 to 5 years A\$'000
Bank borrowings	16	8.80	5,862	-

For illustrative purpose, the sensitivity analysis performed below is based on the exposure to interest rates for financial instruments at the balance sheet date and the stipulated change taking place at the beginning of the financial year with all other variables held constant throughout the financial year ended 31 December 2007.

At the balance sheet date, if the interest rates had been 0.50% (2006: 0.50%) per annum lower/higher with all other variables held constant, the Group's profit before tax would have been A\$4,165 (2006 - A\$4,960) higher/lower, arising mainly as a result of lower/higher interest expense on borrowings, and the Group's equity would have been A\$4,165 (2006 - A\$4,160) higher/lower, arising mainly as a result of an increase/decrease in the net borrowings.

37.2.3 Price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

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

Market price sensitivity

At the balance sheet date, if the market share price had been 2% (2006 - 2%) higher/lower with all the other variables held constant, the Group's other reserve in equity would have been A\$804,855 (2006 - A\$185,000) 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.

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

37.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk in relation to each class of recognised financial assets, other than derivatives, is represented by the carrying amount of each financial asset as indicated in the balance sheet. Derivative instruments are entered into with, and cash is placed with reputable financial institutions. The credit exposure of derivatives is represented by the net fair values of the contracts, as disclosed above.

Management has a credit control policy in place. Credit evaluations are performed on all customers requiring credit over a certain amount. Transactions are conducted with customers with appropriate credit histories. The credit risk and amount outstanding is monitored on an ongoing basis. With this credit evaluation processes, credit control policies and collection procedures in place, the credit risk is mitigated substantially. The Group does not require collateral in respect of financial assets.

Cash is held with reputable financial institutions.

The maximum exposure to credit risk in relation to each class of recognized financial assets, other than derivatives, is represented by the carrying amount of each financial asset as indicated in the balance sheet.

(i) Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are substantially counterparties with good payment records with the Group.

Cash and cash equivalents are placed with financial institutions with high credit ratings.

(ii) Financial assets that are past due but not impaired

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

	31 December 2007	31 December 2006
	A\$'000	A\$'000
Trade receivables past due:		
Not more than 3 months	17,652	10,035
More than 3 months but not more than 6 months	5,267	2,052
More than 6 months but not more than 1 year	562	251
More than one year	-	85

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

37.3 Credit risk (cont'd)

(iii) Financial assets that are past due and impaired

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment were as follows:

	31 December 2007 A\$'000	31 December 2006 A\$'000
Gross amount	24,356	13,235
Less: Provision for impairment	(875)	(812)
	<u>23,481</u>	<u>12,423</u>
Movement in provision for impairment:		
At beginning of the year	812	839
Current year provision	-	-
Provision written back	-	-
Exchange realignment	63	(27)
At end of the year	<u>875</u>	<u>812</u>

Specific provision for balances which are outstanding for more than 365 days.

37.4 Liquidity risk

Liquidity or funding risk is the risk that an enterprise 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 Group ensures that there are adequate funds to meet all its obligations in a timely and cost-effective manner.

The table below summarises the maturity profile of the Group's financial liabilities at the balance sheet date based on contractual undiscounted payments:

The Group

	31 December 2007 A\$'000	31 December 2006 A\$'000
Trade and other payables		
- 1 year or less	40,964	46,647
- 1 to 5 years	694	1,060
Loans and borrowings		
- 1 year or less	6,032	10,063
- 1 to 5 years	5	18,591
	<u>47,695</u>	<u>76,361</u>

The Company

	31 December 2007 A\$'000	31 December 2006 A\$'000
Trade and other payables		
- 1 year or less	1,888	246
- 1 to 5 years	-	-

37.5 Commodity Price risk

The Group has not entered into any contracts to hedge its anticipated manganese ore sales.

38 Financial instruments

Fair values

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, provisions and other liabilities and amounts payable approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

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

39 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may issue new shares, adjust the amount of dividend payment or reduce its capital, subject to the provisions of the Group's Memorandum and Articles of Association, and the Bermuda Act.

40 Events after balance sheet date

The following significant events have occurred after 31 December 2007:

- (i) On 31 January 2008, a subsidiary of the Group has repaid fully the outstanding working facility balance of A\$5 million to the Commonwealth Bank of Australia.
- (ii) Due to the sustained turnaround in operating and financial performance across the mining, process and trading business units, the Board has proposed to declare a final dividend of A\$0.04 per share which is payable on 30 May 2008, with a record date for entitlements of 24 April 2008.
- (iii) The Company has commenced the detailed process to seek a secondary listing on the Main Board of the Stock Exchange of Hong Kong Limited ("HKSE"). Various due diligence and compliance processes have commenced in addition to site visits by key due diligence team members and various experts.

The Company considers that the secondary listing will further broaden its shareholder base internationally and give the Company access to future capital raising opportunities in the growing Asian market to support its longer term growth strategy.

The Company appointed CITIC Securities Corporate Finance (HK) Limited (being a subsidiary of CITIC Securities International Company Limited) to be its financial advisor, sole sponsor, sole global coordinator, sole bookrunner and lead manager.

The Company has now completed the appointment of key professional advisers and commenced the process of preparing the requisite global offer documentation. The Company is expecting to complete all relevant documentation and seek approvals for the secondary listing on the HKSE by 30 June 2008.