



**OM HOLDINGS LIMITED**  
(incorporated in Bermuda) A.R.B.N 081 028 337



**ANNUAL REPORT 2014**

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## CONTENTS

Chairman and Chief Executive Officer's Report	01
Directors	06
Key Management	08
Corporate Directory	09
Corporate Structure	10
Financial Highlights	11
OMH Group Overview	12
Construction and Development Review	14
Processing Operations Review	16
Marketing and Trading Operations Review	17
Mining Operations Review	18
Tshipi é Ntle Manganese Mining (Pty) Ltd (Tshipi)	23
Appendix	25
Directors' Report	40
Statement by Directors	43
Independent Auditor's Report	44
Statements of Financial Position	45
Consolidated Statement of Comprehensive Income	46
Consolidated Statement of Changes in Equity	47
Consolidated Statement of Cash Flows	48
Notes to the Financial Statements	50
Corporate Governance	114
ASX Additional Information	128

2014 has been a relatively stable year in the manganese industry, considering the external shocks and difficulties faced by the global economy and the global steel industry.

We are pleased to report results achieved over the course of a turbulent year. We have generated a positive cash EBITDA of A\$4.4 million in spite of the weakening global manganese and ferroalloy market. This year we saw China slow-down as it sought balanced growth, with the GDP forecast for 2015 revised down to 7.0% at the annual National People's Congress held on 5 March 2015. Coupled with the softening of the global economy at large, steel demand continues to be depressed with consequently weak demand for ores and alloys. New manganese ore sources have emerged in South Africa, and we continue to see existing mines expand capacity. These forces have fueled weak market sentiment, and formed the backdrop for continued depression in ore and alloy prices.

In spite of the macroeconomic environment, we remain a firm believer in the long-term robustness of global economic development and corresponding growth in steel consumption. In the case of China, key drivers for sustained development continue to be urbanisation and the rise of middle-class purchasing power. China will drive growth in regional countries in the coming years even as it softens into its next phase of balanced growth.

Developing economies will continue to follow the trajectories sketched out by countries like China by increasing their steel consumption intensity, making more direct contributions to steel consumption in the coming years much like China did in its earlier years. Infrastructure development is

expected to grow in Asia – 2014 saw the formation of the \$50 billion Asian Infrastructure Investment Bank, and renewed focus on infrastructure investment in India and Indonesia among other developments.

#### Our Markets

According to Worldsteel, global crude steel production reached 1,640 million tonnes in 2014, a marginal increase of 1.0% from the 1,618 million tonnes produced in 2013. Asia produced 1,111 million tonnes of crude steel growing 1.4% year on year, and China produced 823 million tonnes growing 0.9% year on year.

The International Manganese Institute estimates 2014 global manganese ore production to be 19 million contained Mn units. This corresponds to 59 million wet tonnes, with the average manganese ore grade produced falling just below 31%. Manganese ore production continues to be dominated by the same countries, with China remaining as the largest importer, importing 16.4 million wet tonnes in 2014.

2014 also saw the development of a net credit tightening environment in China, with financing costs rising as expected. This has driven a destocking cycle in the markets, leaving a leaner supply chain at the cost of a net decrease in inventory demand. Manganese ore benchmark prices (referenced by 44% Mn grade lump published by Metal Bulletin) fell from US\$5.11/dmtu CIF China at the beginning of 2014 to a low of US\$4.30/dmtu CIF China in the second half of the year.

# Chairman and Chief Executive Officer's Report



Ferroalloy markets have been similarly affected, albeit in a more restrained manner as the supply landscape continued to evolve, with new risks to traditional supply sources emerging over the course of the year. The severe drought in Brazil has crippled ferroalloy producers dependent on hydropower, and regional instability across the world has disrupted some alloy producers. We also see policy risks in India and China continue to create uncertainty on their suitability and sustainability as ferroalloy producers for the global market.

## **OM Sarawak – The Next Step**

Our number one goal this time last year was and remains the OM Sarawak smelting project. It was with great excitement that we announced the successful tapping of the first furnace on 22 September 2014, and we have the management, staff, and a committed partner in Cahya Mata Sarawak Berhad to thank for this milestone.

The project continues to represent an outstanding investment opportunity based on strong fundamentals: sustained demand and risks emerging in traditional supply regions in an economy

largely as mentioned earlier. In this regard the project represents the first of the next generation of alloy producers that have chosen to site themselves at Sarawak. Beyond market fundamentals, the project also continues to benefit from competitively priced and reliable hydropower at a fixed escalation over 20 years, proximity to raw material sources and customers, tax incentives, and the absence of import and export duties common in alloy markets. This places us squarely among the ranks of top tier alloy producers, and promises to deliver tremendous value over a sustained period of time.

# Chairman and Chief Executive Officer's Report



Over 2014 the Group continued to make significant progress on the project. Overall construction expressed as the cumulated earned value was at approximately 87% at the end of 2014. Phase 1 of the project achieved Interim Commercial Operational Date (ICOD) with the first workshop achieving commercial operation in December 2014, with a total of 4 furnaces successfully commissioned to date.

Since the first successful tapping on 22 September 2014, OM Sarawak has produced 8,641 tonnes of ferrosilicon, and a total of 787 tonnes of ferrosilicon were exported to various customers in Japan, Taiwan, and Europe for trials. The Company will continue to focus on commissioning the remaining furnaces in 2015, optimising production as we gain experience, and increasing sales with the support of OMS to cover more markets and establish itself

as a global ferrosilicon producer and marketer.

2015 will also see us develop a more comprehensive raw material strategy, with the first initiative being the quartzite project in Perak. Phase 2's raw material strategy will depend on existing manganese ore supply sources in Bootu Creek and Tshipi Borwa. A comprehensive raw material strategy grants supply security, and will also improve the long-run cost competitiveness of OM Sarawak.

## Review of 2014

In 2014 we made exceptional operational decisions for our Bootu Creek Mine and Qinzhou smelter, assets that have delivered tremendous value in the past. Given the softening of global commodity markets and prolonged periods of depressed prices, we undertook the transition of Bootu Creek into an owner-operator model,

lowering costs while managing operational risks. For Qinzhou, we took advantage of high power prices during the dry winter season to put the plant under scheduled maintenance.

Turnover for the year increased by 26%, underpinned by higher volumes of manganese ore from the Group's wholly-owned Bootu Creek Mine and other third party ores (including ores from the Tshipi Borwa Mine). As expected, softer global commodity markets resulted in depressed realised prices, negatively impacting our full-year financial results. Longer term operational viability at Bootu Creek will continue to depend on the relative competitiveness of the Australian Dollar against currencies like the South African Rand, with these two countries accounting for 43% of the world's manganese production in 2014.

# Chairman and Chief Executive Officer's Report



Our investments in NFE and SRR were marked to market at the end of the year, which resulted in a further A\$4.0m impairment, in addition to the impairment of A\$23.0 million and A\$53.0 million for 2013 and 2012 respectively. The Group recorded tax expenses of A\$25.4 million in 2014, which included the derecognition of deferred tax assets of A\$22.1 million, relating primarily to prior years' tax losses incurred by OMM. Excluding impairment and other charges, the Group achieved a positive operating cash EBITDA of A\$4.4 million for the year.

The Bootu Creek Mine produced 890,000 tonnes of manganese ore, 8% more than 2013. Shipments in 2014 totalled 963,000 tonnes, a 27% increase as compared to 2013. In response to weaker manganese prices, a comprehensive review of the mining operations and mining fleet requirements was undertaken. This led to efficiency improvements and a re-optimised mine plan, reducing Bootu Creek's cash operating cost from A\$4.56/dmtu in 2013 to A\$4.12/

dmtu in 2014. The transition to the owner-operator model proved to be a good decision, resulting in tremendous cost savings while maintaining output objectives.

Our Qinzhou smelter achieved record sales of high carbon ferromanganese in 2014 of 85,000 tonnes on a production volume of 86,000 tonnes. This was made possible through the team's commitment and focus, and technical expertise that guided the efficient performance of the smelter. In spite of this, taking into consideration the challenging ferromanganese market, we have elected to temporarily cease production in November 2014 and take the opportunity to reline and maintain our furnaces. We expect to restart the plant in the middle of 2015 in order to tap cheaper power available during the wet season in Guangxi Province, China.

Our investment in the Tshipi Borwa Mine delivered just over 2 million tonnes of manganese ore in 2014, achieving its target for the year.

The mine is in its second year of production and it accomplished this with the temporary crushing/screening circuit while continuing the construction of the permanent processing plant, capable of processing 2.4 million tonnes per annum. 2.6 million tonnes of manganese ore was traded through OM Tshipi in 2014 under the take-or-pay contract with Tshipi Mine, and has led OM Tshipi to become the single largest trading entity in semi-carbonate manganese ore from South Africa.

On 20 March 2014, we announced the formation of a joint venture, OM (ANR) Resources Sdn Bhd ("OM ANR"), between OMH and Menteri Besar Incorporated ("MBI"). This joint venture is owned 60% by OMH and 40% by MBI, and will focus on the exploration, mining and processing of high grade quartzite deposits in Lawin and Lasah in Perak, Malaysia. High grade quartzite is the key raw material for ferrosilicon production, and the joint venture will grant easy access to regionally sourced

# Chairman and Chief Executive Officer's Report



high quality raw materials. The joint venture is a critical part of the re-establishment of Perak's natural resources industry and is expected to become a significant contributor to the state's sustainable economic and social development.

## Looking Ahead

With the sluggish economic environment and rapidly changing ore and ferroalloy industry, 2015 will continue to be an exciting albeit challenging year. Our vision remains lucid amidst crosswinds in the market, and we have charted out a clear course of action.

The priority of the Group in 2015 is to achieve full commissioning for Phase 1 of the project by the end of 2015. Continuous production optimisation to achieve cost efficiency will be a priority under the current market condition. Design for Phase 2 has commenced and is being conducted concurrently, with construction set to commence in the second half of 2015. Phase 2 of the project will see the development of a manganese alloy smelter, with a capacity of 300,000 tonnes per annum.

Having obtained the mining right in 2014, the joint venture quartzite mine located in Perak, Malaysia will commence mining and processing operations by the end of 2015, bolstering OM Sarawak's raw material strategy.

The Group is scheduled to dispose of 70 acres of land in 2015, out of a total of 100 acres held by OM Johor. We look forward to realising the value of our investment by disposing of the remaining 30 acres at the appropriate time in 2015.

The Qinzhou smelter, currently undergoing relining and maintenance, is expected to recommence operation in the middle of 2015 with the start of wet season power tariffs. It will continue to deliver a highly efficient alloy production process, extracting value in the challenging market environment.

Bootu Creek will continue to improve cost efficiency and build on what it achieved in 2014. Mining operations will be restructured in early 2015, and the mine will operate on a re-optimised mine plan for the current

market environment. We expect production to revolve around the Yaka, Shekuma and Tourag deposits.

Tshipi Borwa continues to progress towards the completion of the processing plant in 2015 and increase production in line with logistics capacity. Tshipi is also expected to meet its production target of 2 million tonnes of manganese ore, with corresponding sales through OM Tshipi.

In closing, I would like to take the opportunity to thank our shareholders, partners, bankers, and business associates for their continued patience and support for the OM Group. I would also like to specially thank our management and staff around the world for their dedication and commitment to our vision, without which we would not have been able to achieve what we did in 2014.

**LOW NGEETONG**  
Executive Chairman

## Directors



**Low Ngee Tong**  
Executive Chairman

**Mr Low** is a qualified Mechanical Engineer, having graduated from the National University of Singapore. He has over 35 years of experience in the steel, ferro alloy and building materials industries in Asia. That experience was gained with Chiyoda Limited, a global Japanese civil engineering group, Intraco Limited, Intraco Resources Pte Limited, and C Itoh Limited, a significant Japanese metals trading house. Mr Low has demonstrated an excellent network for marketing in China. He was the Chief Executive Officer of OMH since its incorporation and subsequent listing in 1998. In October 2008, Mr Low became the Executive Chairman of OMH. Mr Low's business relationships and reputation with several large multinational corporations in Asia have enabled OMH to successfully establish its profitable operations based in Singapore and extending to China and Australia.

**Mr Zainul Abidin** graduated with a Bachelor of Arts (Honours) in Economics and Malay Studies from the University of Singapore. Mr Zainul was, until 2011, a Member of Parliament (from 1997) and served as Senior Minister of the State for the Ministry of Foreign Affairs of the Government of Singapore, a position he held since 2006. Prior to becoming a politician, Mr Zainul Abidin had an outstanding career in journalism which included the positions of Editor of Berita Harian, The Singapore Business, The Sunday Times and Associate Editor of The Straits Times.

Mr Zainul served numerous government agencies, councils and civil organizations including Executive Secretary of the Singapore Port Workers' Union, a member of the Board of Directors of the Port of Singapore Authority, President of the Singapore Islamic Religious Council, Chairman of the Malay Heritage Foundation, Chief Executive Officer of the Council for the Development of the Malay/Muslim Community (MENDAKI), the Council for Security Co-operation in the Asia Pacific, the National University of Singapore Council as well as being the Patron of the Singapore Rugby Union and Adviser to the Hockey Federation. Mr Zainul is a currently a member of the New York-based Asia Society Global Council and Corporate Adviser to Singapore's Temasek International Pte Ltd.

Mr Zainul Abidin is a member of the Company's Audit and Remuneration Committees.



**Zainul Abidin Rasheed**  
Independent Deputy Chairman



**Julie Anne Wolseley**  
Non-Executive Director  
& Joint Company Secretary

**Ms Wolseley** holds a Bachelor of Commerce degree and is a Chartered Accountant. She is the Principal of a corporate advisory company and has over 23 years of experience as Company Secretary to a number of ASX-listed companies operating primarily in the resources sector. Previously Ms Wolseley was an Audit Manager both in Australia and overseas for an international accounting firm. Her expertise includes corporate secretarial, management accounting, financial and management reporting in the mining industry, IPOs, capital raisings, cash flow modelling and corporate governance. Ms Wolseley is also a Member of the Australian Institute of Company Directors and has been the Joint Company Secretary of OMH since 2001. She was appointed as a Non-Executive Director on 24 February 2005.

**Mr Tan** is a lawyer Consultant of Tan Peng Chin LLC, a Singapore-based law firm specialising in the areas of banking and finance, corporate and commercial law, conveyancing, employment law, intellectual property, technology, franchising and competition law. Mr Tan holds current directorships on a number of companies in the Asia region and his expertise greatly assists the advancement of strategic pursuits within Asia. He has been a Non-Executive Director since 14 September 2007. Mr Tan is the Chairman of the Remuneration Committee.



**Tan Peng Chin**  
Independent Non-Executive Director



**Thomas Teo Liang Huat**  
Independent Non-Executive Director

**Mr Teo** holds a Master of Business in Information Technology from the Royal Melbourne Institute of Technology and a Bachelor of Accountancy degree from the National University of Singapore. He is also a fellow member of the Institute of Singapore Chartered Accountants. Mr Teo is the Chief Financial Officer of G.K. Goh Holdings Limited, a Singapore-listed group involved primarily with investment holdings and the provision of financial-related services. Mr Teo's executive responsibilities extend to financial and investment management as well as being a representative on various subsidiaries and associates. Mr Teo joined the Board on 17 July 2008. Mr Teo is the Chairman of the Audit Committee and a member of the Remuneration Committee.

**Mr Church** is an Australian commercial lawyer who resides in Singapore. Mr Church has had a career spanning more than 30 years encompassing significant experience throughout South East Asia and India, including providing legal and corporate services on numerous regional projects including many in the resources sector. Mr Church was a senior partner with the leading Australian and regional law firm now known as Herbert Smith Freehills, and was its Asian Regional Managing Partner at the time he retired from the firm.

Mr Church holds a Bachelor of Commerce (from the University of New South Wales) a Bachelor of Laws (from the University of Sydney) and a Master of Laws (from the University of London). Mr Church is also a fellow of the Australian Institute of Company Directors.

In 1994 Mr Church was awarded the Medal of the Order of Australia (OAM) by the Australian Government for his promotion of business between Australia and South East Asia. Presently, Mr Church is the Chairman of AFG Venture Group, an Australian and Asia corporate advisory firm with various activities throughout Australia, South East Asia and India. He is also Special Counsel to Stephenson Harwood, an English law firm with operations in multiple jurisdictions including London, Hong Kong and Singapore. Mr Church is also a non-executive director of a number of corporations and not for profit organizations, including the Singapore International Chamber of Commerce.

Mr Church joined the Board on 12 December 2011.

Mr Church is a member of the Audit Committee. Mr Church is viewed as having substantial legal, corporate and business experience enabling him to make a strong strategic contribution to the Company.



**Peter Church OAM**  
Independent Non-Executive Director



**Ivo Philipps**  
Non-Executive Director

**Mr Philipps** works for Standard Chartered bank where he heads up the mezzanine finance business. He is based in Singapore and works with clients across Asia, Africa and the Middle East. Prior to joining Standard Chartered Bank he worked for Barclays Bank, based in London.

Mr Philipps holds a MBA from INSEAD and a bachelor of Commerce degree in Economics and Politics from the University of Bristol in the U.K.

He was appointed as a Non –Executive Director of OMH on 20 May 2014.

# Key Management

NAME	POSITION
Heng Siow Kwee	Group HR Director, Managing Director, OMS
Betty Tan	Group Financial Controller, OMH
Goh Soo Fung	Group Financial Controller, OMH
Don Heng	Financial Controller, OMH
Edward Young	Director, Trades & Logistics, OMH
Tan Meng Khong	Director, Resources, OMH
Lu Rui Lin	Deputy Director, Trades & Logistics, OMS
Goh Ping Choon	General Manager, Trades & Logistics, OMS
Fanie Van Jaarsveld	Managing Director, OMM
Frank Botica	Chief Financial Officer, OMM
Trevor Cook	Chief Operating Officer, OMM
Craig Thomas Reddell	Geology Manager, OMM
Yang Li Zhong	Chairman, OMQ
Chen Xiao Dong	General Manager, OM Sarawak
Li Xing Huo	Financial Controller, OMQ
Zheng Yuan Hua	Chairman, OMA
Pu Guo Liang	General Manager, OMA
Colin Ouwehand	Chief Executive Officer, OM Tshipi



## Directors

Low Ngee Tong (Executive Chairman)  
Zainal Abidin Rasheed (Independent Deputy Chairman)  
Julie Anne Wolseley  
Tan Peng Chin  
Thomas Teo Liang Huat  
Peter Church OAM  
Ivo Philipps

## Company Secretaries

Heng Siow Kwee  
Julie Anne Wolseley  
Codan Services Limited  
Lo Chi Man

## Address of Company and Registries

### The address of the Corporate Office of the Company:

80 Marine Parade Road  
#08-08 Parkway Parade  
Singapore 449269  
Telephone : (65) 6346 5515  
Facsimile : (65) 6342 2242  
Email : om@ommaterials.com

### The address of the Bermuda Registered Office:

Clarendon House  
2 Church Street, Hamilton HM 11  
Bermuda

### The address of the Company's Principal Share Registry in Bermuda:

Codan Services Limited  
Clarendon House  
2 Church Street, Hamilton HM 11  
Bermuda

### The address of the Company's Branch Share Registry in Australia:

Computershare Investor Services Pty Ltd  
Level 2, Reserve Bank Building  
45 St George's Terrace  
Perth, Western Australia 6000  
Telephone : (618) 9323 2000  
Facsimile : (618) 9323 2033  
Website : www.computershare.com

## Name of Bankers

Bank of China  
Bank of Communication  
BNP Paribas  
China Construction Bank  
CIMB Bank Berhad  
Commonwealth Bank of Australia  
Credit Suisse AG  
Export-Import Bank of Malaysia Berhad  
Guangxi Beibu Gulf Bank  
Malayan Banking Berhad  
National Australia Bank Ltd  
Oversea-Chinese Banking Corporation Limited  
Rabobank International  
RHB Bank Berhad  
Standard Chartered Bank

## Name and Address of Auditors

Foo Kon Tan LLP  
Public Accountants and Chartered Accountants  
47 Hill Street #05-01  
Singapore Chinese Chamber of  
Commerce & Industry Building  
Singapore 179365

## Name and Address of Appointed Australian Agent

OM Holdings (Australia) Pty Ltd  
Level I, 46 Parliament Place  
West Perth, WA 6005  
Telephone : (618) 9481 0955  
Facsimile : (618) 9481 0966

## Name of Bermuda Resident Representative

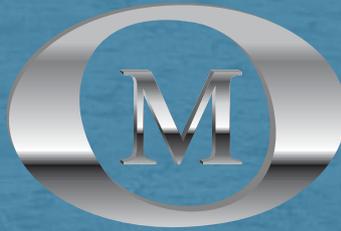
Codan Services Limited

**WEBSITE** : [www.omholdingsltd.com](http://www.omholdingsltd.com)

**ASX Code** : OMH



# Corporate Structure



## OM HOLDINGS LIMITED

(incorporated in Bermuda) A.R.B.N 081 028 337

Listed on ASX on 19 March 1998



### LEGENDS

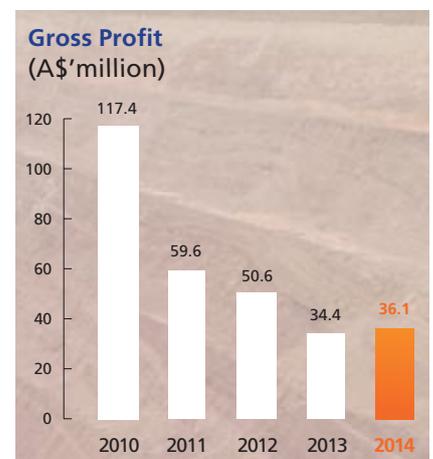
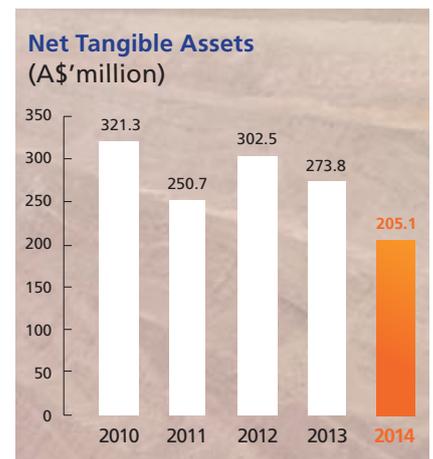
- Investments
- Subsidiaries
- Associates

## 5 Year Group Financial Highlights

Financial years ended 31 December	2014	2013	2012	2011	2010
	A\$'million	A\$'million	A\$'million	A\$'million	A\$'million
Revenue	532.7	423.7	408.2	389.7	307.5
Profit/(loss) before taxation	(35.0)	(48.2)	(53.5)	(29.1)	55.3
Profit/(loss) attributable to shareholders	(62.6)	(49.0)	(61.1)	(11.5)	47.2
Total assets	980.5	840.1	626.5	553.6	509.3
Shareholders' funds	207.1	275.8	304.6	252.8	323.4
Net tangible assets	205.1	273.8	302.5	250.7	321.3
	A\$ cents				
Net tangible assets per share	27.96	37.33	44.92	49.73	63.87
Basic earning/(loss) per share	(8.89)	(6.96)	(10.09)	(2.29)	9.58
Dividend per share	Nil	Nil	Nil	Nil	2.75
	2014	2013	2012	2011	2010
Gross profit (A\$ million)	36.1	34.4	50.6	59.6	117.4
Gross profit margin (%)	6.8	8.1	12.4	15.3	38.2

## Comparison sales to International Regions were as follows:

Region	2014	2013	2012	2011	2010
	%	%	%	%	%
China	99.4	99.7	100.0	100.0	96.2
Others	0.6	0.3	-	-	3.8
Total	100.0	100.0	100.0	100.0	100.0



# OMH Group Overview

OM Holdings Limited (“OMH” or the “Company”) and its subsidiaries (collectively the Group) have a long established history of more than 17 years in exploration, project development, operations and marketing and trading. With integrated operations comprising exploration, mining, processing, smelting, sintering and marketing and trading, the Group is able to capture significant value and margins along the entire value chain.

The Group’s three core operating businesses are the exploration and mining of manganese ore, the production of manganese ferroalloys and sinter ore, and the marketing and trading of manganese, iron and chrome ores and ferroalloys.

Today, the Group is one of the world’s leading manganese producers in terms of manganese unit production. Of the leading global producers, it is the sole manganese-focused producer listed on the Australian Securities Exchange (“ASX”).

## Key Operating Entities of OM Holdings Group

OMH is the holding company in the Group. The main operating entities within the OMH Group are explained below. The entities are spread throughout the entire value chain.

- **OM Materials (Sarawak) Sdn Bhd (“OM Sarawak”)** – The Group is establishing a ferroalloy smelter and manganese ore sinter plant in Sarawak, Malaysia which will have the capability to produce approximately approximately 308,000 tonnes of ferrosilicon alloys and approximately 300,000 tonnes of manganese ferroalloys for consumption by the global steel industry.
- **OM Materials (S) Pte Ltd (“OMS”)** – OMS, a company based in Singapore is the strategic trading hub of the Group. It handles the logistics, marketing, product flow and product distribution of the Group. The focus of the OMS business is currently on equity ore sales from Bootu Creek, the marketing of Tshipi’s production and OM Sarawak’s alloy production.
- **OM Materials (Qinzhou) Co Ltd (“OMQ”)** – OMQ owns the Group’s ferroalloy smelter in Qinzhou in Guangxi province, China. The smelter is located ~ 1km from the Qinzhou port, providing OMQ a competitive advantage in ease of accessing imported raw materials, in particular manganese ore. OMQ also provides the Group with intangible benefits like market intelligence and insight in smelter economics, particularly in China where industry information (e.g. cost structures) may not be readily available.
- **OM Hujin Science and Trade (Shanghai) Co Ltd (“OMA”) & OM Materials Trading (Qinzhou) Co Ltd (“OMQT”)** – OMA and OMQT are both the distribution arms of OMS in China. Both companies support the operations of OMS and focus on the Northern and Southern China regions respectively.
- **OM (Manganese) Ltd (“OMM”)** – OMM owns the Bootu Creek mine located in the Northern Territory, Australia. The Bootu Creek mine is located ~ 100km north of Tennant Creek, mining operations commenced in November 2005 and the first ore was processed in April 2006.



Vertically Integrated Business Model

Exploration & Mining

Mining	Annual Targeted Production Rate (million tonnes)
(i) OMM - Bootu Creek Mine	1.0
(ii) Main Street 774-Tshipi Mine <sup>(1)</sup>	2.4 (capacity)
Exploration	
(i) Bootu Creek Regional	
(ii) Renner Springs Project	
(iii) Helen Spring Project	
<sup>(1)</sup> OMH holds an effective interest of 13% of the Tshipi Project	

Processing & Smelting

Processing and Smelting Plant	Annual Production Capacity ('000 tonnes)	
(i) OMQ, China	Alloys	80
	Sinter ore	300
(ii) OM Materials Sarawak, East Malaysia*	Sinter ore	300
	Alloys	575

\* The Group's processing and smelting plant in Sarawak, East Malaysia recently commenced production and the capacities referred to above are planned capacities.

Marketing & Trading

- (i) OMS in Singapore
  - (ii) OMA in Northern China
  - (iii) OMQT in Southern China
  - (iv) OM Tshipi in Singapore (marketing of Tshipi Mn Ores)<sup>(2)</sup>
- <sup>(2)</sup> OMH holds an effective interest of 33.3% of OM Tshipi

Strategic Investments

- (i) 10.80% holding in NFE (ASX: NFE) - iron ore mining company in Norway
- (ii) 4.01% holding in SRR (ASX: SRR) - manganese exploration company in Namibia, Ghana and Western Australia

# Construction and Development Review

## OM Materials (Sarawak) Sdn Bhd (“OM Sarawak”)



### 2014 Highlights

- Fixed lump sum EPC contract executed with Sinohydro Corporation
- Equity for the project fully funded and to-date 92.5% of project finance facility drawn
- Overall project earned value as at 31 December 2014 of approximately 87%
- 275kv power substation is in operation supplying power for the production workshops smoothly
- Both workshops A01 and A02 furnaces are already in production operation
- 456 workers are on site and operating the facility for 24 hours for two shifts
- Total of 4,168 tonne of FeSi was produced up to December 2014

### Overview

OM Materials (Sarawak) Sdn Bhd (“OM Sarawak”), an 80:20 joint venture between OMH and Cahya Mata Sarawak Berhad (“CMSB”), a listed industrial conglomerate on the Main Market of the Malaysian Stock Exchange, Bursa Malaysia, is the owner of the Ferro Alloy Smelting Project in Sarawak, Malaysia (the “Project”). OM Sarawak aims to be a low cost ferrosilicon producer, with a cost of production placing it at the lowest quartile of the global industry cost curve of ferrosilicon producers.

The Project, which represents a major step in OMH’s development as a world class producer of ferroalloys (ferrosilicon, silicomanganese and high carbon ferromanganese) entails the continued development of a manganese and silicon alloy smelter with an expected annual production capacity of approximately 600,000 tonnes in the Samalaju Industrial Park, Sarawak, Malaysia. The Project will be developed in two phases at an

approximate total project cost of USD 592 million.

This phased execution of the Project is designed to expedite cash flow and allow additional construction and ramp-up flexibility. Phase 1 is expected to fast-track the higher margin ferrosilicon production, while providing additional time for further technical and commercial optimisation of Phase 2.

The Project is located on approximately 500 acres of land with a 60-year lease in the Samalaju Industrial Park, part of the Sarawak Corridor of Renewable Energy initiative of Sarawak, Malaysia.

The Project’s unique competitive advantages include, but are not limited to, access to competitively priced long-term hydroelectric power supply (from the Bakun Hydroelectric Dam), coastal industrial land with direct access to a dedicated future port facility, geographical proximity to both raw materials and

Asian steel mills, tax incentives, no import and/or export duties as well as comprehensive purpose built industrial infrastructure.

To-date, OM Sarawak has signed off-take agreements with JFE Shoji Trade Corporation, Hanwa Co., Ltd and Fesil Sales AG, collectively exceeding 60% of the Project’s expected Phase 1 production capacity. Notwithstanding this, the Project continues to receive strong interest in its product, which the company is evaluating and actively managing with a view to positioning itself to secure optimal arrangements at the opportune time. The strategic intent is to maintain a mix of long- and short-term off-take arrangements to optimise returns and flexibility, and it is envisaged that further contracts will be entered into as Phase 1 of the Project nears completion.

Going forward, we envisage that market demand for both ferrosilicon and manganese alloys from the smelter will be driven by

# Construction and Development Review

## OM Materials (Sarawak) Sdn Bhd (“OM Sarawak”)

sustainable long-term growth in steel consumption. The smelter is also expected to reap the benefits of competitive energy costs; a tax incentive holiday with no import and/or export duties; and its strategic proximity to growing East Asian markets which will translate into a competitive first quartile position in the industry’s operating and delivery cost curve. These reasons, together with binding market price-linked off-take arrangements with leading industry players for over 60% of production, and the change in industry dynamics, largely driven by rising power prices and labour costs, growing East Asian demand for non-China sourced ferrosilicon alloys, higher environmental standards affecting older plants, and the Chinese Government’s disincentives to export energy intensive products, bode well for the smelter’s future growth.

### Plant Construction and Development

As at end December 2014, overall construction progress of Phase 1 of the Project (expressed in terms of

cumulated earned value or EV) stood at 87%. Full commercial production of ferrosilicon alloys is expected to be reached by 2H 2015 and OM Sarawak is expected to contribute significantly to the Group’s earnings thereafter. Production of manganese alloys is expected to commence by 1H 2016 and this will further enhance the Group’s earnings thereafter.

The last mile connection from Samalaju substation to the smelting plant and the 275kv substation have been completed. The facility is in normal operation drawing power from the Sarawak power grid and serves the smelting workshop for production activities.

Sinosteel’s fabrication work has been completed and majority of the equipment have arrived on site. The last equipment shipment batch is due to arrive on site in late March 2015. Installation work on site in year 2014 was focused on Plant A workshops and B01 workshop.

At the end of December 2014, the overall Project cumulative

earned value progress achieved is 87%. Commercial production has commenced and continue to ramp up as more workshops are being completed and enter into production stage.

### Operation

The first phase of commercial production was achieved when the alloys were successfully tapped at around midnight (Sarawak time) on 22 September 2014. At the end of 2014, 4 furnaces were in operation. In 2014, OM Sarawak recorded a profit mainly as a result of the favourable exchange rate attributable to the appreciation of the US dollar against the Malaysian Ringgit.

The Company had produced close to 8,641 tonnes of ferrosilicon in 2014, and a total of 787 tonnes of ferrosilicon was exported to various customers in Japan, Taiwan and Europe for trials. The Company will continue to focus on commissioning the rest of the furnaces and moving more ferrosilicon tonnages in 2015, in order to establish itself as a major global ferrosilicon producer.



# Processing Operations Review



## HIGHLIGHTS

- Annual production of 85,839 tonnes of HCFeMn, representing a 9% decrease over the previous year
- Furnaces 101 and 102 recorded the longest ever continuous production days of 1,413 and 1,441 respectively
- Annual production of 86,772 tonnes of manganese sinter ores, representing a 65% decrease over the previous year, due to lacklustre manganese market in China
- Record highest annual sales of HCFeMn of 84,774 tonnes

## Overview and Update in 2014

The ferroalloy processing segment includes the operations of OMQ's smelter and sinter ore plant located in Qinzhou, and the Guizhou Jiahe Weiye ("GJW") smelter in Guiyang, of which the Group holds an effective interest of 52.5%.

Qinzhou is located in a pivotal region for ferroalloy smelters and ore distribution throughout the Chinese market. The OMQ plant is adjacent to a port operation, and has excellent transport logistics and access to power at competitive rates. The plant has a

nameplate capacity of 60,000 tpa of alloys, but has consistently exceeded this nameplate capacity since 2011. The manganese sinter plant is regarded as one the largest in China and is designed to produce 300,000 tonnes of sintered ores annually.

OMQ's smelter plant encompasses two sets of 16.5MVA furnaces and one set of 3.5MVA furnace. The plant incorporates casting facilities, facilities for automated blending and feeding of ore, coke breeze and limestone, dust collection devices to meet environmental requirements, electrodes, transformers, refractory

lined furnace vessels and stockpile areas for raw materials and finished products.

The sinter plant was commissioned in March 2010 and as part of the Company's effort to be an environmentally responsible entity, the plant is fully automated and well equipped to recycle the carbon monoxide gases emitted from the smelter furnaces. The gas which would otherwise have been emitted into the environment is used instead to fire up both the rotary kiln and for the production of manganese sinter ores.

Table 1. Production

		Year ended 31 December			
	Unit	2014	2013	2012	2011
HCFeMn	tonnes	85,839	94,119	80,801	73,838
Sinter ore	tonnes	86,772	245,158	230,524	255,655



## MARKETING AND TRADING HIGHLIGHTS

2,699,502 tonnes of ores (2013: 1,704,539 tonnes) and 91,731 tonnes of alloys (2013: 92,232 tonnes) were transacted during 2014.

### Overview and Update in 2014

In 2014 the Group maintained its traditional focus on supplying raw materials to the steel industry, trading manganese ores and ferroalloys, and for the first time marketing ferrosilicon produced by OM Sarawak. This material was shipped in the 4th quarter, and largely consisted of trial orders for users.

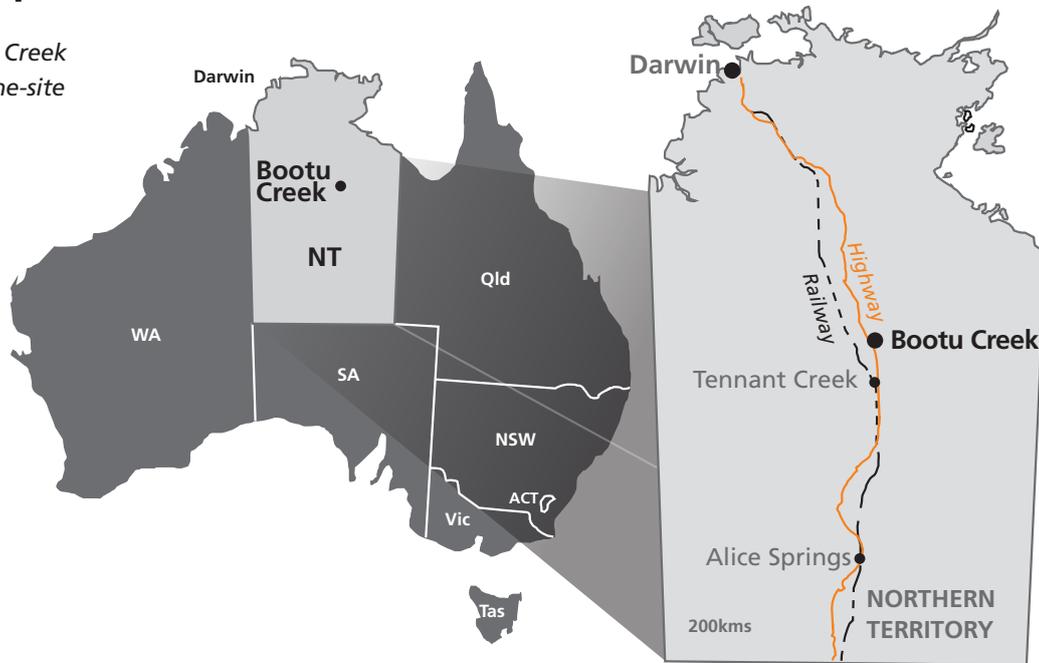
With the increased volumes supplied out of the Tshipi Mine in South Africa and Bootu Creek in Australia, our share of the supply of manganese ore to China increased significantly in the year, to a total of 2.7 million tonnes. This made us a major source of supply for the seaborne manganese ore trade, accounting for over 16% of China's total seaborne manganese ore imports. These achievements were made possible by the effort of our teams in China and Singapore, leveraging a strong trading and

distribution network and bringing deep industry knowledge to bear.

For 2015, we see a more challenging market with the continuous tightening of credit and the strengthening of the dollar. The team is expanding and working hard to maintain the achievements of 2014, and at the same time developing new networks and competencies to take on larger volumes from our smelter project in East Malaysia, with more furnaces slated to come online in the year.

# Mining Operations Review

Figure 1. Bootu Creek Manganese Mine-site Location



## HIGHLIGHTS

- Annual production of 890,337 tonnes grading 35.84% Mn
- Sales of 963,151 tonnes grading 36.02% Mn
- Successful transition to full Owner Miner Operator finalised over second half of 2014 underpins low cost mining operations
- Full year C1 unit cash operating costs of A\$4.12/dmtu
- Bootu Creek Mineral Resource of 20.4 million tonnes at 22.3% Mn

## Overview

OM Manganese Ltd (OMM) is a wholly-owned subsidiary of the Company and one of the Group's core operating business with its main activities being exploration and mining of manganese ore at the Bootu Creek Mine. The Bootu Creek Mine is located 110km north of Tennant Creek in the Northern Territory of Australia. OMM's principal administration offices are located in Perth, Western Australia and Darwin in the Northern Territory.

The exploration and subsequent development of the Bootu Creek Project commenced in September 2001. Mining operations commenced in November 2005 and its first batch of ore was processed in April 2006.

The main mineral lease is located in the Bootu Creek area on Pastoral Leases, where the mining and processing operations are based and where the currently defined Mineral Resources and Ore Reserves exist. Two

regional exploration project areas are located at Renner Springs and Helen Springs.

The Bootu Creek Project area contains a number of manganese deposits located along the western and eastern limbs of the Bootu syncline. The individual mineralised horizons are generally strata-bound in character and can persist over strike lengths of up to 3km. The Mineral Resources defined to date at the project are long shallow, gently dipping deposits amenable to open pit mining.

The Renner Springs Project area is located approximately 70km northwest of the Bootu Creek mine site covering an extensive dolomite-siltstone sequence which hosts several shallow dipping and flat lying manganese occurrences.

The Helen Springs Project is located approximately 30km north of the Bootu Creek mine site and is a northern extension of the Bootu and Attack Creek formations, which host

the Bootu Creek mine manganese deposits.

Mining at the Bootu Creek Mine is carried out using a conventional open cut method of mining, blasting and excavation using hydraulic excavators and dump trucks.

The Bootu Creek plant is a relatively simple crushing and screening operation, followed by heavy media separation (HMS) to concentrate the manganese minerals. The plant comprised of two separately built processing plants. The original primary processing plant (PPP) was commissioned in 2006 and processes the Run of Mine ("ROM") ore while the secondary processing plant (SPP) commissioned in December 2009 abuts the PPP and selectively processes drum plant rejects and washed fines from the PPP and previously stockpiled drum plant rejects.

The PPP was designed to produce a nominal 550,000 tonnes of product per annum, comprising about

420,000 tonnes of lump and about 130,000 tonnes of fines. Numerous capital upgrading and improvements increased its production capacity to approximately 800,000 tonnes of product per annum. With the commissioning of the SPP in 2009, the combined production capacity from the two plants approximates 1 million tonnes per annum.

Manganese product produced on the mine site is transported 60km to the Muckaty Rail Siding on a sealed private road and then approximately 800km to the Port of Darwin via the Alice Springs to Darwin rail line.

Manganese product is stockpiled at the rail head at the Port of Darwin prior to being transported to the port shiploader and loaded onto vessels for shipping to overseas markets.

## Operations

OMM achieved production of 890,337 tonnes at an average grade of 35.84% Mn for the year ended 31 December 2014 in line with the mine's operating strategy for 2014 which centred around a normalised strip ratio operation utilising two-three mining fleets focusing on accessing previously pre-stripped high grade ore deposits and developing new deposits within the Bootu Creek Mineral Lease. The production result for 2014 was the second highest annual production achieved at Bootu Creek since commencement of operations in 2006.

Mining activities during 2014 focused initially on the established Shekuma and Yaka deposits until the fourth quarter and then concentrated on accessing remnant exposed ore in the Chugga South, Masai 4 and Tourag deposits whilst a cut back of the Yaka deposit was conducted prior to the

pending wet season. Ore from the Shekuma and Yaka deposits continued to consist of highly competent material demonstrating high process plant yields whilst the remanent ore accessed late in the fourth quarter demonstrated a higher proportion of fines and clays which contributed to lower process plant yields later in the quarter.

A total of 7.4 million BCM's of material was mined for the year. During the second half of 2014 OMM successfully finalised the transitioned of the remaining mining activities including drill and blast activities and replacement of high cost rental assets to become a fully integrated owner miner delivering significant cost savings.

During the 2014 financial year a total of 1,010,976 wet tonnes (963,151 dry tonnes) was exported through the Port of Darwin.

The processing of manganese ore is described diagrammatically below:

Figure 2. Bootu Creek Manganese Processing Plant Schematic

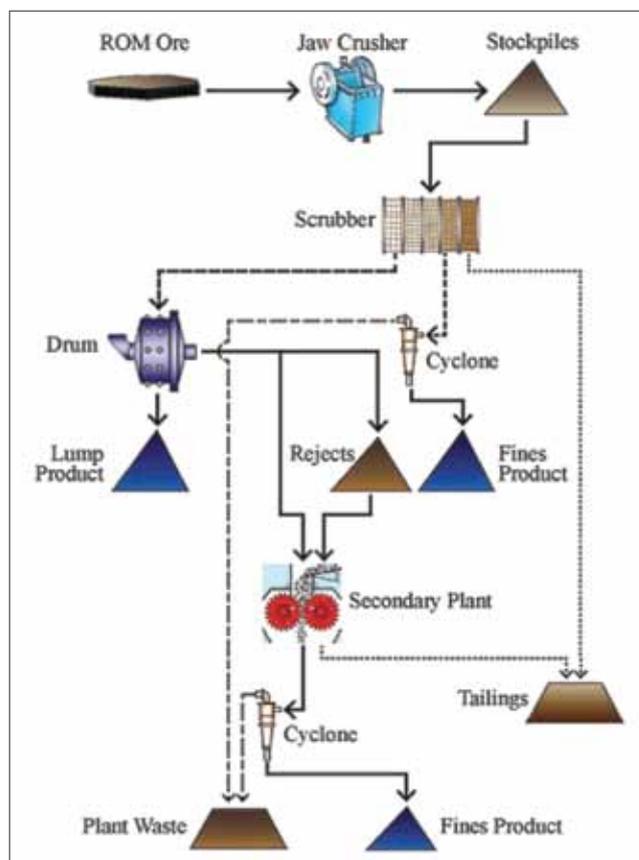
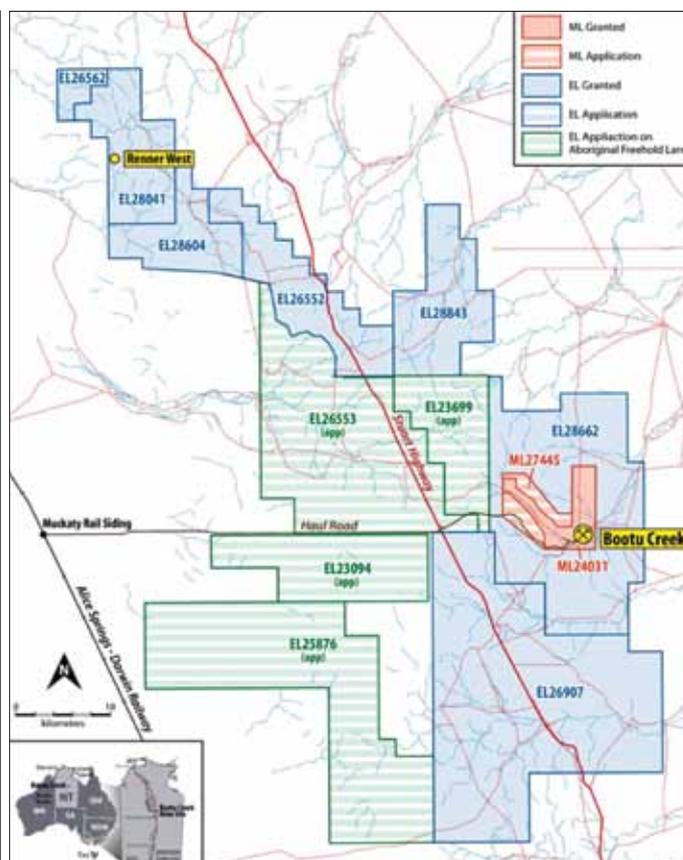


Figure 3. Bootu Creek Manganese Project Tenement Holdings



# Mining Operations Review

Table 1. Bootu Creek Operations – Production

	Unit	Years ended 31 December			
		2014	2013	2012	2011
<b>Mining</b>					
Total Material Mined	bcms	7,398,605	7,178,868	3,260,984	9,677,073
Ore Mined - tonnes	dt's	2,043,786	1,842,955	1,435,874	1,669,757
Ore Mined - Mn grade	%	22.45	21.77	23.03	22.49
<b>Production</b>					
Lump - tonnes	dt's	637,773	561,499	485,585	595,543
Lump - Mn grade	%	35.32	34.23	36.14	36.31
Fines/SPP - tonnes	dt's	252,564	265,101	252,180	306,539
Fines/SPP - Mn grade	%	37.15	36.69	37.35	37.47
<b>Total Production - Tonnes</b>	<b>dt's</b>	<b>890,337</b>	<b>826,599</b>	<b>737,766</b>	<b>902,082</b>
<b>Total Production - Mn Grade</b>	<b>%</b>	<b>35.84</b>	<b>35.02</b>	<b>36.55</b>	<b>36.70</b>
<b>Sales</b>					
Lump - tonnes	dt's	686,068	505,397	507,941	663,186
Lump - Mn grade	%	35.51	34.15	36.23	36.19
Fines/SPP - tonnes	dt's	277,083	253,203	265,947	298,284
Fines/SPP - Mn grade	%	37.28	36.88	37.72	38.16
<b>Total Sales - Tonnes</b>	<b>dt's</b>	<b>963,151</b>	<b>758,600</b>	<b>773,888</b>	<b>961,470</b>
<b>Total Sales - Mn Grade</b>	<b>%</b>	<b>36.02</b>	<b>35.06</b>	<b>36.74</b>	<b>36.80</b>

## Bootu Creek Mineral Resource and Ore Reserve Update, as at 31 December 2014

Bootu Creek Mineral Resource as at 31 December 2014 was 20.4 million tonnes at a grade of 22.3% Mn, a net reduction of 0.3 million tonnes after allowing for the 2.4 million tonnes of primary ore processed through the Bootu Creek HMS plant and 0.4 million tonnes of secondary ore stocks processed through the SPP in 2014.

Significant components contributing to the net 0.3 million tonnes reduction in the 31 December 2014 Mineral Resource include a revised plant yield and recovery formula, restricted access to resource blocks located beneath some back filled open pits, and a lower FOB Darwin price assumption. There was no new resource delineation drilling during 2014.

Bootu Creek Ore Reserve as at December 2014 was 9.0 million tonnes at an average diluted grade of 20.0% Mn, a net reduction of 0.7 million tonnes after allowing for the 2.4 million tonnes of primary ore processed through the Bootu Creek HMS plant and 0.4 million tonne of secondary ore stocks processed through the SPP in 2014.

Significant changes in the 31 December 2014 Ore Reserve, other than that arising from mining activity and ore stockpile depletion, include a reduction in the FOB Darwin price forecast to A\$5.00/dtmu (A\$5.16/dtmu), a revised plant yield and recovery formula and restricted access to resource blocks located beneath some back filled open pits.

A total of 2.0 million tonnes of ore was mined from Shekuma, Yaka, Tourag, Masai and Chugga South pits during 2014.

The lower 31 December 2014 Ore Reserve grade, reflects a revised Grade Dilution Factor of 86% (90% previously) of the contributing undiluted Mineral Resource block grades.

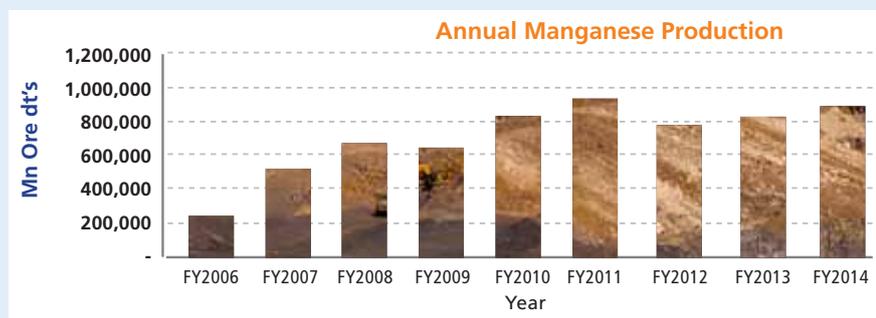




Table 2. Mineral Resource and Ore Reserve at 31 December 2014 compared with 31 December 2013.

Bootu Creek	31 December 2014		31 December 2013		Change
	M	%	M	%	M
	Tonnes	Mn	Tonnes	Mn	Tonnes
Mineral Resource	20.4	22.3	23.5	22.3	-3.1
Ore Reserve	9.0	20.0	12.5	20.9	-3.5

## Bootu Creek Mineral Resource as at 31 December 2014

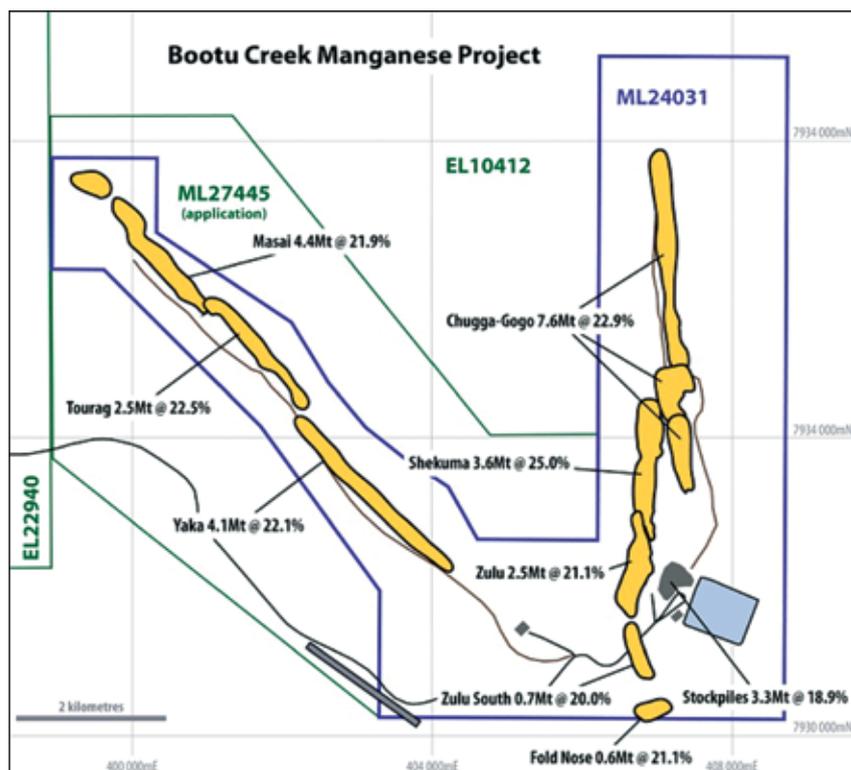
Table 3. Bootu Creek Mineral Resource Estimate as at 31 December 2014

At 15% Mn cutoff	Measured		Indicated		Inferred		Combined*	
	Mt	%Mn	Mt	%Mn	Mt	%Mn	Mt	%Mn
Deposit:								
Chugga-Gogo	1.3	23.6	6.0	22.8			7.3	22.9
Foldnose			0.5	21.1			0.5	21.1
Masai	0.8	22.8	2.0	21.6			2.8	22.0
Shekuma	0.5	25.9	1.7	24.5			2.2	24.8
Tourag	0.8	22.7	1.1	22.0			1.9	22.3
Yaka	0.5	21.3	2.4	21.7			2.9	21.6
Zulu South			0.5	20.4			0.5	20.4
Renner West					0.3	22.3	0.3	22.3
<b>In situ Resource*</b>	<b>3.9</b>	<b>23.3</b>	<b>14.2</b>	<b>22.4</b>	<b>0.3</b>	<b>22.3</b>	<b>18.4</b>	<b>22.6</b>
ROM Stocks	0.1	18.1					0.1	18.1
SPP Stocks	2.0	19.2					2.0	19.2
<b>Total Resource*</b>	<b>6.0</b>	<b>21.9</b>	<b>14.2</b>	<b>22.4</b>	<b>0.3</b>	<b>22.3</b>	<b>20.4</b>	<b>22.3</b>

\* Rounding gives rise to unit discrepancies in this table

# Mining Operations Review

Figure 1. Bootu Creek Mineral Resource location plan, as at 31 December 2014



The Mineral Resource and Ore Reserve estimation summaries, and JORC (2012 Edition) Table 1 Sections 1 to 4 are attached to this report as appendices.

## 2014 Exploration Program

Approximately A\$0.25 million was expended on exploration activities in the Bootu Creek, Renner Springs and Helen Springs Project Areas during 2014. Drill hole rehabilitation was completed at Renner Springs (EL28041 and EL28604), Helen Springs (EL28843) and Looa Bore (EL28662). Soil geochemical sampling conducted at Looa Bore identified two soil anomalies in a previously untested area.

There was no exploration drilling in 2014. Exploration drilling of several untested geophysical (GAIP) and geochemical anomalies is planned for Renner Springs and Looa Bore in 2015.

## Bootu Creek Ore Reserve as at 31 December 2014

Table 4. Bootu Creek Ore Reserve Estimate as at 31 December 2014

At 15% Mn cutoff	Proved		Probable		Combined*	
Deposit:	Mt	%Mn	Mt	%Mn	Mt	%Mn
Chugga-Gogo	1.0	20.5	2.4	19.9	3.4	20.1
Masai	0.6	20.1	0.1	20.2	0.6	20.1
Shekuma	0.3	22.4	0.9	21.5	1.2	21.8
Tourag	0.7	19.7	0.2	19.8	0.9	19.7
Yaka	0.2	17.8	0.5	19.5	0.7	19.9
<b>Insitu Resource*</b>	<b>2.8</b>	<b>20.2</b>	<b>4.1</b>	<b>20.2</b>	<b>6.9</b>	<b>20.2</b>
ROM Stocks	0.1	18.1			0.1	18.1
SPP Stocks	2.0	19.2			2.0	19.2
<b>Total Resource*</b>	<b>4.8</b>	<b>19.8</b>	<b>4.1</b>	<b>20.2</b>	<b>9.0</b>	<b>20.0</b>

\* Rounding gives rise to unit discrepancies in this table

The information in this report which relates to Reporting of Exploration Results, Mineral Resources and Ore Reserves estimation is based on information compiled and checked by Mr Craig Reddell, Mr Richard Finch and Mr Jon Pluckhahn, all full time employees of OM (Manganese) Ltd and Members of the Australasian Institute of Mining and Metallurgy. Mr Reddell, Mr Finch and Mr Pluckhahn have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the JORC 2012 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Reddell, Mr Finch and Mr Pluckhahn consent to the reporting of this information in the form and context in which it appears.

# Tshipi é Ntle Manganese Mining (Pty) Ltd (“Tshipi”)

## HIGHLIGHTS

- Tshipi reached target of exporting 2 million tonnes of ore, with total exports reaching 2,113,533 tonnes
- Of the above, 1,746,600 tonnes was shipped in bulk, and 366,933 tonnes in containers
- Tshipi allocated 3 bulk trains and 5 skiptainer trains per week by Transnet
- Combination of road and rail solutions implemented to increase logistics capacity
- Total of 1,720,545 tonnes were transported by rail, and 393,680 tonnes by road over the period 1 March 2014 to 28 February 2015
- Construction of the 2.4 million tonne a year permanent processing plant and supporting infrastructure remains on track, with the plant expected to be commissioned by end April 2015
- The Singapore based joint venture marketing company, OM Tshipi (S) Pte Ltd, to market all of Tshipi’s manganese ore production

## Overview

OMH has an effective 13% interest in Tshipi through its 26% strategic partnership with Ntsimbintle Mining (Proprietary) Limited, the majority 50.1% owner of Tshipi. The remaining 49.9% share is owned by Jupiter Mines Limited.

## Tshipi Ownership Structure

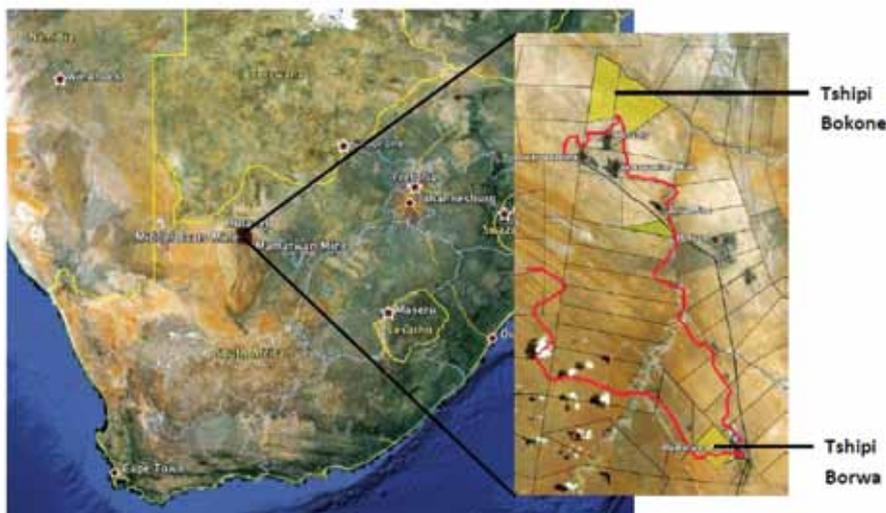
Tshipi owns two manganese properties in the world class Kalahari Manganese field located in the Northern Cape of South Africa. The Kalahari Manganese Field, which stretches for 35km long and is approximately 15km wide, hosts a significant portion of the world’s economically mineable high grade manganese ore resources.

The Tshipi Borwa mine is an open pit manganese mine which commenced production in October 2012. The mine has produced 3,633,263 tonnes of ore to date. The second project, Tshipi Bokone, is a manganese exploration prospect located in the northern portion of the Kalahari Manganese Field.

## Tshipi Project Locations

The Tshipi Borwa Mine is located on the south western outer rim of the Kalahari Manganese Field making the ore resources shallower and more amenable to open pit mining.

Tshipi Borwa ore commences at a depth of 70m below the surface



and the ore is contained within a 30m to 45m thick mineralised zone which occurs along the entire Borwa Property. The ore layer dips gradually to the north-west at approximately 5 degrees.

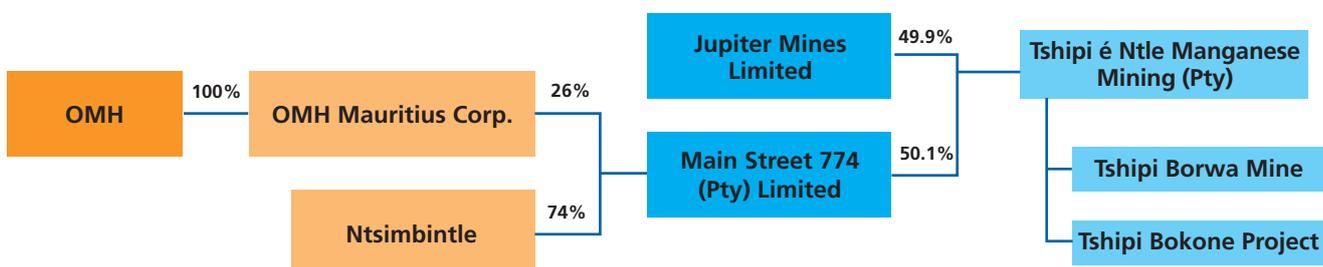
Tshipi’s strategy is to mine and process the lower 15m of the mineralised zone, commonly known as the bottom cut, as it bears a higher grade ore. A portion of the upper 15m mineralised zone, referred to as the top cut, is planned to be stockpiled for possible use later.

Mining of Tshipi Borwa is a relatively simple truck and shovel open cast operation. Once exposed the manganese ore is drilled, blasted and loaded onto a truck and hauled to the main ROM stockpile.

The ROM stockpile will feed the processing plant which is designed to treat 2.4mtpa of manganese ore and is currently being constructed, with the plant expected to be commissioned by end April 2015. Ore will initially feed a primary crusher followed by secondary crushing and wet screening processes to produce final products of manganese fines and lumpy ores.

These products are stockpiled before loading through a state-of-the art load-out station onto the railway trains or road trucks.

Inland transportation of manganese products from the mine site is carried out by rail, and complemented by a combination of road and rail solutions to increase logistics capacity.



# Tshipi é Ntle Manganese Mining (Pty) Ltd (“Tshipi”)

## Operations

### Tshipi Borwa

Tshipi accessed the first ore in October 2012 approximately eleven months after commencing the required 70 metre pre-strip. Manganese is being produced using a temporary crushing and screening circuit.

Site construction on the 2.4mtpa processing plant and support facilities continued throughout the year. The railway siding is fully operational and the rapid load out station was completed.

### Tshipi Bokone

Exploration activities at Tshipi Bokone have temporarily been put on hold as Tshipi’s management focus their attention at bringing Tshipi Borwa to optimum production.

### OM Tshipi (S) Pte Ltd (“OM Tshipi”)

OM Tshipi is a Singapore based joint venture company between OM Trades (S) Pte Ltd (a wholly owned subsidiary of OM Holdings), Australia based Jupiter Kalahari (Mauritius) Limited (“Jupiter”) and South Africa based Ntsimbintle Mining Proprietary Limited (“Ntsimbintle”).

OM Trades, Jupiter and Ntsimbintle each hold an equal 33.3% stake in OM Tshipi.

In 2013, OM Trades, Jupiter and Ntsimbintle entered into a joint venture agreement for an initial period of 2 years giving OM Tshipi the exclusive marketing rights of all manganese ores produced by Tshipi é Ntle Mining Pty Ltd.

OM Tshipi combines the individual and collective strengths of its shareholders which have provided a strong and

robust base and is further supported by an end user focussed sales strategy.

After doubling its total sales in 2014 to 2,012,551 tonnes, OM Tshipi has become one of the largest independent entities trading South African semi carbonate ores.

According to the International Manganese Institute, South Africa exported 10.6 million wet tonnes during 2014, a 6.8% increase year on year. South African manganese ore exports in 2014 represented a 39.7% market share measured by total global manganese ore export data.

According to OM Tshipi’s Chief Executive Officer Colin Ouwehand “tremendous global support has allowed OM Tshipi to demonstrate its ability to sell and distribute 2 million tonnes in only its second year of existence despite a rapidly changing trading environment”.



## Appendix – Mineral Resource and Ore Reserve estimation summary

**Mineral Resource estimation summary:** The Bootu Creek manganese deposits are strata-bound, located at the contact between the underlying dolomite-siltstone Attack Creek Formation and the overlying ridge forming sandstone of the Bootu Formation in the Tomkinson Group, within the Ashburton Province of the Palaeozoic Tennant Creek Inlier. The mineralised manganese bearing sandstone horizon is folded around the gentle NNW plunging Bootu Syncline, can be traced for 24km and dips around 30° towards the fold axis.

The manganese is considered hydrothermal in origin, locally retaining a relic stromatolite texture and is supergene enriched within a deeply weathered profile. The Bootu Creek manganese resource models have a combined strike length of 16 km, with deposit models ranging from 0.7 km to 2.9 km. Mineralisation widths vary from 3 m to 15 m and ore mineralogy consists predominately of Pyrolusite and Cryptomelane in a silica rich gangue within the supergene zone, above a Rhodochrosite and Braunitz unweathered protore at depths of greater than 90m from surface.

All Bootu Creek resource models, other than Renner West, are located within Mineral Lease ML24031, located 120 km north of Tennant Creek, Northern Territory, Australia. The Renner West Inferred Mineral Resource is located on EL28041 and located 70 km NW of the Bootu Creek mine site. Both tenements are granted, 100% owned by OMM and have no security of tenure issues at the time of reporting.

Resources at Bootu Creek (BC) are predominantly sampled by vertical 5.5" face sampling Reverse Circulation (RC) drilling (91% of total drilled), HQ3 diamond (DD) drilling (2%) and open percussion (PC) drilling (7%), based on a nominal 50 m x 25 m spaced grid. Hole depths range from 5 m to 164 m and collar locations are picked up by Mine Surveyors using MGA94 co-ordinates. The 31 December 2012 BC resource dataset (no new resource delineation drilling carried out since 2012) comprised 3,055 drill holes for 169,520 m and Renner West (RW) dataset has 142 drill holes for 6,212 m.

Sampling of RC holes is done on 1 metre downhole intervals and rotary split to produce approximately 3 kg samples. Intervals selected for analysis are generally limited to visible manganese mineralisation and adjacent host rock. Mineralised diamond core is quarter sawn to obtain 1 metre or geological intervals, with half core retained for density determination and metallurgical test work. All drill samples are crushed, dried and pulverised (total prep) to produce a sub sample for XRF analysis. Field quality control procedures involve the use of field duplicates, certified BC standards (at an insertion rate of approx. 1:130) and use of a number of commercial laboratories for analysis.

The sample preparation of RC samples involve oven drying and full pulverisation before splitting off an XRF assay sub-sample. Diamond core assay samples are quarter sawn, jaw crushed and follow the same sample preparation technique. A pulp sub-sample is collected for analysis by XRF for the following elements: Mn, Fe, Al<sub>2</sub>O<sub>3</sub>, SiO<sub>2</sub>, P, Pb, S, TiO<sub>2</sub>, MgO, K<sub>2</sub>O, BaO, CaO, Cu and Zn. LOI (loss on ignition) is assessed by thermo-gravimetric determination. Laboratory QAQC involves the use of internal laboratory standards using certified reference material, blanks, splits and replicates as part of the in house procedures. OMM (OM Manganese Ltd) developed 6 reference standards in 2007 and 2010 for a range of manganese grade values, using blends of Mn, Fe and quartz material. These were sent to 10 commercial laboratories with returned values in the +2% range against of the mean value. BC standards are submitted with each assay batch and results monitored to maintain an independent check on laboratory assays.

There is a high degree of confidence in the geological interpretation of the Bootu Creek manganese deposits gained through extensive close spaced drill testing, a relatively planar strata-bound geological setting and several years of active mining at this mature mining operation. Ore mineralogy was determined by XRD analysis and optical petrology on selected drill core, RC chip and lump product (gravity concentrate) samples.

Resource models were digitised and wire-framed from updated interpreted geological and assay drill cross sections prepared by OMM. These wireframes were used to select resource drill intersections and composite data was extracted for Mn, Fe, SiO<sub>2</sub>, Al<sub>2</sub>O<sub>3</sub>, BaO and P based on one metre sample increments. The nugget effect from variography represented only 20 - 30% of the total variability, suggesting low inherent random behaviour for the manganese mineralisation, and did not warrant grade capping.

The models were estimated using the Ordinary Kriging (OK) estimation technique with Surpac resource estimation software, and coded with attributes for material type, resource classification, model domain and against OMM survey pit pickups. Block Model Parent Cells are 25 m (Y) by 10 m (X) by 5 m (Z) and compare favourably with maximum drill spacing of 50 m by 25 m or 40 m by 20 m. The along strike search radius varied from 130 m in the shorter or faulted models through to 290 m for the highly continuous Chugga-Gogo. The number of samples was set at a minimum of 15 and a maximum of 32 for passes 1 & 2. Pass 3 used a minimum of 2 samples to fill model extents. Search ranges varied from 130 m up to 290 m in the deposits of up to 3 km strike length. The search ellipsoids were flattened disc shapes in the plane of the mineralisation with varying anisotropic ratios designed to model shallowly plunging manganese trends within the domains.

Current bulk density regression formulae are based on 366 waxed (or waxed equivalent) HQ3 core samples selected from 52 metallurgical composites distributed through all deposits included in the Ore Reserve. The bulk density measurements were determined in 2009 by Amdel (Perth) using the wet and dry methodology. Six density regressions

# Appendix

were determined for Chugga/Gogo, Shekuma, Xhosa, Masai/Tourag, Yaka and Zulu deposits. Bulk density regressions for Foldnose and Zulu South deposits (not in Ore Reserve) are assumed as for Yaka, the nearest equivalent. Renner West also uses the Yaka (most conservative) regression option.

The mineralised domains have demonstrated sufficient continuity in both geological and grade continuity to support the definition of Mineral Resource and Ore Reserves, and the classifications applied under the JORC Code (2012 edition). The nominal drillhole spacing of 50 m by 25 m was considered to provide adequate geological and grade continuity definition to assign an Indicated Mineral Resource classification to the majority of the deposits at Bootu Creek. Measured Mineral Resources were restricted to closely drilled resource blocks within 15 m vertically of a mined pit floor, reflecting the high level of geological and grade confidence. Inferred Mineral Resources were classified for the lower confidence Renner West deposit model.

Metallurgical assumptions are based on test work conducted on 93 composites selected from 79 diamond holes drilled into all deposits included in Ore Reserves. The test work consists largely of individual particle pyknometry (IPP) on lump ore and Heavy Liquid Separation (HLS) test work on fines (+1 mm). The heavy media treatment plant reconciliation factors, product yield formula and recovery are updated annually.

The input data is comprehensive in its coverage of the mineralisation and does not favour or misrepresent in-situ mineralisation. Bootu Creek manganese deposits are located within a well-defined geological setting and this allows definition of mineralised zones based on a high level of geological understanding. The Mineral Resource models have been confirmed by open pit mining since 2006 which reconciles well against the resource estimates.

Mineral Resource estimates are economically constrained within optimised pit shells, utilising Whittle mining software, based on current mining, processing and logistics costs, projected sales revenue, geotechnical and processing plant yield and recovery parameters. Mineral Resources are reported as inclusive of Ore Reserves.

**Ore Reserve estimation summary:** The Bootu Creek Mine has been operating since 2006 and Ore Reserve statements prior to 2013 were reported under JORC (2004 Edition). OMM upgraded the reporting standard to JORC (2012 Edition) in December 2013 and a summary of the information used in the Ore Reserve estimation follows:

All current and planned mining is by open pit mining methods. Open pit slope angles, determined by an Independent Geotechnical Consultant, are at an overall angle, including berms, of 45° to 55° for hanging wall and end walls, and with footwall batter angles not exceeding the local bedding planes.

Conversion of Mineral Resources to Ore Reserves is initially based on optimisation parameters derived from analysis of current operating practices and costs, technical studies, product price forecasting, and on recent mining and processing performance reconciliation. Open pit mine designs are then based around the optimised block models to extract available ore blocks within practical mining limitations, further constraining the published Ore Reserve.

The current 15% Mn cut-off grade has been affirmed after several years of mining and processing Bootu Creek ore. Manganese product derived from the HMS (Heavy Media Separation) plant feed is not linear in relation to the plant head grade, and product yield either decreases rapidly or fails to produce an acceptable product grade from plant feed below the 15% Mn cut-off grade.

Grade dilution is reviewed each year by reconciliation of the previous year's mined production. The Ore Reserve grade is quoted as a 'diluted' grade and is currently set at 86% of the contributing 'undiluted' Mineral Resource block grade. Mining recovery factors are also reviewed each year from reconciliation of the previous year's mined ore production. The Diluted Tonnage is currently estimated at 105% of the contributing 'undiluted' Mineral Resource block tonnes, for an overall average Metal Recovery Factor of 90.3% ( $1.05 * 0.86$ ).

The minimum mining unit is effectively 2.5 m vertically, by 5 m across and 5 m along strike. The minimum drill intersection length applied in the Mineral Resource and Ore Reserve estimation is 3 m and is close to true width. Inferred Mineral Resources have not been utilised nor included in the Ore Reserves. The only significant deleterious element is Fe and that is managed by blending ore sources or product stockpiles.

There are no significant environmental impacts arising from mining or processing. Waste rock and processing tails are stored on site and are not acid generating. The only additive used in ore processing is ferrosilicon. Bootu Creek is an operating open pit mine site and processing facility. Waste Management Plans for waste rock and tailings storage have been submitted to, and have been approved by the Northern Territory Department of Mines and Energy.

Operating costs and sustaining capital are derived from analysis of the current Bootu Creek mining and processing operation and budget. Deleterious elements are managed within specified maximum limits and no specific pricing allowance is used. Price discounts are applied for a specified range of lower grade manganese products. Road and rail transportation charges are based on current contracted terms and rates. Refining charges are not relevant and product specification penalties are rare, and have not been applied.

Production based royalties are payable to the original project vendor and the Northern Land Council (on behalf of Traditional Owners) and are allowed for in the logistics costing applied in the pit optimisation process.

Factors effecting revenue include contained dtmu (dry metric tonne units) of manganese and discounts applied for lower than benchmark manganese content. Manganese products are sold on an FOB basis from the Port of Darwin. Manganese Price assumptions are based on Independent Analyst's 3 year forecasts (Aug 2014) for CIF China GEMCO 44% of US\$4.84/dtmu. Adjustments for selling and shipping costs, and product specific discounts, reduce the assumed FOB Darwin price to US\$4.00/dtmu.

Based on the projected exchange rate of 0.80 (AUD:USD), as at 31 December 2014, the FOB Darwin price assumed for Bootu Creek product was estimated at A\$5.00/dtmu. There are no saleable by-products and NPV ranges and sensitivity to variations are not included in the Ore Reserve estimation process.

All necessary agreements and authorities are in place with the Traditional Owners for mining and royalties (via the Northern Land Council), and for heritage clearance and sacred sites (via the Aboriginal Areas Protection).

The Ore Reserve classifications are as follows: Proven Ore Reserves are restricted to in-situ Measured Resources contained within mine designs based on pit shells optimised at the current budget cost and revenue assumptions, plus surface Ore Stocks. Probable Ore Reserves are restricted to Indicated Resources contained within mine designs based on pit shells optimised at the current budget cost and revenue assumptions. No Probable Ore Reserves are derived from Measured Resources. The Ore Reserve classification appropriately reflects the Competent Person's view of the deposit.

# Appendix

JORC Table 1  
Section 1 Sampling Techniques and Data

Criteria	Explanation
<p><u>Sampling Techniques -</u> <i>Nature and quantity of sampling</i></p>	<ul style="list-style-type: none"> <li>Resources at Bootu Creek (BC) were sampled by 91% Reverse Circulation (RC) and 2% diamond (DD) with 7% open percussion (PC) drilling on a nominal 50m x 25m spaced grid or 100 m x 50 m where classified as Inferred Mineral Resources.</li> <li>The 31 December 2014 BC resource dataset comprised a total of 3,055 drill holes for 169,520 m. The Renner West (RW) dataset had 142 drill holes for 6,212 m.</li> <li>Collar locations are picked up by Mine Surveyors using MGA94 co-ordinates.</li> <li>RC holes are sampled on 1 metre downhole intervals, rotary split to produce approximately 3 kg samples. Sample intervals selected for analysis are generally limited to visible manganese mineralisation and adjacent host rock.</li> <li>All drill samples are crushed, dried and pulverised (total prep) to produce a sub sample for XRF analysis. Mineralised diamond core is quarter sawn to obtain 1 metre or geological intervals for XRF analysis, with half core retained for density determination and metallurgical test work.</li> <li>Sampling is carried out under OMM protocols to ensure the representivity of drill samples.</li> </ul>
Drilling Technique	<ul style="list-style-type: none"> <li>RC drilling with 4.5" drill rods and a 5.5" face sampling drill bit.</li> <li>Diamond core generally drilled using a HQ3 core barrel.</li> <li>Drilling is predominately vertical and the core is not oriented.</li> <li>Holes range from 5 m to 164 m in depth.</li> </ul>
Drill Sample Recovery	<ul style="list-style-type: none"> <li>RC drill sample recovery is visually estimated and recorded in geology drill log. Diamond core recovery is measured and recorded.</li> <li>RC rods and the sample cyclone are cleared as frequently as required to maintain satisfactory drill sample recovery and representivity.</li> <li>DD holes use HQ3 size triple tube core barrels to maximise sample recovery.</li> <li>The mineralisation style and consistency of mineralised intervals are considered to preclude any issue of sample bias due to recovery.</li> </ul>
Logging	<ul style="list-style-type: none"> <li>RC chip and diamond drill core samples are geologically logged to the level of detail required to support the Mineral Resource estimation. Logging records: lithology, mineralogy, weathering, mineralisation, alteration, colour and other features of the samples.</li> <li>Geotechnical information is collected from the BC operations open pits.</li> <li>All diamond drill core is photographed.</li> <li>The total length of all exploration and resource delineation drilling is logged.</li> </ul>

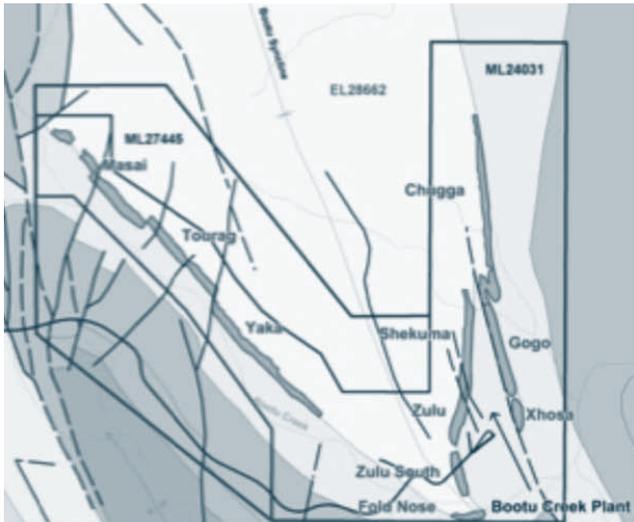
Criteria	Explanation
Sub-sampling	<ul style="list-style-type: none"> <li>• Diamond core assay samples are quarter sawn, oven dried, jaw crushed and fully pulverised before splitting off an XRF assay sub-sample.</li> <li>• RC samples are rotary split to produce a sample of an approximately 3 kg in weight. High volume and high pressure air is used when RC drilling to ensure the sample return is kept as dry as possible.</li> <li>• RC samples submitted for assay are oven dried, jaw crushed and fully pulverised before splitting off an XRF assay sub-sample.</li> <li>• QC procedures involve the use of field duplicates, certified BC standards (insertion rate of approx. 1:130) and the use of a number of commercial laboratories for analysis.</li> <li>• Appropriate industry standard sample preparation techniques and quality control procedures (ISO4296/2) are utilised by the contracted onsite laboratory and offsite commercial laboratories to maximise sample representivity.</li> <li>• Drill sample field duplicates are taken to ensure sampling is representative of the in-situ sample material collected.</li> <li>• Sample sizes are appropriate for the grain size of the material being sampled based on the mineralisation style, intersection thickness and percent assay ranges for the primary elements.</li> </ul>
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> <li>• The analytical techniques use an XRF multi element suite for assaying Mn, Fe, Al<sub>2</sub>O<sub>3</sub>, SiO<sub>2</sub>, P, Pb, S, TiO<sub>2</sub>, MgO, K<sub>2</sub>O, BaO, CaO, Cu and Zn. LOI (loss on ignition) is assessed by thermogravimetric determination technique.</li> <li>• No geophysical tools were used to determine any element concentrations used in any of the resource estimates.</li> <li>• Laboratory QAQC involves the use of internal laboratory standards using certified reference material, blanks, splits and replicates as part of the in house procedures.</li> <li>• BC independently developed 6 reference standards in 2007 and 2010 for a range of grade values, using blends of Mn, Fe and quartz material. These were sent to 10 commercial laboratories with returned values in the +/-2% range against the expected value. The BC standards are submitted with each assay batch and results are monitored to maintain an independent check on laboratory assays.</li> </ul>

## Appendix

Criteria	Explanation
Verification of sampling and assaying	<ul style="list-style-type: none"> <li>Significant drill intersections are verified by alternative company personnel, generally the Geology Manager for OMM.</li> <li>Twined holes were used in initial exploration/pre-feasibility phase but are not considered necessary in the current mature mining phase.</li> <li>Data entry, verification and storage protocols are in place and managed by a dedicated GIS/Database Manager.</li> <li>No adjustments of primary assay data (high grade cuts, etc.) are considered necessary.</li> </ul>
Location of data points	<ul style="list-style-type: none"> <li>Drill collars used for Mineral Resource delineation are surveyed using the mine based DGPS survey equipment.</li> <li>All locations are picked up and quoted in MGA94 grid format.</li> <li>Mine lease topography is based on ortho-rectified aerial photography (2013) to produce a DTM based on a 5 m x 5 m centred grid with +/- 0.5 m RL accuracy.</li> </ul>
Data spacing and distribution	<ul style="list-style-type: none"> <li>Data spacing is generally based on a 50 m x 25 m drill grid, with minor areas of 100 m x 50 m spacing.</li> <li>The data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource classification being quoted and for the Ore Reserve estimation.</li> <li>Sample support is consistent with 1 m RC composite sample length applied and utilised for Mineral Resource estimation.</li> </ul>
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> <li>The manganese deposits at Bootu Creek are shallow dipping (average 30° dip), strata-bound and relatively planar.</li> <li>Drill orientation is predominately vertical and any interaction with local faults or fold structures is not considered to introduce bias into the sampling results.</li> </ul>
Sample Security	<ul style="list-style-type: none"> <li>Sample security is not considered a significant risk.</li> <li>Most exploration samples are processed by the on-site laboratory and results are validated against the drill logs.</li> </ul>
Audit or reviews	<ul style="list-style-type: none"> <li>No recent audits or reviews of sampling techniques, other than ongoing internal review, have been conducted. The database was last reviewed by Optiro for the 31 December 2012 Mineral Resource estimate.</li> <li>No new resource delineation drilling has been conducted since and that drill database is still current.</li> </ul>

### Section 2 Reporting of Exploration Results

Mineral tenement and land tenure status	<ul style="list-style-type: none"> <li>All Bootu Creek resource models, other than Renner West, are located within Mineral Lease ML24031, located 120km north of Tennant Creek, Northern Territory, Australia.</li> <li>The Renner West Inferred Mineral Resource is located on EL28041 and located 70km NW of the Bootu Creek mine site.</li> <li>Both tenements are granted, 100% owned by OMM and have no security of tenure issues at the time of reporting.</li> </ul>
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Criteria	Explanation
Exploration done by other parties	<ul style="list-style-type: none"> <li>Prospectors identified manganese outcrops and conducted small scale mining between 1955 and 1969. BHP Ltd conducted AEM and limited drilling in mid-1990's identifying manganese beneath shallow cover (Ferenczi, 2001).</li> </ul>
Geology	<ul style="list-style-type: none"> <li>The Bootu Creek manganese deposits are strata-bound, located at the contact between the underlying dolomite-siltstone Attack Creek Formation and the overlying ridge forming sandstone of the Bootu Formations in the Tomkinson Group, within the Ashburton Province of the Palaeozoic Tennant Creek Inlier.</li> <li>The mineralised horizon is folded around the gentle NNW plunging Bootu Syncline, can be traced 24km and dips around 30° towards the fold axis.</li> <li>The manganese mineralisation is considered hydrothermal in origin, locally retaining a relic stromatolite texture and is supergene enriched within a deeply weathered profile.</li> <li>Ore widths vary from 3m to 15m and ore mineralogy consists predominately of Pyrolusite and Cryptomelane in a silica rich gangue within the supergene zone, above a Rhodochrosite and Braunitz unweathered protore at depths of greater than 90 m from surface.</li> </ul>
Drill hole Information	<ul style="list-style-type: none"> <li>Drill hole listings have not been included as they relate to Mineral Resources rather than exploration results.</li> </ul>
Data aggregation methods	<ul style="list-style-type: none"> <li>Reported assays are length weighted with no top-cuts applied.</li> <li>Higher grade mineralised zones internal to broader zones of lower grade material are reported as included intervals.</li> <li>No metal equivalents are used for reporting exploration results.</li> </ul>
Diagrams	<ul style="list-style-type: none"> <li>These are included in the Mineral Resource statement.</li> <li>The BC geology and deposit plan is shown for reference.</li> </ul> 
Balanced reporting	<ul style="list-style-type: none"> <li>All exploration results are reported.</li> </ul>
Other substantive exploration data	<ul style="list-style-type: none"> <li>Not applicable to the Mineral Resource estimates.</li> </ul>
Further work	<ul style="list-style-type: none"> <li>Not applicable to the Mineral Resource estimates.</li> </ul>

# Appendix

## Section 3 Estimation and Reporting of Mineral Resources

Criteria	Explanation
Database integrity	<ul style="list-style-type: none"> <li>All geology data was captured using Field Marshall software and imported into a Geobank SQL database (both Micromine data management software). Location data was imported from DGPS export files. Assay data was imported from the original laboratory issued csv/sif files.</li> <li>Geology logs are validated for errors on import, locations are checked visually and assay data quality is ensured by the use of lab and field standards. Further internal validation for duplication, overlaps, etc is carried out using Surpac prior to any resource estimate.</li> </ul>
Site visits	<ul style="list-style-type: none"> <li>The Mineral Resource is located within an active mine camp and is visited regularly by OMM Competent Persons.</li> </ul>
Geological Interpretation	<ul style="list-style-type: none"> <li>There is a high degree of confidence in the geological interpretation of the Bootu Creek manganese deposits gained through extensive close spaced drill testing, a relatively planar strata-bound geological setting and several years of active mining at this mature mining operation.</li> <li>Ore mineralogy was determined by XRD analysis and optical petrology on selected drill core, RC chip and mineral product (gravity concentrate) samples.</li> <li>The geological controls at BC are well understood from ongoing mining activity and form the basis for the resource interpretations.</li> <li>Factors affecting continuity of grade and geology include local high and low angle faulting, local internal and adjacent high Fe concentration, and the intensity and depth of supergene alteration from weathering.</li> <li>The geological interpretation is refined on an ongoing basis following the review of close spaced grade control sampling and in pit observation and mapping of second order fault structures not modelled in the original broader spaced resource delineation drilling.</li> </ul>
Dimensions	<ul style="list-style-type: none"> <li>The Bootu Creek manganese resource models have a combined strike length of 16km, with individual models ranging from 0.7km to 2.9km</li> <li>Bootu Creek resource models are generally limited in vertical depth by economic constraints (imposed by strip ratios and cost of mining) or by faulting, rather than depth termination of the mineralisation. Individual model depth extents range from 50m to 100m below surface. All mining is by open pit.</li> <li>Bootu Creek resource model widths (true width) range from the minimum width of 3m to a maximum of around 15m.</li> <li>The Renner West manganese deposit extends over a strike length of 450m and to a depth of around 25m below surface.</li> </ul>
Estimation and modelling techniques	<ul style="list-style-type: none"> <li>Estimation and modelling was previously undertaken by independent resource consultants Optiro Pty Ltd, and has since been updated by OMM technical staff.</li> <li>Resource models are digitised and wire-framed from interpreted geological and assay drill cross sections prepared by OMM. These wireframes are used to select resource intersections and composite data is extracted for Mn, Fe, SiO<sub>2</sub>, Al<sub>2</sub>O<sub>3</sub>, BaO and P based on one metre sample increments.</li> </ul>

Criteria	Explanation
Estimation and modelling techniques (cont'd)	<ul style="list-style-type: none"> <li>• 'Supervisor' geostatistical software was used for continuity analysis to determine variograms for grade estimation. Optiro found that the 10% Mn population generated more robust variograms with lower nugget effects that were applied to the resource composite data during estimation.</li> <li>• The nugget effect from variography was found to represent only 20-30% of the total variability, suggesting a low inherent random behaviour for the manganese mineralisation and no grade capping is warranted.</li> <li>• Block models are estimated using Ordinary Kriging (OK), using Surpac resource estimation software, and coded with attributes for material type, resource classification, model domain and for OMM survey pit pickups.</li> <li>• Block Model Parent Cells are 25m (Y) by 10m (X) by 5m (Z) and compare favourably with maximum drill spacing of 50m x 25m or 40m x 20m and with along strike search radius varying from 130m in the shorter or faulted models through to 290m for the highly continuous Chugga-Gogo.</li> <li>• The number of samples is set at a minimum of 15 and a maximum of 32 for passes 1 &amp; 2. The pass 3 minimum was set to 2 samples to fill model extents.</li> <li>• Search ranges varied from 130 m up to 290 m in deposits of up to 2.9 km strike length. The search ellipsoids are flattened disc shapes in the plane of the mineralisation with varying anisotropic ratios designed to model shallowly plunging manganese trends within the domains.</li> <li>• Geological interpretation prepared by OMM has been used to construct digital wireframes and control assay extraction from the database, but are not otherwise used to control the resource estimate.</li> <li>• The only assumed correlation between variables is that used for the density regression calculated against manganese grade. There is a noted inverse relationship between manganese vs silica and <math>Al_2O_3</math>. There is very little relationship between manganese and iron and correlations between other elements were poor.</li> <li>• No selective mining units were assumed in the estimates.</li> <li>• Graphical 3D validation of block grades versus composite samples, used to compare modelled grade trends against the spatial distribution of the samples, demonstrated that estimated low and high grades were consistent with the composite samples. Density was also checked to confirm interpolated block values honour the regression formulas.</li> <li>• Validation swathe plots by Optiro show that the block model estimated grades honoured local grades. All volumetric checks are within 1% of wireframes.</li> <li>• The significant elements specific to product quality are assayed and modelled with the only potential issue being high Fe content in product, which is managed in the mine plan.</li> <li>• Mineral Resource estimates are depleted for mining up to 31 December 2014 and reported above a cut-off grade of 15% Mn.</li> </ul>

## Appendix

Criteria	Explanation
Moisture	<ul style="list-style-type: none"> <li>All tonnage is estimated on a dry tonnes basis.</li> </ul>
Cut-off parameters	<ul style="list-style-type: none"> <li>The current 15% Mn cut-off grade has been affirmed after several years of processing Bootu Creek ore. Manganese product derived from the DMS (gravity) plant is not linear in relation to head grade and product yield and/or product grade decreases rapidly below the current cut-off grade.</li> </ul>
Mining factors or assumptions	<ul style="list-style-type: none"> <li>The Mineral Resource estimates were optimised by OMM technical staff utilising Whittle mining software to limit economic open pit extents based on long term revenue, mining, processing and logistic parameters set by OMM.</li> <li>All mining is, or is proposed, by open pit mining methods.</li> <li>Parameters for determining economic extraction are based on data derived from the current mining and processing operations at Bootu Creek.</li> </ul>
Metallurgical factors and assumptions	<ul style="list-style-type: none"> <li>Metallurgical assumptions are based on test work conducted on 93 composites selected from 79 diamond holes drilled into all deposits included in Ore Reserves. The test work consists largely of individual particle pyknometry (IPP) on lump ore and Heavy Liquid Separation (HLS) test work on fines.</li> <li>Plant reconciliation factors are also reviewed annually and factors including product yield regressions and recovery are updated annually.</li> </ul>
Environmental factors or assumptions	<ul style="list-style-type: none"> <li>Bootu Creek in an operating mine site and processing plant with Mine Management Plans submitted and approved for waste rock and tailings storage by the Northern Territory Department of Mines and Energy.</li> <li>No significant sulphides are present in ore or mine waste.</li> </ul>
Bulk Density	<ul style="list-style-type: none"> <li>Current bulk density regression formulae are based on 366 waxed (or waxed equivalent) HQ3 core samples selected from 52 metallurgical composites distributed through all deposits included in the Ore Reserve.</li> <li>The bulk density measurements were determined in 2009 by Amdel (Perth) using the wet and dry methodology. Six individual density regressions were determined for Chugga/Gogo, Shekuma, Xhosa, Masai/Tourag, Yaka and Zulu deposits.</li> <li>Bulk density regressions for Foldnose and Zulu South deposits (not in Ore Reserve) are assumed as for Yaka, the nearest equivalent. Renner West uses the Yaka (most conservative) regression option.</li> </ul>

Criteria	Explanation
Classification	<ul style="list-style-type: none"> <li>• Measured Mineral Resource – this classification is restricted to well drilled resource blocks located within 15m (vertical) of a mined pit floor, reflecting a high level of geological and grade confidence.</li> <li>• Indicated Mineral Resource – classified based on established grade and geological continuity defined by the tabular nature of the Bootu Creek mineralised zones, the regular drill spacing of 50m x 25m or better, estimation parameters such as kriging efficiency and the demonstrated mining history in most of the deposits .</li> <li>• Inferred Mineral Resource – used for the lower confidence Renner West deposit model.</li> <li>• The Mineral Resource estimate appropriately reflects the view of the Competent Persons.</li> <li>• All OMM Mineral Resources are economically constrained on an annual basis by optimised pit shells using updated OMM cost, revenue and physical parameters (see Mining Factors and Assumptions).</li> </ul>
Audits and reviews	<ul style="list-style-type: none"> <li>• Independent resource consultant Optiro Pty Ltd conducted a Client Review of wireframes, block models, classification criteria, volumetric comparison, composite versus block model grades and XYZ plots on the previous Mineral Resource estimation for 31 December 2013.</li> <li>• No new resource delineation drilling has been added since that Mineral Resource estimation and the only changes applied in the current Mineral Resource estimation process are to account for updated pit optimisation parameters, 2014 mine depletion and/or pit backfill and to update geological interpretation based on minor faults observed during 2014 mining activity.</li> </ul>
Discussion of relative accuracy/confidence	<ul style="list-style-type: none"> <li>• The relative accuracy of the Mineral Resource estimate is reflected in the reporting of the Mineral Resource as per the guidelines of the 2012 JORC Code.</li> <li>• The statement relates to global estimates of tonnes and grades.</li> <li>• Annual reconciliation of mined resource blocks are used to compare mine production with pre-mining Mineral Resource estimates, and to update mining factors and assumptions.</li> </ul>

# Appendix

## Section 4 Estimation and Reporting of Ore Reserves

Criteria	Explanation
Mineral Resource estimate for conversion to Ore Reserves	<ul style="list-style-type: none"> <li>31 December 2014 Mineral Resource models were optimised by OMM technical staff using Whittle mining software to limit economic open pit extents utilising OMM updated mining, processing and logistics costs and physical parameters, and revenue assumptions.</li> <li>Open pit designs further constrained the above optimised Mineral Resource models with constraints such as minimum cut back width, practical waste rock storage, pit access and ramp location options.</li> <li>Mineral Resources quoted are reported as <b>inclusive</b> of Ore Reserves.</li> </ul>
Site visits	<ul style="list-style-type: none"> <li>The Ore Reserve is located within an active mine camp and is visited regularly by the Competent Persons.</li> </ul>
Study status	<ul style="list-style-type: none"> <li>Bootu Creek manganese mine commenced production in 2006 and is an ongoing, mature manganese mining operation.</li> <li>Conversion of Mineral Resources to Ore Reserves is based on parameters derived from analysis of current operating practices, technical studies, and ongoing mine and processing performance.</li> </ul>
Cut-off parameters	<ul style="list-style-type: none"> <li>The current 15% Mn cut-off grade has been affirmed after several years of mining and processing Bootu Creek ore. Manganese product derived from the DMS (Dense Media Separation) plant feed is not linear in relation to the plant head grade and product yield either decreases rapidly or fails to produce an acceptable product grade below the 15% Mn cut-off grade.</li> </ul>
Mining factors or assumptions	<ul style="list-style-type: none"> <li>The Mineral Resource estimates were optimised by OMM technical staff utilising Whittle mining software to limit economic open pit extents based on long term revenue, mining, processing and logistic parameters set by OMM.</li> <li>All current and planned mining is by open pit mining methods.</li> <li>Geotechnical parameters including batter angles and berm widths and intervals were recommended by independent mining consultants Coffey Mining Pty Ltd following ongoing review of BC mining operations.</li> <li>Open pit slope angles, determined by an Independent Geotechnical Consultant are at an overall slope angle, including berms, of 45° to 55° for hanging wall and end walls, and with footwall batter angles not exceeding the local bedding planes.</li> <li>Diluted Grade is reviewed each year by reconciliation of the previous year's mine production. The Ore Reserve grade is quoted as a 'diluted' grade and is currently set at 86% of the contributing 'undiluted' Mineral Resource block grades.</li> <li>Mine Recovery is also reviewed each year by reconciliation of the previous year's mine production. The Mine Tonnage Factor is currently estimated at 105% (inclusive of dilution) of the contributing 'undiluted' Mineral Resource block tonnes. The overall Metal Recovery Factor is 90.3% (1.05*0.86).</li> </ul>

Criteria	Explanation
Mining factors or assumptions (cont'd)	<ul style="list-style-type: none"> <li>• Minimum mining unit is effectively 2.5m vertically by 5m across and 5m along strike. The minimum drill intersection length applied in the Mineral Resource and Ore Reserve estimation is 3 m and is close to true width.</li> <li>• Inferred Mineral Resources have not been utilised nor included in Ore Reserves.</li> <li>• Bootu Creek in a mature manganese mining and processing operation with all of the necessary mining infrastructures in place.</li> </ul>
Metallurgical factors or assumptions	<ul style="list-style-type: none"> <li>• The HMS treatment plant has been in operation since 2006 and has since been modified to maximise tonnes processed, product yield and manganese recovery.</li> <li>• The heavy media plant is well-tested technology and well suited to the manganese ores being processed.</li> <li>• Metallurgical test work was conducted on 93 composites selected from 79 diamond holes drilled into all deposits included in Ore Reserves. The test work consists of individual particle pyknometry (IPP) on lump ore and Heavy Liquid Separation (HLS) test work on fines.</li> <li>• The only significant deleterious element is Fe and that is managed by blending ore sources or product stockpiles.</li> <li>• Metallurgical assumptions are based on test work conducted on 93 composites selected from 79 diamond holes drilled into all deposits included in the Ore Reserve. Plant reconciliation factors are reviewed annually and factors including product yield and manganese recovery are updated annually.</li> <li>• Manganese oxide mineralogy is not relevant for the Ore Reserve estimation.</li> </ul>
Environmental	<ul style="list-style-type: none"> <li>• There are no significant environmental impacts arising from mining or processing. Waste rock and processing tails are stored on site are not acid generating. The only additive used in ore processing is ferrosilicon.</li> <li>• Bootu Creek in an operating mine site and processing plant with Waste Management Plans submitted for waste rock and tailings storage to, and approved by the Northern Territory Department of Mines and Energy.</li> </ul>
Infrastructure	<ul style="list-style-type: none"> <li>• Bootu Creek mine site in a mature manganese mining and processing operation with all mining, processing, rail and port infrastructure in place and operational.</li> </ul>

## Appendix

Criteria	Explanation
Costs	<ul style="list-style-type: none"> <li>• All major capital projects are completed and operational.</li> <li>• Operating costs and sustaining capital are derived from analysis of the current Bootu Creek mining and processing operation and 2015 budget.</li> <li>• Deleterious elements are managed within specified maximum limits and no specific pricing allowance is used. Price discounts are applied for a specified range of lower grade manganese products.</li> <li>• Commodity prices are discussed in Revenue factors.</li> <li>• Exchange rates are discussed in Revenue factors.</li> <li>• Road and rail transportation charges are based on current contracted terms and rates.</li> <li>• Refining charges are not relevant and product specification penalties are rare and have not been applied.</li> <li>• Royalties are payable to the original project vendor and the Northern Land Council (on behalf of Traditional Owners). The Northern Territory government royalty is on a net value basis (considered as a "tax") and as such is not included in the optimisation process.</li> <li>• Royalty charges are allowed for in project costing and applied in the pit optimisation process.</li> </ul>
Revenue factors	<ul style="list-style-type: none"> <li>• Manganese products are sold on an FOB basis from the Port of Darwin.</li> <li>• Factors effecting revenue include contained dtmu (dry metric tonne units) of manganese, and discounts for lower than benchmark manganese content or higher than specified iron content.</li> <li>• Commodity price assumptions are based on an Independent Analysts 3 year forecast (Aug 2014) for Mn Price assumptions - CIF China GEMCO 44% of US\$4.84/dtmu with adjustments for selling and shipping costs, and for discounts specific to product assay and size specifications to derive an FOB Darwin price of US\$4.00/dtmu.</li> <li>• Exchange rate (AUD:USD) assumption is based on the current trading rate of 0.80 (Dec 2014), for a forecast FOB Darwin price of A\$5.00/dtmu.</li> <li>• There are no saleable by-products.</li> </ul>

Criteria	Explanation
Market assessment	<ul style="list-style-type: none"> <li>• According to the International Manganese Institute (“IMnI”) China’s November 2014 year to date manganese ore imports reached 14.9 million tonnes, no significant variation from the corresponding period in 2013.</li> <li>• Demand, supply, stock and future volume assumptions for manganese are considered in the Independent Analysts 3 year price forecast (Aug 2014).</li> <li>• Customer and competitor factors are considered in the Independent Analysts 3 year manganese price forecast (Aug 2014).</li> <li>• Customer specification, testing and acceptance rely on an inbound assay. Occasional minor penalties may apply, but are not included in the Ore Reserve estimation.</li> </ul>
Economic	<ul style="list-style-type: none"> <li>• NPV ranges and sensitivity to variations are not included in the Ore Reserve estimation process.</li> </ul>
Social	<ul style="list-style-type: none"> <li>• All necessary agreements and authorities are in place with Traditional Owners for mining and royalties (via the Northern Land Council) and for heritage clearance and sacred sites (via the Aboriginal Areas Protection Authority).</li> </ul>
Other	<ul style="list-style-type: none"> <li>• The only significant naturally occurring risk is delays incurred from cyclone related flooding of the mine site or railway line to Darwin.</li> <li>• All material legal agreements and marketing arrangements are in place.</li> <li>• All government approvals (including the Mine Management Plan and Mineral Lease), licences, clearances and bonds necessary to operate the Bootu Creek mine site and processing plant are in place.</li> </ul>
Classification	<ul style="list-style-type: none"> <li>• Proven Ore Reserves are restricted to in-situ Measured Resources contained within mine designs based on pit optimisation at the current budget cost and revenue assumptions, plus surface Ore Stocks.</li> <li>• Probable Ore Reserves are restricted to Indicated Resources contained within mine designs based on pit optimisation at the current budget cost and revenue assumptions.</li> <li>• The Ore Reserve classification appropriately reflects the Competent Person’s view of the deposit.</li> <li>• No Probable Ore Reserves are derived from Measured Resources.</li> </ul>
Audits and reviews	<ul style="list-style-type: none"> <li>• There has been no independent audit of the 31 December 2014 Ore Reserve estimates.</li> </ul>
Discussion of relative accuracy/confidence	<ul style="list-style-type: none"> <li>• Annual reconciliation of mined Ore Reserve blocks is used to compare mine production with the mined Ore Reserve estimates, and where used to update the mining recovery and dilution factors applied to the 31 December 2014 Ore Reserve estimation process.</li> </ul>

# Directors' Report

for the financial year ended 31 December 2014

The Directors submit to the members the audited consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2014.

## Names of Directors

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

Low Ngee Tong (Executive Chairman)  
Peter Ivan Toth (Chief Executive Officer) (Resigned on 4 April 2014)  
Zainul Abidin Rasheed (Independent Deputy Chairman)  
Julie Anne Wolseley (Non-Executive Director and Joint Company Secretary)  
Tan Peng Chin (Independent Non-Executive Director)  
Thomas Teo Liang Huat (Independent Non-Executive Director)  
Peter Church OAM (Independent Non-Executive Director)  
Ivo Philipps (Non-Executive Director) (Appointed on 20 May 2014)

In accordance with Bye-law 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.

## Arrangements to enable Directors to acquire shares or debentures

During and at the end of the financial year, neither the Company nor any of its subsidiaries was a party to any arrangement of which the object was to enable the Directors to acquire benefits through the acquisition of shares in or debentures of the Company or any other corporate body, other than as disclosed in this report.

## Directors' interests in shares

- (i) None of the Directors who held office at the end of the financial year had any interests in the shares of the Company or its related corporation, except as follows:

	Holdings registered in the name of director or nominee		Holdings in which director is deemed to have an interest	
	As at <u>1.1.2014</u>	As at <u>31.12.2014</u>	As at <u>1.1.2014</u>	As at <u>31.12.2014</u>
The Company -				
			<u>Number of ordinary shares fully paid</u>	
Low Ngee Tong	19,825,000	<b>19,825,000</b>	47,313,500	<sup>(1)</sup> <b>47,313,500</b>
Julie Anne Wolseley	5,562,002	<b>5,562,002</b>	-	-
Tan Peng Chin	1,660,000	<sup>(2)</sup> <b>1,660,000</b>	-	-

Note:

- (1) These shares are held directly by a company named Ramley International Limited which is wholly owned by Mr Low Ngee Tong.
- (2) 360,000 shares are held by UOB Kay Hian Private Limited on behalf of Mr Tan Peng Chin.

## Directors' benefits

Since the end of the previous financial year, no Director has received or has become entitled to receive a benefit under a contract except as disclosed in the accompanying financial statements and in this report, and except that Mr Low Ngee Tong has an employment relationship with a subsidiary of the Group, and has received remuneration in that capacity.

## Unissued Shares under Option

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

OM Holdings Limited Unlisted Options (in '000)							
Date options granted	Balance at 1.1.2014	Lapsed/ expired during the year	Exercised during the year	Balance at 31.12.2014	A\$ Exercise price per option	No. of options holders at 31.12.2014	Period exercisable
17.10.2008	4,000	(4,000)	–	–	1.87	–	03.09.2012 – 03.09.2014
17.10.2008	2,000	(2,000)	–	–	2.49	–	01.01.2013 – 01.01.2015
	6,000	(6,000)	–	–			

There were no unissued shares of subsidiaries under option at 31 December 2014.

## Audit Committee

The Audit Committee at the end of the financial year comprised the following members:

Thomas Teo Liang Huat (Chairman)  
Julie Anne Wolseley  
Zainul Abidin Rasheed  
Peter Church OAM

The Audit Committee performs the functions set out in the Audit Committee Charter available on the Company's website. The Company has also considered the second edition of the Corporate Governance Principles and Recommendations with 2010 Amendments developed by the ASX Corporate Governance Council. In performing those functions, the Audit Committee has reviewed the following:

- i. overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;
- ii. the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit; and
- iii. the half-yearly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2014 as well as the auditor's report thereon.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any Director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

# Directors' Report

for the financial year ended 31 December 2014

## Audit Committee (Cont'd)

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

## Independent auditor

The independent auditor, Foo Kon Tan LLP (formerly known as Foo Kon Tan Grant Thornton LLP), Public Accountants and Chartered Accountants, has expressed its willingness to accept the re-appointment.

On behalf of the Directors



LOW NGEE TONG  
Executive Chairman

Dated: 27 March 2015

# Statement by Directors

for the financial year ended 31 December 2014

In the opinion of the Directors, the accompanying statements of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 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



LOW NGEE TONG  
Executive Chairman

Dated: 27 March 2015

# Independent Auditor's Report

to the members of OM Holdings Limited

## Report on the financial statements

We have audited the accompanying financial statements of OM Holdings Limited ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position of the Company and the Group as at 31 December 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRS") and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and the results, changes in equity and cash flows of the Group for the financial year ended on that date in accordance with International Financial Reporting Standards.



Foo Kon Tan LLP  
Public Accountants and  
Chartered Accountants

Singapore, 27 March 2015

# Statements of Financial Position

as at 31 December 2014

	Note	The Company		The Group	
		31 December 2014 A\$'000	31 December 2013 A\$'000	31 December 2014 A\$'000	31 December 2013 A\$'000
<b>Assets</b>					
<b>Non-Current</b>					
Property, plant and equipment	4	–	–	532,052	324,784
Land use rights	5	–	–	32,164	37,476
Exploration and evaluation costs	6	–	–	1,479	1,660
Mine development costs	7	–	–	14,076	16,910
Goodwill	8	–	–	2,065	2,065
Deferred tax assets	10	–	–	8,996	31,031
Interests in subsidiaries	11	258,397	194,575	–	–
Interests in associates	12	–	–	107,881	100,336
		<b>258,397</b>	<b>194,575</b>	<b>698,713</b>	<b>514,262</b>
<b>Current</b>					
Inventories	13	–	–	166,512	119,704
Trade and other receivables	15	126,417	125,154	39,905	125,574
Prepayments		1	1	1,113	1,504
Available-for-sale financial assets	9	2,727	11,691	2,727	11,691
Land use rights	5	–	–	6,698	–
Cash collateral	16	–	–	26,122	31,274
Cash and cash equivalents	16	227	50	38,751	36,052
		<b>129,372</b>	<b>136,896</b>	<b>281,828</b>	<b>325,799</b>
<b>Total assets</b>		<b>387,769</b>	<b>331,471</b>	<b>980,541</b>	<b>840,061</b>
<b>Equity</b>					
<b>Capital and Reserves</b>					
Share capital	17	36,671	36,671	36,671	36,671
Treasury shares	18	(2,330)	(2,330)	(2,330)	(2,330)
Reserves	19	232,913	235,942	172,796	241,504
		<b>267,254</b>	<b>270,283</b>	<b>207,137</b>	<b>275,845</b>
<b>Non-controlling interests</b>		<b>–</b>	<b>–</b>	<b>32,522</b>	<b>26,437</b>
<b>Total equity</b>		<b>267,254</b>	<b>270,283</b>	<b>239,659</b>	<b>302,282</b>
<b>Liabilities</b>					
<b>Non-Current</b>					
Borrowings	21	64,243	18,442	402,602	188,335
Land use rights obligation	20	–	–	3,229	7,612
Derivative financial liabilities	14	–	–	48,859	27,410
Trade and other payables	23	–	–	36,621	14,247
Provisions	22	–	–	6,560	5,724
Deferred tax liabilities	10	–	–	–	6
		<b>64,243</b>	<b>18,442</b>	<b>497,871</b>	<b>243,334</b>
<b>Current</b>					
Trade and other payables	23	49,912	34,773	150,822	135,763
Derivative financial liabilities	14	483	2,713	483	2,713
Borrowings	21	–	–	79,410	138,558
Land use rights obligation	20	–	–	3,488	1,017
Income tax payables		5,877	5,260	8,808	16,394
		<b>56,272</b>	<b>42,746</b>	<b>243,011</b>	<b>294,445</b>
<b>Total equity and liabilities</b>		<b>387,769</b>	<b>331,471</b>	<b>980,541</b>	<b>840,061</b>

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

# Consolidated Statement of Comprehensive Income

for the financial year ended 31 December 2014

	Note	Year ended 31 December 2014 A\$'000	Year ended 31 December 2013 A\$'000 (Restated)
Revenue	3	532,740	423,662
Cost of sales		(496,602)	(389,264)
Gross profit		36,138	34,398
Other income	24	3,585	1,237
Distribution costs		(27,129)	(17,080)
Administrative expenses		(11,441)	(8,507)
Other operating expenses		(25,003)	(50,574)
Finance costs		(17,291)	(9,387)
Loss from operations		(41,141)	(49,913)
Share of results of associates		6,161	1,710
Loss before income tax	25	(34,980)	(48,203)
Income tax	26	(25,412)	(890)
<b>Loss for the year</b>		<b>(60,392)</b>	<b>(49,093)</b>
<b>Other comprehensive income/(expense), net of tax:</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Net fair value (loss)/gain on available-for-sale financial assets and financial derivative		(4,976)	5,809
Currency translation differences		18,628	10,148
Cash flow hedges	27	(21,245)	(25,154)
<b>Other comprehensive expense for the year, net of tax</b>		<b>(7,593)</b>	<b>(9,197)</b>
<b>Total comprehensive expense for the year</b>		<b>(67,985)</b>	<b>(58,290)</b>
<b>Loss attributable to:</b>			
Owners of the Company		(62,586)	(48,987)
Non-controlling interests		2,194	(106)
		(60,392)	(49,093)
<b>Total comprehensive (expense)/income attributable to:</b>			
Owners of the Company		(69,157)	(54,887)
Non-controlling interests		1,172	(3,403)
		(67,985)	(58,290)
<b>Loss per share</b>			
- Basic	28	(8.89)	(6.96)
- Diluted	28	(8.89)	(6.96)

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

# Consolidated statement of changes in equity

for the financial year ended 31 December 2014

	Share capital A\$'000	Share premium A\$'000	Treasury shares A\$'000	Non-distributable reserve A\$'000	Capital reserve A\$'000	Share option reserve A\$'000	Fair value reserve A\$'000	Hedging reserve A\$'000	Exchange fluctuation reserve A\$'000	Retained profits A\$'000	Total attributable to equity holders of the parent A\$'000	Non- controlling interests A\$'000	Total equity A\$'000
Balance at 1 January 2014	36,671	176,563	(2,330)	5,553	139	5,975	5,809	(20,123)	(7,176)	74,764	275,845	26,437	302,282
Loss for the year	-	-	-	-	-	-	-	-	-	(62,586)	(62,586)	2,194	(60,392)
Other comprehensive (expense)/income for the year	-	-	-	-	(16)	-	(4,976)	(16,996)	15,417	-	(6,571)	(1,022)	(7,593)
Total comprehensive (expense)/income for the year	-	-	-	-	(16)	-	(4,976)	(16,996)	15,417	(62,586)	(69,157)	1,172	(67,985)
Issue of warrants	-	-	-	-	449	-	-	-	-	-	449	-	449
Share option lapsed	-	-	-	-	-	(5,975)	-	-	-	5,975	-	-	-
Capital injection from non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	4,913	4,913
<b>Balance at 31 December 2014</b>	<b>36,671</b>	<b>176,563</b>	<b>(2,330)</b>	<b>5,553</b>	<b>572</b>	<b>-</b>	<b>833</b>	<b>(37,119)</b>	<b>8,241</b>	<b>18,153</b>	<b>207,137</b>	<b>32,522</b>	<b>239,659</b>
Balance at 1 January 2013	33,671	155,884	(2,330)	4,074	69	12,814	-	-	(15,520)	115,951	304,613	17,757	322,370
Loss for the year	-	-	-	-	-	-	-	-	-	(48,987)	(48,987)	(106)	(49,093)
Other comprehensive income/(expense) for the year	-	-	-	-	70	(9,279)	5,809	(20,123)	8,344	-	(5,900)	(3,297)	(9,197)
Total comprehensive income/(expense) for the year	-	-	-	-	70	(9,279)	5,809	(20,123)	8,344	(48,987)	(54,887)	(3,403)	(58,290)
Issue of ordinary shares	3,000	20,679	-	-	-	-	-	-	-	-	23,679	-	23,679
Share option lapsed	-	-	-	-	-	(9,279)	-	-	-	9,279	-	-	-
Value for employee services received for grant of share options	-	-	-	-	-	2,440	-	-	-	-	2,440	-	2,440
Capital injection from non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	12,623	12,623
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(540)	(540)
Transfer to statutory reserve	-	-	-	1,479	-	-	-	-	-	(1,479)	-	-	-
Balance at 31 December 2013	36,671	176,563	(2,330)	5,553	139	5,975	5,809	(20,123)	(7,176)	74,764	275,845	26,437	302,282

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

# Consolidated Statement of Cash Flows

for the financial year ended 31 December 2014

	Year ended 31 December 2014 A\$'000	(Restated) Year ended 31 December 2013 A\$'000
<b>Cash Flows from Operating Activities</b>		
Loss before income tax	(34,980)	(48,203)
Adjustments for:		
Amortisation of land use rights	651	626
Amortisation of mine development costs	4,296	2,254
Depreciation of property, plant and equipment	15,687	15,158
Reversal of provision for rehabilitation	(709)	(67)
Equity-settled share-based payments	–	813
Write off of exploration and evaluation costs	1,708	566
Write-down of inventories to net realisable value	89	607
Loss on disposal of property, plant and equipment	93	34
Gain on disposal of a subsidiary	(523)	(8)
Impairment loss on:		
- Available-for-sale financial assets	3,988	23,022
- Property, plant and equipment	–	4,038
- Other assets	507	–
Fair value gain on financial liabilities through profit or loss	(2,230)	–
Interest expenses	17,291	9,387
Interest income	(300)	(608)
Share of results of associates	(6,161)	(1,710)
Operating (loss)/profit before working capital changes	(593)	5,909
Increase in inventories	(3,150)	(768)
Decrease in trade and bill receivables	676	12,225
Decrease/(increase) in prepayments, deposits and other receivables	891	(17,676)
(Decrease)/increase in trade and bill payables	(1,114)	26,970
Increase in other payables and accruals	2,185	11,793
Changes in long-term liabilities:		
- Decrease in long-term lease obligation	(127)	(2,223)
- Decrease in long-term provision (for restoration)	(8)	(664)
- Increase in retirement benefit obligation	7	451
- Increase in other long term payable	1,487	14,247
Cash generated from operations	254	50,264
Overseas income tax paid	(10,829)	(11,762)
Net cash (used in)/generated from operating activities	(10,575)	38,502
<b>Cash Flows from Investing Activities</b>		
Payments for exploration and evaluation costs	(1,527)	(1,407)
Purchase of property, plant and equipment (Note A)	(199,240)	(203,132)
Proceeds from disposal of property, plant and equipment	207	220
Net proceeds from disposal of subsidiaries (Note B)	146	–
Loan to an associate	(1,197)	(7,026)
Interest received	300	608
Net cash used in investing activities	(201,311)	(210,737)

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

# Consolidated Statement of Cash Flows (Cont'd)

for the financial year ended 31 December 2014

	Year ended 31 December 2014 A\$'000	(Restated) Year ended 31 December 2013 A\$'000
<b>Cash Flows from Financing Activities</b>		
Dividends paid to non-controlling interests	–	(540)
Repayment of bank and other loans	(10,400)	(8,455)
Proceeds from bank loans	230,228	124,767
Payment to finance lease creditors	(2,642)	(45)
Capital contribution by non-controlling interests	4,773	12,623
Decrease/(increase) in cash collateral	5,152	(11,540)
Proceeds from the issue of shares	–	24,000
Payment of transaction costs on share issue	–	(321)
Interest paid	(17,189)	(9,076)
<b>Net cash generated from financing activities</b>	<b>209,922</b>	<b>131,413</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,964)</b>	<b>(40,822)</b>
Cash and cash equivalents at beginning of the year	36,052	69,118
Exchange difference on translation of cash and cash equivalents at beginning of the year	4,663	7,756
<b>Cash and cash equivalents at end of the year (Note 16)</b>	<b>38,751</b>	<b>36,052</b>

## **Note A**

Purchase of property, plant and equipment exclude an amount of A\$Nil (2013 - A\$3,883,000) which relates to capitalisation of non-cash items (Note 14 and Note 30) into construction-in-progress which are directly attributable to the construction of the ferrosilicon production facility in one of the subsidiaries.

## **Note B**

The Group disposed certain subsidiaries in 2014 and 2013. The carrying value of assets and liabilities disposed were as follows:

	2014 A\$'000	2013 A\$'000
<b>Net assets disposed of</b>		
Deposits and other receivables	47	–
Cash and bank balances	7	8
Other payables and accruals	(237)	(16)
Translation reserve	(187)	–
	(370)	(8)
<b>Proceeds received</b>	<b>153</b>	<b>8</b>
<b>Cash balance in subsidiaries disposed of</b>	<b>(7)</b>	<b>(8)</b>
<b>Cash inflow on disposal</b>	<b>146</b>	<b>–</b>

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

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2014 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 listed on the Australian Securities Exchange and domiciled in Bermuda.

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

## 2(a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs and Interpretations approved by the IASB, and all applicable individual International Accounting Standards ("IASs") and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB.

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Australian Dollars which is the Company's functional currency. All financial information is presented in Australian Dollars, unless otherwise stated.

### Significant accounting estimates and judgements

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

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

### Significant judgements

#### Income taxes (Note 26)

The Group has exposures 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.

## 2(a) Basis of preparation (Cont'd)

### Significant judgements (Cont'd)

#### Impairment of available-for-sale financial assets (Note 9)

The Group's quoted equity investments are classified as available-for-sale financial assets. These financial assets are recognised at fair value on initial recognition, with subsequent fair value changes recognised in other comprehensive income, unless there is objective evidence that the investment is impaired. The Group assesses at each reporting date whether there is objective evidence of impairment by comparing the fair values of these investments against the initial costs. The fair value of quoted equity investments is determined primarily by reference to quoted closing bid prices on the Australian Securities Exchange at the financial reporting dates. Judgement is required to determine whether there is objective evidence of impairment. In making the judgement, the Group not only evaluates the historical share price movements and the duration and extent to which the quoted prices of an investment is less than its cost, but also other factors like the volatility of market prices, published independent assessments of fair value and expected realisable on or off market sale values of the Group's equity investments.

The carrying amount of the Company's and Group's available-for-sale financial assets as at 31 December 2014 is A\$2,727,000 (2013 - A\$11,691,000).

#### Determination of functional currency

The Group measures foreign currency translation in the respective currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

#### Allowance for impairment of trade and other receivables (Note 15)

Allowance for impairment of trade and other receivables are based on the assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact the carrying value of trade receivables and impairment allowance in the period in which such estimate has been changed. The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements. The carrying amount of the Company's and the Group's trade and other receivables as at 31 December 2014 are A\$126,417,000 (2013 - A\$125,154,000) and A\$39,905,000 (2013 - A\$125,574,000) respectively.

#### Capitalisation of employee benefit expenses in construction-in-progress (Note 29)

During the year, the Group capitalised employee benefits expenses of A\$5,423,000 (2013 - A\$2,033,000) in construction-in-progress. The amounts capitalised represent the proportion of salaries of certain directors, key management personnel and other staff based on their expected time cost spent on the construction of the ferrosilicon production facility in one of the subsidiaries.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 2(a) Basis of preparation (Cont'd)

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

#### Depreciation of property, plant and equipment (Note 4)/Amortisation of mine development costs (Note 7)

The Group's management exercises its judgement in estimating the useful lives of the depreciable assets. The estimated useful lives reflect management's estimate of the periods the Group intends to derive future economic benefits from the use of these assets based on historical experience. Changes in expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. If the depreciation of the property, plant and equipment increases/decreases by 10% from management's, the Group's loss for the year will increase/decrease by approximately A\$1,569,000 (2013 – A\$1,516,000). The Group depreciates property, plant and equipment in accordance with the accounting policies stated in Note 2(d). The carrying amount of the Group's property, plant and equipment as at 31 December 2014 is A\$532,052,000 (2013 - A\$324,784,000).

The mine development costs of the Group are amortised on a unit-of-production basis using estimated mineral resources as a depletion basis in accordance with the accounting policies stated in Note 2(d). The estimates of the mineral resources for the depletion basis are determined based on professional evaluation, but may change based on additional knowledge gained subsequent to the initial assessment. A change in the original mineral resource estimates would result in a change in the rate of depletion. If the amortisation of the mine development costs increases/decreases by 10% from management's, the Group's loss for the year will increase/decrease by approximately A\$430,000 (2013 – A\$225,000). The carrying amount of the Group's mine development costs as at 31 December 2014 is A\$14,076,000 (2013 - A\$16,910,000).

#### Impairment of goodwill (Note 8)

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the value-in-use of the cash-generating unit to which the asset is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made. The carrying amount of the Group's goodwill as at 31 December 2014 is A\$2,065,000 (2013 - A\$2,065,000).

#### Fair value of financial instruments

The Group carries certain financial assets and liabilities at fair value. Where the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of the mathematical models. The input to these models are derived from observable market data where possible. Where observable data are not available, judgement are required to establish the fair value. The judgement includes considerations of liquidity and model inputs such as volatility and discount rate, prepayment rates and default rate assumptions, which fair value would differ if the Group utilised different valuation methodology. Any changes in fair values of these financial assets and liabilities would affect directly the Group's profit or loss.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

## 2(a) Basis of preparation (Cont'd)

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

#### Fair value of financial instruments (Cont'd)

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring the fair values is included in the following notes:

- Note 14 – Derivative financial instruments

The carrying amount of the Company's and the Group's financial liabilities carried at fair values are A\$483,000 (2013 - \$2,713,000) and A\$49,342,000 (2013 - A\$30,123,000) respectively. If the fair value of the Company's and the Group's derivative financial liabilities increase/decrease by 10%, the Group's loss and other comprehensive expenses for the year will increase/decrease by A\$48,000 (2013 – A\$271,000) and A\$4,886,000 (2013 – A\$2,515,000) respectively.

#### Net realisable value of inventories (Note 13)

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated cost necessary to make the sale. These estimates are based on the current market conditions and historical experiences of selling products of similar nature. It could change significantly as a result of competitor actions in response to the changes in market conditions. Management reassesses the estimations at the end of each reporting date.

If the net realisable value of the inventories increases or decreases by 10% from management's estimates, the Group's loss of the year will increase or decrease by A\$3,079,000 (2013 – A\$3,710,000). The carrying amount of the inventories as at 31 December 2014 is A\$166,512,000 (2013 – A\$119,704,000).

#### Provision for rehabilitation (Note 22)

The Group recognises the fair value of a liability in connection with the provision for rehabilitation in the period in which it is incurred when a reasonable estimate of fair value can be made. 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. The recognition of rehabilitation provisions requires significant estimates including the magnitude of possible works for removal or treatment of waste materials and the extent of work required and the associated costs of rehabilitation work. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The relevant provision has been estimated based on the Group's interpretation of current regulatory requirements and have been measured at fair value.

Fair value is determined based on the net present value of expected future cash expenditures upon restoration and mine closure. Because the fair value measurement requires the input of subjective assumptions, including the restoration and closure costs, changes in subjective input assumptions can materially affect their fair value estimate.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 2(a) Basis of preparation (Cont'd)

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

#### Provision for rehabilitation (Note 22) (Cont'd)

The provision recognised for each mine pit is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimate future costs for operating sites are recognised in the balance sheet by adjusting the rehabilitation asset and provision. If the provision made during the year increases/decreases by 10% from management's, the Group's loss for the year will increase/decrease by A\$76,000 (2013 – A\$41,000). The carrying amount of the Group's provision for rehabilitation as at 31 December 2014 is A\$5,744,000 (2013 - A\$5,007,000).

## 2(b) Interpretations and amendments to published standards effective in 2014

On 1 January 2014, the Company and the Group adopted the new or amended IFRSs and IFRIC interpretations that are mandatory for application from that date. This includes the following IFRS which is relevant to the Company and the Group:

Reference	Description
Amendments to IAS 39	Financial Instruments Recognition and Measurement

The adoption of the above amended IFRS did not result in substantial changes to the Company's and the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except as follows:

#### Amendments to IAS 39 – Financial Instruments Recognition and Measurement

This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The Group has reassessed the impact and expected no change.

## 2(c) FRS not yet effective

The following are the new or amended IFRS issued in 2014 that are not yet effective but may be early adopted for the current financial year:

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to IAS 19	Employee Benefits	01.07.2014
Annual improvements 2010 – 2012 Cycle		
- IFRS 2	Share-based Payment	01.07.2014
- IFRS 3	Business Combination	01.07.2014
- IFRS 8	Operating Segments	01.07.2014
- IAS 16	Property, Plant and Equipment	01.07.2014
- IAS 24	Related Party Disclosures	01.07.2014
- IAS 38	Intangible Assets	01.07.2014

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 2(c) FRS not yet effective (Cont'd)

Reference	Description	Effective date (Annual periods beginning on or after)
Annual improvements 2011 – 2013 Cycle		
- IFRS 3	Business Combination	01.07.2014
- IFRS 13	Fair Value Measurement	01.07.2014
- IAS 40	Investment Property	01.07.2014
Amendments to IAS 1	Presentation of Financial Statements	01.01.2016
Amendments to IFRS 10, 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	01.01.2016
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	01.01.2016
Amendments to IFRS 11	Joint Arrangements	01.01.2016
Annual Improvements to IFRSs 2012 – 2014 Cycle		
- IFRS 5	Non-current Assets Held for Sales and Discontinued Operations	01.01.2016
- IFRS 7	Financial Instruments: Disclosures (with consequential amendments to IFRS 1)	01.01.2016
- IAS 19	Employee Benefits	01.01.2016
- IAS 34	Interim Financial Reporting	01.01.2016
Amendments to IFRS 7	Financial Instruments: Disclosures	01.01.2015
IFRS 14	Regulatory Deferral Accounts	01.01.2016
Amendments to IAS 16 and IAS 38	Property, Plant and Equipment and Intangible Assets	01.01.2016
Amendments to IAS 27	Equity Method in Separate Financial Statements	01.01.2016
Amendments to IAS 16 and IAS 41	Property, Plant and Equipment and Agriculture	01.01.2016
IFRS 15	Revenue from Contracts with Customers	01.01.2017
IFRS 9	Financial Instruments	01.01.2018

There are no other IFRSs, IAS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company and the Group, except as follows:

### Amendments to IAS 1 – Presentation of Financial Statements

The amendments to IAS 1 clarify that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Company and Group when applicable.

### IFRS 15 – Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers requires the entity to recognise revenue which depict transfer of promised goods or services to customers in an amount that reflects the consideration (payment) to which the entity expects to be entitled in exchange for those goods or services. The directors are in the midst of assessing the impact to the financial position and financial performance of the Company and Group when applicable.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 2(c) FRS not yet effective (Cont'd)

### IFRS 9 – Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 and it is a package of improvements introduced by IFRS 9 which includes a logical model for:

- classification and measurement;
- a single, forward – looking “expected loss” impairment model; and
- a substantially reformed approach to hedge accounting.

In addition, IFRS 9 addresses the “own credit” issue by removing the volatility in profit or loss that was caused by changes in an entity’s own credit risk on liabilities elected to be measured at fair value. The directors are in the midst of assessing the impact to the financial position and financial performance of the Company and Group when applicable.

### Annual Improvements 2010 to 2012 Cycle IAS 24 - Related Party Disclosures

Annual Improvements to IAS 24 Related Party Disclosures clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. As this is a disclosure standard, it will not have any impact on the financial performance or the financial position of the Company and the Group when applicable.

### Annual Improvements 2010 to 2012 Cycle IFRS 8 Operating Segments

Annual Improvements to IFRS 8 Operating Segments clarifies that an entity shall only provide reconciliations of the total of the reportable segments’ assets to the entity’s assets if the segment assets are reported regularly. In addition, the entity is required to disclose the judgements made by management in applying the aggregation criteria to operating segments. As this is a disclosure standard, it will not have any impact on the financial performance or the financial position of the Company and the Group when applicable.

## 2(d) Summary of significant accounting policies

### **Consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intragroup transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Losses and other comprehensive income/expense are attributable to the non-controlling interest even if that results in a deficit balance.

## 2(d) Summary of significant accounting policies (Cont'd)

### Consolidation (Cont'd)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts as at that date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has right to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if and only if the Group has all of the following:

- power over the investee;
- exposure, or rights to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 2(d) Summary of significant accounting policies (Cont'd)

### Consolidation (Cont'd)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### Transactions with Non-Controlling Interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

### Subsidiaries

In the Company's separate financial statements, investments in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

### Associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

The Group account for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates are carried in the Group's statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transaction between the Group and the associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

## 2(d) Summary of significant accounting policies (Cont'd)

### Associates (Cont'd)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss, on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence or joint control over the associate, the Group measures the retained interest at fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

The Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would have been required if that associate or joint venture had directly disposed of the related assets or liabilities.

When an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

If the Group's ownership interest in an associate is reduced, but the Group continues to apply the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

### 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.

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

### Goodwill

Goodwill arising on an acquisition of a subsidiary is subject to impairment testing.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

For the purpose of assessing impairment, where an asset does not generate cash inflows largely independent from those of other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflow independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level. Goodwill in particular is allocated to those CGUs that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 2(d) Summary of significant accounting policies (Cont'd)

### Intangible assets (Cont'd)

#### Goodwill (Cont'd)

An impairment loss is recognised for CGUs, 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 CGU, except that the carrying value of an asset will not be reduced below the higher of its individual fair value less cost to sell, or value-in-use, if determinable.

An impairment loss is recognised as an expense immediately for the amount by which the asset'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. In assessing value-in-use, the estimated future cash flows are discounted to its present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

An impairment loss on goodwill is not reversed in subsequent periods whilst an impairment loss on other assets is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses recognised in an interim period in respect of goodwill is not reversed in a subsequent period.

#### Exploration and evaluation costs

Exploration and evaluation costs relate to mineral rights acquired and exploration and evaluation expenditures capitalised in respect of projects that are at the exploration/pre-development stage.

Exploration and evaluation assets are initially recognised at cost. Subsequent to initial recognition, they are stated at cost less any accumulated impairment losses. These assets are reclassified as mine development assets upon the commencement of mine development, when technical feasibility and commercial viability of extracting mineral resources becomes demonstrable.

Exploration and evaluation expenditures in the relevant area of interest comprises costs which are directly attributable to acquisition, surveying, geological, geochemical and geophysical, exploratory drilling, land maintenance, sampling, and assessing technical feasibility and commercial viability.

Exploration and evaluation expenditures also include the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. Capitalised costs, including general and administrative costs, are only allocated to the extent that these costs can be related directly to operational activities in the relevant area of interest, where the existence of a technically feasible and commercially viable mineral deposit has been established.

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with IAS 6 "Impairment of Assets" whenever one of the following events or changes in facts and circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- (a) the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be recovered;
- (b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- (c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or

## 2(d) Summary of significant accounting policies (Cont'd)

### Intangible assets (Cont'd)

#### Exploration and evaluation costs (Cont'd)

- (d) sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in the profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

#### 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 equipment for the mining operation which are included in property, plant and equipment) 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 profit or loss in the reporting period in which the Directors' decision to abandon is made.

Amortisation is not charged on the mine development costs carried forward in respect of areas of interest until production commences. Where mining of a mineral deposit has commenced, the related exploration and evaluation costs are transferred to mine development costs. When production commences, carried forward mine development costs are 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 mineral resources.

Pre-production operating expenses and revenues were accumulated and capitalised into mine development costs until 31 August 2006 as the mine was involved in the commissioning phase which commenced in November 2005. Subsequent to 31 August 2006, the Directors of the Company determined that the processing plant was in the condition necessary for it to be capable of operating in the manner intended so as to seek to achieve design capacity rates. These costs were 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 continues to be amortised over the life (approximately 17 years) of the mine according to the rate of depletion of the economically recoverable mineral resources.

### Property, plant and equipment

Property, plant and equipment, other than construction in progress ("CIP"), are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed using the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

Leasehold building and improvements	3 to 73 years (based on original lease period)
Plant and machinery	3 to 20 years
Plant and equipment - Process facility	Life of mine: 10 years
Computer equipment, office equipment and furniture	1 to 10 years
Motor vehicles	5 to 10 years

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 2(d) Summary of significant accounting policies (Cont'd)

### Property, plant and equipment (Cont'd)

CIP represents assets in the course of construction for production or for its own use purpose. CIP is stated at cost less any impairment loss and is not depreciated. Cost includes direct costs incurred during the periods of construction, installation and testing plus interest charges arising from borrowings used to finance these assets during the construction period. CIP is reclassified to the appropriate category of property, plant and equipment and depreciation commences when the construction work is completed and the asset is ready for use.

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.

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

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

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

### Land use rights

Costs incurred to acquire interests in the usage of land in the People's Republic of China ("PRC") and Malaysia under operating leases are classified as "land use rights" and are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on a straight-line method over the term of use being 50 - 60 years.

### Financial assets

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through the profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets 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 the 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 the profit or loss, which are recognised at fair value.

Derecognition of financial assets 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 the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

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

## 2(d) Summary of significant accounting policies (Cont'd)

### Financial assets (Cont'd)

#### Loans and receivables

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

Loans and receivables include trade and other receivables. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write back is recognised in the profit or loss.

#### 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 end of reporting period.

All financial assets within this category are subsequently measured at fair value with changes in value recognised in other comprehensive income, 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 other comprehensive income is included in the profit or loss for the period.

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

The amount of the cumulative loss that is removed from other comprehensive income and recognised in the profit or loss 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 profit or loss.

Impairment losses recognised in the profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

Impairment losses recognised in a previous interim period in respect of available-for-sale equity investments are not reversed even if the impairment losses would have been reduced or avoided had the impairment assessment been made at a subsequent reporting period or end of reporting period.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 2(d) Summary of significant accounting policies (Cont'd)

### Financial assets (Cont'd)

#### Available-for-sale financial assets (Cont'd)

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty or probable bankruptcy of the investee;
- a breach of contract;
- structural changes in the industry in which the investee operates, such as changes in production technology or the number of competitors;
- changes in the political or legal environment affecting the investee's business;
- changes in the investee's financial condition evidenced by changes in factors such as liquidity, credit ratings, profitability, cash flows, debt/equity ratio and level of dividend payments; and
- whether there has been a significant or prolonged decline in the fair value below cost.

#### Determination of fair value

The fair values of quoted financial assets are based on quoted market prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs. Where fair value of unquoted instruments cannot be measured reliably, fair value is determined by the transaction price.

### Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

There are 3 types of hedges as follows:

- (a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- (b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- (c) hedges of a net investment in a foreign operation (net investment hedge).

However, the Group only designates certain derivatives as cash flow hedge.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging 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.

## 2(d) Summary of significant accounting policies (Cont'd)

### Derivative financial instruments and hedging activities (Cont'd)

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 14. Movements on the hedging reserve in other comprehensive income are shown in Note 19. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. For hedging instruments used to hedge the bank borrowings that finance the construction of a subsidiary's ferrosilicon production facility, any ineffective portion is capitalised as part of the cost of the ferrosilicon production facility ("construction-in-progress").

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the profit or loss within 'finance income/cost'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of the fixed assets.

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

### *Derivatives financial instruments not designated as hedging instrument*

Derivative financial instruments that are not designated as hedging instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date of the derivative contract is entered into and subsequently re-measured at fair value. Such derivative financial instruments are accounted for as financial assets or financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are recorded directly in profit or loss for the year.

The changes in fair value of the derivative financial instruments not designated as hedges are capitalised as part of the cost of ferrosilicon production facility ("construction-in-progress") if these derivatives are used to hedge the bank borrowings that finance the construction of the ferrosilicon production facility.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs include all direct expenditure and production overheads based on the normal level of activity. The costs incurred in bringing each product to its present location and conditions are accounted for as follows:

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

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

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 2(d) Summary of significant accounting policies (Cont'd)

### Cash and cash equivalents

Cash and cash equivalents include cash at bank and balances on hand, demand deposits with banks and highly liquid investments with original maturities of 3 months or less which are readily convertible to cash and which are subject to an insignificant risk of changes in value.

### Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

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

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

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

### Dividends

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

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

### Financial liabilities

The Company's and the Group's financial liabilities include borrowings, provisions, trade and bill payables, accruals and other payables.

Financial liabilities are recognised when the Company and the Group becomes a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance cost" in the profit or loss.

Financial liabilities are derecognised if the Company's and the Group's obligations specified in the contract expire or are discharged or cancelled.

### Borrowings

Borrowings are recognised initially at the 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 profit or loss 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.

## 2(d) Summary of significant accounting policies (Cont'd)

### Financial liabilities (Cont'd)

#### Borrowings (Cont'd)

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

Borrowings which are due to be settled within 12 months after the end of the reporting period are included in current borrowings in the statements of financial position even though the original terms were for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of the reporting period. Borrowings to be settled within the Company's and the Group's normal operating cycle are classified as current. Other borrowings due to be settled more than twelve months after the end of reporting period are included in non-current borrowings in the statements of financial position.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the related asset. Otherwise, borrowing costs are recognised as expenses when incurred. Borrowing costs consist of interests and other financing charges that the Company and the Group incurs in connection with the borrowing of funds.

Capitalisation of borrowing costs commences when the activities to prepare the qualifying asset for its intended use are in progress and the expenditures for the qualifying asset and the borrowing costs have been incurred. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying assets are substantially completed for their intended use.

Foreign exchange differences arising from foreign currency borrowings are capitalised to the extent that they are regarded as an adjustment to interest costs.

#### Trade and bill payables/accruals and other payables

Trade and bill payables/accruals and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

#### 5% Convertible Note

Convertible notes are initially recorded at fair value. The fair value of the liability portion is determined using a market interest rate for an equivalent non-convertible bond; this amount is recorded as a non-current liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option, which is recognised and included as a current liability as the convertible note is issued in a currency that is not the functional currency of the issuer and hence, cannot be classified as equity.

#### Financial guarantees

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

Financial guarantee contracts are initially recognised at their fair value plus transaction costs in the statement of financial position.

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

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 2(d) Summary of significant accounting policies (Cont'd)

### Provisions and contingent liabilities

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

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

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are not recognised in the statements of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably measured. Contingent liabilities are recognised in the course of the allocation of the purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

### Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group is the lessee,

#### Finance leases

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

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

## 2(d) Summary of significant accounting policies (Cont'd)

### Leases (Cont'd)

#### Operating leases

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

### Income taxes

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

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

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

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

Deferred income tax is measured:

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

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

Current tax assets and current tax liabilities are presented net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities net if, and only if,

- (a) the Group has a legally enforceable right to set off deferred tax assets against deferred tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (i) the same taxable entity; or
  - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amount of deferred tax liabilities or assets are expected to be settled or recovered.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 2(d) Summary of significant accounting policies (Cont'd)

### Royalties and Special Mining Taxes

Other tax expense includes the cost of royalty and special mining taxes payable to governments that are calculated on a percentage of taxable profit whereby profit represents net income adjusted for certain items defined in applicable legislation.

### Employee benefits

#### Defined contribution plan

Retirement benefits to employees are provided through defined contribution plans, as provided by the laws of the countries in which it has operations. The Singapore incorporated companies in the Group contribute to the Central Provident Fund ("CPF"). The Australian subsidiary in the Group is required to contribute to employee superannuation plans and such contributions are charged as an expense as the contributions are paid or become payable.

The Australian subsidiary contributes to individual employee accumulation superannuation plans at the statutory rate of the employees' wages and salaries, in accordance with statutory requirements, so as to provide benefits to employees on retirement, death or disability. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme.

These contributions are charged to the profit or loss in the period to which the contributions relate. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

#### Key management personnel

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

### Related parties

A related party is defined as follows:

- a) A person or a close member of that person's family is related to the Company and the Group if that person:
  - (i) has control or joint control over the Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of the key management personnel of the Company and the Group or of a parent of the Company.
  
- b) An entity is related to the Company and the Group if any of the following conditions applies:
  - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) both entities are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a); or
  - (vii) a person identified in (a) (i) has significant influence over the entity or (ii) is a member of the key management personnel of the entity (or of a parent of the entity).

## 2(d) Summary of significant accounting policies (Cont'd)

### Impairment of non-financial assets

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

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

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

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

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

Any impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

With the exception of goodwill,

- An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.
- An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.
- A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the profit or loss, a reversal of that impairment loss is recognised as income in the profit or loss.

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

### Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, net of rebates and discounts, goods and services tax and other sale taxes. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably and there is no continuing management involvement with the goods, revenue is recognised in the consolidated statement of comprehensive income as follows:

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 2(d) Summary of significant accounting policies (Cont'd)

### Revenue recognition (Cont'd)

Revenue from the sale of goods is recognised upon the transfer of significant risks and rewards of ownership to the customers. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sales of ores in the domestic markets, transfer occurs upon satisfaction of (i) full payments by customers and, (ii) notifications issued to customers to take deliveries; for international shipments, transfer occurs upon loading of the goods onto the relevant carrier at the port.

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

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

### Functional currencies

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

### Conversion of foreign currencies

#### Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss.

However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are repaid, a proportionate share of the accumulated translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

All other foreign exchange gains and losses impacting profit or loss are presented in the consolidated statement of comprehensive income within "other operating expenses".

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transactions.

#### Group entities

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

- (i) Assets and liabilities are translated at the closing exchange rates at the end of the reporting period;
- (ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and

## 2(d) Summary of significant accounting policies (Cont'd)

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

#### Group entities (Cont'd)

- (iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date. For acquisitions prior to 1 January 2010, the goodwill and fair value adjustments are translated at the exchange rates at the dates of acquisition.

### Operating segments

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive Directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive Directors are determined following the Group's major products and services.

The Group has identified the following reportable segments:

Mining	Exploration and mining of manganese ore
Smelting	Production of manganese ferroalloys and manganese sinter ore
Marketing and trading	Trading of manganese ore, manganese ferroalloys and sinter ore, chrome ore and iron ore

Each of these operating segments is managed separately as they require different resources as well as operating approaches.

The reporting segment results exclude the change in fair value of derivative financial instruments, finance income and costs, share of results of associate, income tax and corporate income and expenses which are not directly attributable to the business activities of any operating segment, and are not included in arriving at the operating results of the operating segment.

Segment assets include property, plant and equipment, land use rights, mine development costs, inventories, receivables and operating cash and mainly exclude available-for-sale financial assets, deferred tax assets, interest in an associate, goodwill and corporate assets which are not directly attributable to the business activities of any operating segment which primarily applies to the Group's headquarters.

Segment liabilities comprise operating liabilities and exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include income tax payables, deferred tax liabilities and corporate borrowings.

## 3 Principal activities and revenue

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

Revenue is turnover from the sales of ore and ferroalloy products which represent the invoiced value of goods sold, net of discounts, goods and services tax and other sales taxes.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 4 Property, plant and equipment

The Group	Construction -in-progress A\$'000	Leasehold buildings and improvements A\$'000	Plant and machinery A\$'000	Computer equipment, office equipment and furniture A\$'000	Motor vehicles A\$'000	Total A\$'000
<u>Cost</u>						
At 1 January 2013	57,973	16,309	111,664	3,191	1,319	190,456
Additions	206,546	6	149	70	244	207,015
Transfers	(16,050)	285	15,226	539	-	-
Disposals	-	-	(628)	(59)	-	(687)
Written off	-	-	-	(21)	-	(21)
Impairment	(4,038)	-	-	-	-	(4,038)
Reclassification	54	-	-	-	-	54
Exchange realignment	2,821	3,248	3,153	78	241	9,541
<b>At 31 December 2013</b>	<b>247,306</b>	<b>19,848</b>	<b>129,564</b>	<b>3,798</b>	<b>1,804</b>	<b>402,320</b>
Additions	196,076	143	2,456	290	275	199,240
Transfers	(80,901)	993	79,865	41	2	-
Disposals	-	(30)	(395)	(139)	(103)	(667)
Written off	-	-	-	(13)	-	(13)
Exchange realignment	21,676	2,182	2,118	53	175	26,204
<b>At 31 December 2014</b>	<b>384,157</b>	<b>23,136</b>	<b>213,608</b>	<b>4,030</b>	<b>2,153</b>	<b>627,084</b>
<u>Accumulated depreciation</u>						
At 1 January 2013	-	3,415	53,977	2,539	550	60,481
Depreciation for the year (Note 25)	-	977	13,524	425	232	15,158
Disposals	-	-	(433)	-	-	(433)
Written off	-	-	-	(21)	-	(21)
Exchange realignment	-	737	1,445	51	118	2,351
<b>At 31 December 2013</b>	<b>-</b>	<b>5,129</b>	<b>68,513</b>	<b>2,994</b>	<b>900</b>	<b>77,536</b>
Depreciation for the year (Note 25)	-	1,065	13,936	389	297	15,687
Disposals	-	(6)	(215)	(84)	(62)	(367)
Written off	-	-	-	(13)	-	(13)
Exchange realignment	-	682	1,347	44	116	2,189
<b>At 31 December 2014</b>	<b>-</b>	<b>6,870</b>	<b>83,581</b>	<b>3,330</b>	<b>1,251</b>	<b>95,032</b>
<u>Net book value</u>						
<b>At 31 December 2014</b>	<b>384,157</b>	<b>16,266</b>	<b>130,027</b>	<b>700</b>	<b>902</b>	<b>532,052</b>
At 31 December 2013	247,306	14,719	61,051	804	904	324,784

The net book value of motor vehicles acquired under finance lease for the Group amounted to A\$305,000 (2013 - A\$237,000) (Note 21.1).

Leasehold buildings are situated in Singapore and the People's Republic of China ("PRC").

The impairment of construction-in-progress in prior year pertained to the cessation of a construction project in one of the subsidiaries.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 5 Land use rights

The Group	2014 A\$'000	2013 A\$'000
At the beginning of the year	37,476	35,771
Amortisation for the year (Note 25)	(651)	(626)
Reclassification #	(6,698)	(54)
Exchange realignment	2,037	2,385
At the end of the year	32,164	37,476
At the end of the year		
Cost	33,605	38,392
Accumulated amortisation	(1,441)	(916)
Net carrying value	32,164	37,476

The land use rights are for leasehold land situated in the PRC and Malaysia.

As at 31 December 2014, the land use rights for leasehold land located in Malaysia had a net carrying value of A\$30,609,000 (2013 - A\$36,042,000) and are pledged as security for borrowings referred to in Note 21.2(c) and (f).

#On 5 December 2014, a subsidiary of the Company entered into two option agreements with two parties to sell a total of 30 acres of land at A\$10,100,000. The sales and purchase agreements were signed subsequent to 31 December 2014 and a total of A\$1,010,000, representing 10% of down payment for the purchase of land had been received. The cost of the 30 acres of land sold which amounted to A\$6,698,000 was reclassified to current assets as at 31 December 2014.

## 6 Exploration and evaluation costs

The Group	2014 A\$'000	2013 A\$'000
At beginning of the year	1,660	819
Costs incurred during the year	1,527	1,407
Written off during the year (Note 25)	(1,708)	(566)
At end of the year	1,479	1,660

The summarised financial information in relation to exploration and evaluation costs is as follows:

The Group	2014 A\$'000	2013 A\$'000
Assets	28	35
Liabilities	-	-
Income and expenses	(201)	1,347
Operating cash flows	1,677	1,349
Investing cash flows	(2,005)	(415)

## 7 Mine development costs

The Group	2014 A\$'000	2013 A\$'000
At beginning of the year	16,910	18,829
Costs incurred during the year	1,462	335
Amortisation for the year (Note 25)	(4,296)	(2,254)
At end of the year	14,076	16,910

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 7 Mine development costs (Cont'd)

The Group	<b>2014</b> <b>A\$'000</b>	2013 A\$'000
At the end of the year		
Costs	<b>31,427</b>	29,965
Accumulated amortisation	<b>(17,351)</b>	(13,055)
Net carrying value	<b>14,076</b>	16,910

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 on-going 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.

## 8 Goodwill

The Group	<b>2014</b> <b>A\$'000</b>	2013 A\$'000
Goodwill	<b>2,065</b>	2,065

Goodwill was allocated to the Group's cash-generating unit ("CGU") relating to the mining segment from which it is expected to benefit.

The recoverable amount of the CGU was determined based on value-in-use calculations. Cash flow projections used in these calculations were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below. 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.

The Group	<b>2014</b>	2013
Gross margin <sup>(1)</sup>	<b>14% - 35%</b>	0% - 13%
Growth rate <sup>(2)</sup>	<b>5% - 11%</b>	0% - 10%
Discount rate <sup>(3)</sup>	<b>10%</b>	10%

<sup>(1)</sup> Budgeted gross margin

<sup>(2)</sup> Weighted average growth rate used to extrapolate cash flows beyond the budget period

<sup>(3)</sup> Pre-tax discount rate applied to the pre-tax cash flow projections

Management estimates the discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the business segment. 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. Management has determined the budgeted gross margin based on past performance and its expectations for market development.

Apart from the considerations described in determining the value-in-use of the CGUs above, the Directors are not currently aware of any other probable changes that would necessitate changes in its key estimates.

The impairment test carried out as at 31 December 2014 for the CGU for the operation in Australia shows the recoverable amount of the CGU to be A\$138,659,000 or 15% higher than its carrying amount. A decrease in the gross margin by 17.00% or a decrease in the growth rate by 3.00% would result in the recoverable amount of the operation CGU in Australia to equal its carrying amount.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 9 Available-for-sale financial assets

	2014 A\$'000	2013 A\$'000
The Company and The Group		
Quoted equity investments, at fair value		
At beginning of the year	11,691	28,884
Impairment loss		
- Impairment loss recognised directly in profit or loss	(3,988)	(23,022)
- Impairment loss recognised directly in other comprehensive income	(4,976)	-
- Reversal of impairment loss recognised directly in other comprehensive income	-	5,829
	(8,964)	(17,193)
At end of the year	2,727	11,691

Represented by:

	2014 A\$'000	2013 A\$'000
The Company and The Group		
Quoted equity investments, at costs	81,899	81,899
Impairment loss		
At beginning of the year	(70,208)	(53,015)
Impairment loss recognised directly in profit or loss	(3,988)	(23,022)
Impairment loss recognised directly in other comprehensive income	(4,976)	-
Reversal of impairment loss recognised directly in other comprehensive income	-	5,829
At end of the year	(79,172)	(70,208)
At end of the year	2,727	11,691

The fair value of quoted equity investments is determined by reference to quoted closing bid prices on the Australian Securities Exchange at the financial reporting dates.

Subsequent to the end of the reporting period, there were a further decline on the quoted prices of the available-for-sale financial assets which would have resulted in a further impairment charge of A\$1,061,000.

## 10 Deferred taxation

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset deferred income tax assets against deferred income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the statement of financial position as follows:

	2014 A\$'000	2013 A\$'000
The Group		
<b>Deferred tax assets</b>		
To be recovered within one year	-	-
To be recovered after one year	8,856	31,031
	8,856	31,031
<b>Deferred tax liabilities</b>		
To be recovered within one year	-	-
To be recovered after one year	-	6
	-	6

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 10 Deferred taxation (Cont'd)

	2014 A\$'000	2013 A\$'000
The Group		
<b>Deferred tax assets</b>		
Balance at beginning of the year	22,468	21,312
Credited to the profit or loss (Note 26)	(20,142)	1,477
Exchange difference on translation	34	26
	<b>2,360</b>	<b>22,815</b>
Over provision in respect of prior years (Note 26)	370	(347)
	<b>2,730</b>	<b>22,468</b>
Profit-based royalty recoverable (Northern Territory Government)	6,266	8,563
Balance at end of the year	<b>8,996</b>	<b>31,031</b>
<b>Deferred tax liabilities</b>		
Balance at beginning of the year	(6)	(244)
Credited to the profit or loss (Note 26)	6	270
Exchange difference on translation	-	(32)
Balance at end of the year	-	(6)

The balance comprises tax on the following temporary differences:

The Group	Excess of net book value over tax written down value of qualifying property, plant, and equipment A\$'000	Provisions A\$'000	Interest payable A\$'000	Tax losses A\$'000	Northern Territory Government Royalty Benefit A\$'000	Others A\$'000	Total A\$'000
At 1 January 2013	(7,238)	1,882	9,356	18,067	-	(999)	21,068
Charged/(credited) to - profit or loss (Note 26)	66	332	(9,356)	9,553	8,563	805	9,963
Exchange difference on translation	-	-	-	-	-	(6)	(6)
At 31 December 2013	<b>(7,172)</b>	<b>2,214</b>	-	<b>27,620</b>	<b>8,563</b>	<b>(200)</b>	<b>31,025</b>
Charged/(credited) to - profit or loss (Note 26)	7,172	(2,214)	-	(24,924)	(2,297)	200	(22,063)
Exchange difference on translation	-	-	-	34	-	-	34
<b>At 31 December 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,730</b>	<b>6,266</b>	<b>-</b>	<b>8,996</b>

As at 31 December 2014, the Group had tax losses arising in Hong Kong of A\$374,700 (2013 - A\$351,300) and Australia of A\$26,077,000 (2013 - A\$5,460,000) 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.

### Unrecognised taxable temporary differences associated with investments in subsidiaries and associates

Deferred income tax liabilities of A\$2,000,000 (2013: A\$2,200,000) have not been recognised for withholding and other taxes that will be payable on the earnings of an overseas subsidiary and associates when remitted to the holding company.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 11 Subsidiaries

	2014 A\$'000	2013 A\$'000
The Company		
Unquoted equity investments, at cost	8,014	8,014
Amounts due from subsidiaries:		
- Interest-free	204,354	100,459
- Interest-bearing	46,029	86,102
	<b>258,397</b>	<b>194,575</b>

The amounts due from subsidiaries are unsecured and are not expected to be repaid within one year. The amounts include a balance of A\$46,029,000 (2013 - A\$86,102,000) which is interest-bearing at a weighted average effective interest rate of 12.45% (2013 - 9.62%) per annum. The remaining balances are interest-free. These amounts represent net investments, with indeterminable repayments.

Management has determined that a subsidiary is considered material to the Group if the Group's share of its net tangible assets represents 20% or more of the Group's consolidated net tangible assets, or if the Group's share of its revenue accounts for 10% or more of the Group's consolidated revenue.

Details of the Group's material subsidiaries at the end of the reporting period are set out below:

Name	Place of incorporation/and operation	Proposition of ownership interest and voting rights held by the Group		Principal activities
		2014 %	2013 %	
<u>Held by the Company</u>				
OM (Manganese) Ltd. <sup>(1)</sup>	Australia	100	100	Operation of manganese mine
<u>Held by OM Resources (HK) Limited</u>				
OM Materials (S) Pte. Ltd. <sup>(2)</sup>	Singapore	100	100	Investment holding and trading of metals and ferroalloy products
<u>Held by OM Materials (S) Pte. Ltd.</u>				
OM Materials (Sarawak) Sdn. Bhd. <sup>(3)</sup>	Malaysia	80	80	Sales and processing of ferroalloys and ores
OM Materials (Qinzhou) Co. Ltd. <sup>(4)</sup>	PRC	100	100	Sales and processing of ferroalloys and ores
<u>Held by OM Trade (S) Pte. Ltd.</u>				
OM Materials Trading (Qinzhou) Co. Ltd. <sup>(4)</sup>	PRC	100	100	Sales and processing of ferroalloys and ores

Note:

<sup>(1)</sup> audited by Grant Thornton Audit Pty. Ltd.

<sup>(2)</sup> audited by Foo Kon Tan LLP.

<sup>(3)</sup> audited by Ernst & Young

<sup>(4)</sup> audited by Guangxi JiaHai Accountant Affairs Office Co. Ltd.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 11 Subsidiaries (Cont'd)

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

<u>Principal activities</u>	<u>Place of incorporation/and operation</u>	<u>Number of subsidiaries</u>	
		2014	2013
Investment holding	The British Virgin Islands	2	2
Investment holding	Mauritius	1	1
Investment holding	Hong Kong	1	1
Investment holding	Singapore	1	1
Trading of metals and ferroalloy products	Malaysia	1	1
Trading of metals and ferroalloy products	Singapore	1	1
Trading of metals and ferroalloy products	PRC	2	2
Sales and processing of ferroalloys and ores	Malaysia	2	2
Exploration and mining of minerals	Malaysia	2	1
Exploration and evaluation activities	Madagascar	-	1
Exploration and evaluation activities	Papua New Guinea	-	1
		<b>13</b>	<b>14</b>

The table below shows details of a non-wholly owned subsidiary of the Group that has material non-controlling interests:

<u>Name of subsidiary</u>	<u>Place of incorporation and principal place of business</u>	<u>Proportion of ownership interests and voting rights held by non-controlling interests</u>		<u>Loss allocated to non-controlling interests</u>		<u>Accumulated non-controlling interests</u>	
		2014	2013	2014	2013	2014	2013
				A\$'000	A\$'000	A\$'000	A\$'000
OM Materials (Sarawak) Sdn. Bhd.	Malaysia	20%	20%	(408)	(4,316)	19,452	19,860

Summarised financial information in respect of the above subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

<b>OM Materials (Sarawak) Sdn. Bhd.</b>	2014	2013
	A\$'000	A\$'000
<u>Summarised Statement of Financial Position</u>		
Current assets	100,084	42,165
Non-current assets	457,772	251,532
Current liabilities	(74,427)	(17,935)
Non-current liabilities	(386,478)	(176,772)
Equity attributable to owners of the Company	77,561	79,192
Non-controlling interests	19,390	19,798
<u>Summarised Statement of Comprehensive Income</u>		
Profit/(loss) attributable to owners of the Company	5,310	(1,613)
Profit/(loss) attributable to the non-controlling interest	1,328	(403)
Profit/(loss) for the year	6,638	(2,016)
Total comprehensive income/(expense) attributable to owners of the Company	5,310	(1,613)
Total comprehensive income/(expense) attributable to the non-controlling interests	1,328	(403)
Total comprehensive income/(expense) for the year	6,638	(2,016)

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 11 Subsidiaries (Cont'd)

	2014 A\$'000	2013 A\$'000
<u>Other summarised information</u>		
Net cash (outflow)/inflow from operating activities	(19,252)	1,533
Net cash outflow from investing activities	(160,755)	(183,156)
Net cash inflow from financing activities	150,731	165,253
Net cash outflow	<b>(29,276)</b>	<b>(16,370)</b>

## 12 Interests in associates

	2014 A\$'000	2013 A\$'000
The Group		
Unquoted equity investment, at cost	100,127	98,743
Share of post-acquisition profits and reserves	7,754	1,593
	<b>107,881</b>	<b>100,336</b>

Details of each of the Group's material associates at the end of the reporting period are as follows:-

Name of company	Country of incorporation	Percentage of equity held		Principal activities
		2014	2013	
		%	%	
Main Street 774 (Pty) Limited <sup>(1)</sup>	South Africa	26	26	Investment holding
OM Tshipi (S) Pte Ltd <sup>(2)</sup>	Singapore	33	33	Trading of metals and ferroalloy products

<sup>(1)</sup> audited by KPMG Inc.

<sup>(2)</sup> audited by Foo Kon Tan LLP

Shares in the associates are held by wholly-owned subsidiaries of the Group, OMH (Mauritius) Corp., and OM Materials Trade (S) Pte Ltd.

All of these associates are accounted for using the equity method in these consolidated financial statements.

Summarised financial information in respect of each of the Group's material associates are set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

	Main Street 774 (Pty) Limited		OM Tshipi (S) Pte Ltd		Total	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
- Current assets	36	6	8,745	20,747	8,781	20,753
- Non-current assets	149,214	125,459	-	-	149,214	125,459
- Current liabilities	6	-	2,438	20,106	2,444	20,106
- Revenue	-	-	7,783	44,886	7,783	44,886
- Profit for the year	17,130	5,800	5,108	597	22,238	6,397
- Other comprehensive income for the year	-	-	-	-	-	-
- Total comprehensive income for the year	<b>17,130</b>	<b>5,800</b>	<b>5,108</b>	<b>597</b>	<b>22,238</b>	<b>6,397</b>

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 12 Interests in associates (Cont'd)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	Main Street 774 (Pty) Limited		OM Tshipi (S) Pte Ltd		Total	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
Net assets of the associates	149,244	125,465	6,307	641	155,551	126,106
Proportion of the Group's ownership interest in the associates	38,803	32,621	2,102	213	40,905	32,834
Goodwill	59,842	59,842	-	-	59,842	59,842
Currency translation difference	7,108	7,640	-	-	7,108	7,640
Carrying value	105,753	100,103	2,102	213	107,855	100,316
Add:						
Carrying value of individually immaterial associated company					26	20
Carrying value of Group's interest in associated companies					107,881	100,336

### Aggregate information of associates that are not individually material

	2014 A\$'000	2013 A\$'000
The Group's share of profit, representing total comprehensive income	6	3

## 13 Inventories

	2014 A\$'000	2013 A\$'000
The Group		
Raw materials, at cost	89,376	33,752
Work-in-progress, at cost	1,055	5,807
Work-in-progress, at net realisable value	30,789	37,095
Finished goods, at cost	45,292	43,050
	166,512	119,704

Inventories of A\$11,789,000 (2013 - A\$13,674,000) have been pledged as security for bank loans of the Group [Note 21.2(e)].

Included in inventories is an amount of A\$20,740,000 (2013 - A\$27,370,000) of ore requiring re-treatment that is expected to be processed for sale within the next 5 years based on the expected production rate of the secondary processing plant.

## 14 Derivative financial instruments

The Group	Notional Principal Amount A\$'000	2014		2013	
		Assets A\$'000	Liabilities A\$'000	Assets A\$'000	Liabilities A\$'000
<b>Non-current</b>					
Foreign currency forward contracts [Note (a)]	298,297	-	31,050	-	15,714
Cross Currency Swap [Note (b)]	108,042	-	15,625	-	9,440
Interest Rate Swap [Note (c)]	118,950	-	2,184	-	2,256
	525,289	-	48,859	-	27,410

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 14 Derivative financial instruments (Cont'd)

	Notional Principal Amount A\$'000	2014		2013	
		Assets A\$'000	Liabilities A\$'000	Assets A\$'000	Liabilities A\$'000
The Company and The Group					
<b>Current</b>					
5% Convertible note (Note 21.3)	-	-	483	-	2,713

Derivative financial instruments are denominated in the following currencies:

	The Company		The Group	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
United States Dollar	483	2,713	33,717	20,683
Malaysian Ringgit	-	-	15,625	9,440
	<b>483</b>	<b>2,713</b>	<b>49,342</b>	<b>30,123</b>

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

The changes in fair value of the derivatives not designated as cash flow hedges amounted to A\$2,256,000 (2013 - A\$2,256,000) and have been capitalised in construction-in-progress.

- The nature of the risk being hedged is currency mismatch between future earnings denominated in United States Dollar ("USD") and forecasted purchases in Malaysian Ringgit ("MYR") in respect of bank loans [Note 21.2 (f)]. Due to this exposure to the variation in cash flows, forward contracts are entered into to exchange such forecasted payments denominated in the two different currencies. The hedge is designed to swap 50% of the Group's MYR obligations into USD obligations, thus removing future currency risk for 50% of the payments.
- Cross currency swap is entered into to exchange interest payments and loan principals denominated in USD and MYR in respect of bank loans [Note 21.2 (f)]. The outstanding cross currency swap at the end of the financial year has a notional value that hedges 100% of such interest and principal repayments.
- Interest rate swaps are used to manage the interest rate risk exposures arising from the loans and borrowings at floating rates in respect of Note 21.2 (f). At the end of the reporting period, the Group has interest rate swaps with notional values that hedge 50% of the exposure to the cash flow risk in connection with the floating interest rate of loans and borrowings.

## 15 Trade and other receivables

	The Company		The Group	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
Trade receivables	-	-	17,882	23,563
Bills receivable	-	-	4,237	71,168
Net trade receivables (i)	-	-	22,119	94,731
Other receivables				
Amounts due from subsidiaries (non-trade)	126,417	125,154	-	-
Deposits and other receivables	-	-	17,786	30,843
Net other receivables (ii)	126,417	125,154	17,786	30,843
Total (i) + (ii)	126,417	125,154	39,905	125,574

The non-trade amounts due from subsidiaries represent advances which are interest-free, unsecured and repayable on demand.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 15 Trade and other receivables (Cont'd)

Bills receivable of A\$1,368,000 (2013 - A\$67,497,000) have been pledged as security for bank loans of the Group (Note 21.2(b)).

Trade and other receivables are denominated in the following currencies:

	The Company		The Group	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
Australian Dollar	126,402	125,154	2,482	1,633
Renminbi	-	-	16,822	76,285
United States Dollar	15	-	19,217	21,553
Malaysian Ringgit	-	-	1,316	25,914
Others*	-	-	68	189
	<b>126,417</b>	<b>125,154</b>	<b>39,905</b>	<b>125,574</b>

\*Others include Singapore Dollar and South African Rand.

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

	The Company		The Group	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
<u>By geographical areas</u>				
People's Republic of China	-	-	32,760	97,425
Australia	26,197	26,197	2,482	1,633
Singapore	15	-	1,469	554
Malaysia	-	-	2,527	25,914
Mauritius	100,205	98,957	-	-
Others*	-	-	667	48
	<b>126,417</b>	<b>125,154</b>	<b>39,905</b>	<b>125,574</b>

\*Others include India, Netherlands and Taiwan.

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

	The Company		The Group	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
Past due 0 to 3 months	-	-	-	387
Past due 3 to 6 months	-	-	-	-
Past due over 6 months	-	-	78	-
	-	-	<b>78</b>	<b>387</b>

Trade and other receivables that were neither past due nor impaired amounting to A\$126,417,000 (2013 - A\$125,154,000) and A\$39,827,000 (2013 - A\$125,187,000) for the Company and the Group related to a wide range of customers for whom there was no recent history of default. Trade and other receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade and other receivables not past due or past due over 6 months. These receivables are mainly arising from customers that have a good credit record with the Group.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 16 Cash and bank balances

	The Company		The Group	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
Cash at bank and on hand	227	50	51,695	56,814
Short-term bank deposits	-	-	13,178	10,512
Total cash and bank balances [Notes (a) (b) and (c)]	227	50	64,873	67,326
Less: Cash collateral [Notes (d) and (e)]	-	-	(26,122)	(31,274)
Cash and cash equivalents	227	50	38,751	36,052

### Notes:

- (a) Short-term bank deposits are 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 deposit rates.
- (b) At 31 December 2014, 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\$12,691,000 (2013 - A\$16,026,000). The RMB is not freely convertible into other currencies.
- (c) Certain bank deposits were designated to secure banking facilities provided to the Group in respect of bank loans [(Note 21.2(f)]. The weighted average effective interest rate was 5.00% (2013 - 2.50%) per annum.
- (d) Certain bank deposits were pledged to banks to secure banking facilities provided to the Group in respect of letters of credit and bank loans [(Notes 21.2(a), (b), (d) and (g)]. The cash collateral has an average maturity of 1 to 6 months (2013 - 1 to 3 months) with the weighted average effective interest rates of 0.41% to 3.08% (2013 - 0.30% to 3.08%) per annum.
- (e) Certain bank deposits held by the Australian subsidiary were pledged to secure the issuance of environmental bonds. The A\$2,782,000 (2013 - A\$3,096,000) cash collateral has an average maturity of 1 month (2013 - 1 month) with the weighted average effective interest rate of 2.68% (2013 - 2.62%) per annum.

Cash and bank balances are denominated in the following currencies:

	The Company		The Group	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
Australian Dollar	225	48	3,363	3,145
Renminbi	-	-	12,691	16,026
United States Dollar	2	2	34,000	37,513
Malaysian Ringgit	-	-	14,637	10,486
Others*	-	-	182	156
	227	50	64,873	67,326

\*Others include Singapore Dollar, Hong Kong Dollar, South African Rand and Euro.

The fixed deposits have an average maturity of 1 to 6 months (2013 - 1 to 3 months) from the end of the financial year with the following weighted average effective interest rates:

The Group	2014	2013
Australian Dollar	2.68%	2.62%
Renminbi	3.08%	0.35% - 3.08%
United States Dollar	0.41%	0.30%
Malaysian Ringgit	2.7% - 5.00%	2.08%

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 17 Share capital

	No. of ordinary shares		Amount	
	2014	2013	2014	2013
The Company and The Group	'000	'000	A\$'000	A\$'000
<b>Authorised:</b>				
Ordinary shares of A\$0.05 (2013 - A\$0.05) each	2,000,000	2,000,000	100,000	100,000
<b>Issued and fully paid:</b>				
Ordinary shares of A\$0.05 (2013 - A\$0.05)				
each as at 1 January	733,423	673,423	36,671	33,671
Issue of ordinary shares	-	60,000	-	3,000
Ordinary shares of A\$0.05 (2014 - A\$0.05)				
each as at 31 December	733,423	733,423	36,671	36,671

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares (excluding treasury shares) rank equally with regard to the Company's residual assets.

## 18 Treasury shares

	No. of ordinary shares		Amount	
	2014	2013	2014	2013
The Company and The Group	'000	'000	A\$'000	A\$'000
At beginning and end of year	1,933	1,933	2,330	2,330

The Company acquired 983,295 and 950,000 of its own shares in year 2008 and 2009 respectively, through purchase on the Australia Stock Exchange. The total amount paid was A\$2,330,000 and has been deducted from the shareholders' equity (Note 17). The shares are held as "treasury shares".

## 19 Reserves

	The Company		The Group	
	2014	2013	2014	2013
	A\$'000	A\$'000	A\$'000	A\$'000
Share premium	176,563	176,563	176,563	176,563
Non-distributable reserve [Note (i)]	-	-	5,553	5,553
Capital reserve [Note (ii)]	449	-	572	139
Share option reserve [Note (iii)]	-	5,975	-	5,975
Fair value reserve [Note (iv)]	833	5,809	833	5,809
Contributed surplus [Note (v)]	3,312	3,312	-	-
Hedging reserve [Note (vi)]	-	-	(37,119)	(20,123)
Exchange fluctuation reserve	-	-	8,241	(7,176)
Retained profits	51,756	44,283	18,153	74,764
	232,913	235,942	172,796	241,504

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 19 Reserves (Cont'd)

	The Company		The Group	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
<b>Share premium</b>				
At 1 January	176,563	155,884	176,563	155,884
Issue of ordinary shares	-	20,679	-	20,679
At 31 December	176,563	176,563	176,563	176,563
<b>Non-distributable reserve</b>				
At 1 January	-	-	5,553	4,074
Transfer from profit and loss	-	-	-	1,479
At 31 December	-	-	5,553	5,553
<b>Capital reserve</b>				
At 1 January	-	-	139	69
Issue of warrants	449	-	449	-
Currency translation differences	-	-	(16)	70
At 31 December	449	-	572	139
<b>Share option reserve</b>				
At 1 January	5,975	12,814	5,975	12,814
Equity settled share-based transactions	-	2,440	-	2,440
Share options lapsed	(5,975)	(9,279)	(5,975)	(9,279)
At 31 December	-	5,975	-	5,975
<b>Fair value reserve</b>				
At 1 January	5,809	-	5,809	-
Fair value gain on available-for-sale financial assets	-	5,809	-	5,809
Transfer to profit and loss	(4,976)	-	(4,976)	-
At 31 December	833	5,809	833	5,809
<b>Contributed surplus</b>				
At 1 January and 31 December	3,312	3,312	-	-
<b>Hedging reserve</b>				
At 1 January	-	-	(20,123)	-
Cash flow hedges	-	-	(16,996)	(20,123)
At 31 December	-	-	(37,119)	(20,123)
<b>Exchange fluctuation reserve</b>				
At 1 January	-	-	(7,176)	(15,520)
Currency translation differences	-	-	15,417	8,344
At 31 December	-	-	8,241	(7,176)

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 19 Reserves (Cont'd)

	The Company		The Group	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
<b>Retained profits</b>				
At 1 January	44,283	50,234	74,764	115,951
Profit/(loss) for the year	1,498	(15,230)	(62,586)	(48,987)
Share option lapsed	5,975	9,279	5,975	9,279
Transfer to Non-distributable reserves	-	-	-	(1,479)
At 31 December	51,756	44,283	18,153	74,764
Total reserves	232,913	235,942	172,796	241,504

### 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 venture partners. The quantum of the transfers is 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 statements of financial position.

(ii) This arose from the capitalisation of various reserves and retained profits in one of the Sino-foreign joint ventures of the Group. The purpose of the capitalisation is to increase the registered capital of the joint venture.

(iii) This arose from the recognition of share based payments arising from the grant of unlisted options to certain Directors and employees of the Company and its subsidiaries (Note 30).

(iv) The fair value reserve of the Company and the Group represents the changes in fair value of available-for-sale financial asset.

(v) The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued for acquisition of the subsidiaries and the aggregate net asset value of the subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus can be distributable to shareholders under certain circumstances.

(vi) The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge recognised in other comprehensive income and accumulated hedging reserves is reclassified to profit or loss when the hedged transaction impacts the profit or loss.

## 20 Land use rights obligation

The land use rights obligations pertain to the present value of the remaining unpaid land premium for a land use right in Sarawak, Malaysia. The unpaid land premium is to be paid over 4 annual instalments and is recognised as land use rights obligation in the consolidated statement of financial position.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 21 Borrowings

	The Company		The Group	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
<b>Non-current</b>				
Obligations under finance leases (Note 21.1)	-	-	4,349	91
Bank loans, secured (Note 21.2)	32,160	-	351,548	156,499
5% Convertible Note (Note 21.3)	19,264	18,442	19,264	18,442
Other loans (Note 21.4)	12,819	-	27,441	13,303
	<b>64,243</b>	18,442	<b>402,602</b>	188,335
<b>Current</b>				
Obligations under finance leases (Note 21.1)	-	-	4,329	74
Bank loans, secured (Note 21.2)	-	-	75,081	138,484
	-	-	79,410	138,558
	<b>64,243</b>	18,442	<b>482,012</b>	326,893

### 21.1 Obligations under finance leases

	2014 A\$'000	2013 A\$'000
The Group		
Minimum lease payments payable:		
Due not later than one year	4,891	79
Due later than one year and not later than five years	4,710	98
	9,601	177
Less: Finance charges allocated to future periods	(923)	(12)
Present value of minimum lease payments	8,678	165
Present value of minimum lease payments:		
Due not later than one year	4,329	74
Due later than one year and not later than five years	4,349	91
	8,678	165

The Group leases motor vehicles from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term. The finance lease obligations are secured by the underlying assets (Note 4).

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 21 Borrowings (Cont'd)

### 21.2 Bank loans

	The Company		The Group	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
Bank loans, secured [note (a)]	-	-	3,848	44,447
Bank loans, secured [note (b)]	-	-	2,828	73,211
Bank loans, secured [note (c)]	-	-	13,973	14,647
Bank loans, secured [note (d)]	-	-	53,109	43,823
Bank loans, secured [note (e)]	-	-	6,917	8,261
Bank loans, secured [note (f)]	-	-	283,595	110,594
Bank loans, secured [note (g)]	32,160	-	62,359	-
	<b>32,160</b>	-	<b>426,629</b>	294,983
Amount repayable not later than one year	-	-	75,081	138,484
Amount repayable after one year	32,160	-	351,548	156,499
Bank loans	<b>32,160</b>	-	<b>426,629</b>	294,983

Notes:

- (a) The loans are secured by:
- a charge over certain bank deposits as disclosed in Note 16 (d);
  - a security agreement over the Company's holding of 52,482,500 Northern Iron Limited ("NFE") shares listed on the ASX;
  - the Company's holding of 100% shares of OMH (Mauritius) Corp, a company incorporated in Mauritius;
  - OMH (Mauritius) Corp's holding of 2,592,593 shares (representing 26%) in Main Street 774 (Proprietary) Limited, a company incorporated under the laws of the Republic of South Africa; and
  - irrevocable and unconditional corporate guarantees provided by the Company and a subsidiary.

The weighted average effective interest rate was 2.53% (2013 - 3.90%) per annum.

- (b) The loans are secured by charges over certain bank deposits and bills receivables as disclosed in Note 16(d) and Note 15 respectively, and the weighted average effective interest rate of the bank loans was 4.24% (2013 - 3.38%) per annum.
- (c) The loan is secured by a charge over leasehold land as disclosed in Note 5, and an irrevocable and unconditional corporate guarantee provided by the Company. The weighted average effective interest rate of the bank loan was 3.04% (2013 - 2.95%) per annum.
- (d) The loans are secured by charges over certain bank deposits as disclosed in Note 16(d), and the weighted average effective interest rate of the bank loans was 2.22% (2013 - 1.32%) per annum.
- (e) The loans are secured by charges over certain inventories as disclosed in Note 13, and the weighted average effective interest rate of the bank loans was 5.30% (2013 - 4.35%) per annum.
- (f) These loans are project finance loans for OM Sarawak ferroalloy projects and are secured by:
- the Company's holding of 80% shares of OM Materials (Sarawak) Sdn Bhd, a company incorporated in Malaysia;
  - charge over certain bank deposits as disclosed in Note 16(c);
  - charge over certain land use rights as disclosed in Note 5;
  - debenture;
  - borrower assignment;
  - assignment of insurances;

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 21 Borrowings (Cont'd)

### 21.2 Bank loans (Cont'd)

Notes: (Cont'd)

(f) These loans are project finance loans for OM Sarawak ferroalloy projects and are secured by: (Cont'd)

- shareholder assignment;
- assignment of reinsurances; and
- corporate guarantee from OM Holdings Limited and Chaya Mata Sarawak Berhad.

The weighted average effective interest rates were 4.15% to 6.47% (2013 - 4.16% to 6.20%) per annum.

(g) The loans are secured by:

- charge over certain bank deposits as disclosed in Note 16 (d);
- holding of 52,482,500 Northern Iron Limited ("NFE") shares listed on the ASX;
- certain subsidiaries and an associated company and corporate guarantees from the Company and a subsidiary.

The weighted average effective interest rate was 12.45% (2013 - Nil) per annum.

### 21.3 5% Convertible Note

On 7 March 2012 the Company issued to Hanwa Co. Ltd 25,000,000 convertible notes at an aggregate principal amount of A\$19,945,953 (US\$21,447,261) with a nominal interest of 5.0%, due on 6 March 2016 and convertible in accordance with the terms and conditions of issue including an initial conversion price of A\$0.80 per share. As at the end of the reporting period, the host debt contract is recognised as a non-current liability amounting to A\$19,264,000 (2013 – A\$18,442,000), to be amortised over 3 years while the conversion option (Note 14) valued at A\$483,000 (2013 – A\$2,713,000) is recognised as current liability. During the year, interest expense of A\$2,088,000 (2013 – A\$1,871,000) was recognised in the profit or loss.

### 21.4 Other loans

	The Company		The Group	
	2014	2013	2014	2013
	A\$'000	A\$'000	A\$'000	A\$'000
Shareholder loan, unsecured [note (a)]	-	-	3,642	3,133
Loan, secured [note (b)]	-	-	10,980	10,170
Loan, secured [note (c)]	12,819	-	12,819	-
	<b>12,819</b>	-	<b>27,441</b>	13,303

(a) The loan is unsecured and interest bearing at LIBOR + 4% per annum. Until all the secured borrowings as disclosed in Note 21.2(f) have been irrevocably paid in full, neither shareholders shall demand or receive payment or any distribution in respect of these loans.

(b) The loan is repayable on 31 December 2015. Interest is charged at LIBOR + 1% per annum. The loan is guaranteed by the Company.

(c) The loan has similar securities as disclosed in Note 21.2 (g).

Included in the Company's and the Group's non-current borrowings are bank loans of A\$32,160,000 and A\$62,359,000 (Note 21.2) respectively and other loans of A\$12,189,000 (Note 21.4) with a financial institution in which certain loan covenants were not met as at 31 December 2014. Discussions on this non-compliance were held between the financing bank and the Directors and the management of the Group since October 2014, and the financing bank did not serve any formal notice of default or letter of demand on the Group. As such, the Directors and management of the Group are of the view that a waiver from the financing bank is in substance approved as at the end of the reporting period. The Group received the approved waiver letter from the financing bank after the year end.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 21 Borrowings (Cont'd)

### 21.5 Currency risk

Total borrowings are denominated in the following currencies:

	The Company		The Group	
	2014	2013	2014	2013
	A\$'000	A\$'000	A\$'000	A\$'000
Australian Dollar	-	-	6,822	-
United States Dollar	64,243	18,442	386,718	290,899
Renminbi	-	-	2,000	4,680
Malaysian Ringgit	-	-	86,472	31,314
	<b>64,243</b>	<b>18,442</b>	<b>482,012</b>	<b>326,893</b>

### 21.6 Effective interest rates

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

	The Company		The Group	
	2014	2013	2014	2013
Obligations under finance leases	-	-	2.58% to 7.07%	4.86%
Bank loans	12.45%	-	2.22% to 12.45%	1.82% to 7.20%
5% convertible note	5.09%	7.60%	5.09%	7.60%

The carrying amounts of the Company's and the Group's borrowings approximate their fair value.

## 22 Provisions

	2014	2013
The Group	A\$'000	A\$'000
(a) Rehabilitation		
At the beginning of the year	5,007	5,092
Provision made for the year (Note 25)	763	409
Payments during the year	(26)	(494)
At end of the year (i)	<b>5,744</b>	<b>5,007</b>
(b) Employee long service leave		
At the beginning of the year	717	266
Provision made for the year (Note 25)	99	451
At end of the year (ii)	<b>816</b>	<b>717</b>
Total (i) + (ii)	<b>6,560</b>	<b>5,724</b>

- (a) According to the Mine Management and Environment Management Plans submitted to the Northern Territory Government in Australia, the Group is obligated for the rehabilitation/restoration of areas disturbed arising from mining activities conducted by OM (Manganese) Ltd, a wholly-owned subsidiary. Mine rehabilitation costs are provided for at the present value of future expected expenditure when the liability is incurred, unwind at effective interest rate of 6.13%. Although the ultimate cost to be incurred is uncertain, the Company has estimated its costs based on the rates outlined by the Northern Territory Department of Resources and Mineral Energy using current restoration standards and techniques.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 22 Provisions (Cont'd)

- (b) Employees of a subsidiary are entitled, under the labour law of the country of its incorporation, to additional leave over and above their annual leave (known as long service leave) if they remain employed by the subsidiary beyond 10 years. 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.

## 23 Trade and other payables

	The Company		The Group	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
<b>Non-current</b>				
Retention monies	-	-	36,621	14,247
<b>Current</b>				
Trade payables				
- Third party payables	-	-	50,323	52,903
- Bill payables	-	-	13,701	33,611
	-	-	64,024	86,514
Amount due to subsidiaries (non-trade)	48,162	33,508	-	-
Accruals	1,606	1,121	6,362	4,829
Other payables	144	144	74,324	38,403
Retention monies	-	-	4,180	4,361
Welfare expense payable	-	-	1,932	1,656
	49,912	34,773	150,822	135,763

Included in the amount due to subsidiaries is an amount due to a wholly-owned subsidiary - OM Materials (S) Pte Ltd of A\$40,255,000 (2013 - A\$30,000,000) which bears interest of 3.70% to 12.00% (2013 - 3.93%) per annum. The amount due to subsidiaries represents advances which is non-trade, unsecured and repayable on demand.

Included in other payables are advances from customers of A\$2,237,000 (2013 - A\$6,027,000) and freight payable of A\$11,004,000 (2013 - A\$14,296,000).

Trade and other payables are denominated in the following currencies:

	The Company		The Group	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
Australian Dollar	34,145	32,513	23,233	35,422
Renminbi	-	-	9,678	12,706
United States Dollar	15,694	-	64,348	72,249
Malaysian Ringgit	-	-	53,186	15,296
Others*	73	2,260	377	90
	49,912	34,773	150,822	135,763

\*Others include Singapore Dollar, Hong Kong Dollar and South African Rand.

All trade payables are generally on 30 to 120 (2013 - 30 to 120) days' credit terms.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 24 Other income

	2014	2013
	A\$'000	A\$'000
The Group		
Interest income from banks	300	608
Sundry income	2,762	621
Gain from sale of subsidiaries' shares	523	8
	<b>3,585</b>	<b>1,237</b>

## 25 Loss before income tax

	2014	2013
	A\$'000	A\$'000
The Group		
	Note	
Loss before income tax has been arrived at after charging:		
Amortisation of land use rights*	5	651
Amortisation of mine development costs*	7	4,296
Cost of inventories recognised as expenses #		496,602
Depreciation of property, plant and equipment**	4	15,687
Reversal of rehabilitation cost*		(709)
Fair value gain on derivative financial instruments*		(2,230)
Impairment loss on:		
- available-for-sale financial assets*		3,988
- property, plant and equipment*		-
- other assets*		507
Equity-settled share-based payments *	30	-
Exchange loss*		1,224
Exploration and evaluation costs written off*	6	1,708
Finance costs:		
- loans		12,801
- others		4,490
Loss on disposal of property, plant and equipment*		93
Operating lease charges in respect of land and buildings *		565
Provision for rehabilitation *	22	763
Provision for long service leave*	22	99
Employee benefits expenses	29	34,222
Write-down of inventories to net realisable value*		89

# Cost of inventories included amounts of A\$27,327,000 and A\$2,267,000 (2013 - A\$25,379,000 and A\$2,536,000) related to staff costs and depreciation respectively.

\* Included in other operating expenses.

## 26 Income tax expense/(benefit)

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 the Singapore subsidiary, OM Materials (S) Pte Ltd ("OMS"), the Singapore Ministry of Trade and Industry approved the award of Global Trade Programme status to the subsidiary and therefore OMS was entitled to a concessionary rate of 10% for a period of 5 years with effect from 1 July 2004, subject to fulfilment of specific conditions.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 26 Income tax expense/(benefit) (Cont'd)

OMS was awarded the Global Trade Programme for a further five year period from 1 July 2009, which was then extended for another 5 year period from 1 July 2014, subject to fulfilment of specific conditions.

Taxation has been provided at the appropriate tax rates prevailing in Australia, Singapore, Malaysia, Hong Kong and the PRC in which the Group operates on the estimated assessable profits for the year. These rates generally range from 17% to 30% for the reporting period. However as noted above, OMS enjoyed concessionary tax rates of 10% during the period.

	2014 A\$'000	2013 A\$'000
The Group		
Current taxation		
- Singapore income tax	326	985
- PRC tax	48	2,626
- others	50	49
Deferred taxation (Note 10)	20,136	(1,747)
	<b>20,560</b>	<b>1,913</b>
Under/(over) provision in the prior financial years		
- current year income tax	2,269	3,082
- deferred taxation (Note 10)	(370)	347
Income tax	<b>22,459</b>	<b>5,342</b>
Other tax expense/(benefit)		
- Withholding tax	656	939
- Profits-based royalty expense for 2006-2010 - Northern Territory Royalty	2,297	3,172
- Profits-based royalty benefit for 2011-2013 - Northern Territory Royalty (Note10)	-	(8,563)
	<b>25,412</b>	<b>890</b>

A reconciliation of the income tax expense applicable to the loss before income tax at the statutory income tax rates to the income tax expense for the reporting period, is as follows:

	2014 A\$'000	2013 A\$'000
The Group		
Loss before income tax	<b>(34,980)</b>	<b>(48,203)</b>
Tax at applicable tax rates	(7,636)	(8,874)
Deferred tax assets on temporary difference not recognised	7,926	1,535
De-recognition of deferred tax assets	22,104	9,356
Tax effect of non-taxable revenue <sup>#</sup>	(5,578)	(1,678)
Tax effect of non-deductible expenses <sup>*</sup>	3,795	2,236
Tax effect of allowances given by tax jurisdiction	(23)	(634)
Tax rebate	(28)	(28)
Under provision in prior years	1,899	3,429
	<b>22,459</b>	<b>5,342</b>

<sup>#</sup>Non-taxable revenue relates mainly to unrealised exchange gain.

<sup>\*</sup>Non-deductible expenses relate mainly to unrealised exchange loss, overseas interest expenses and provision expenses.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 27 Cash flow hedges

	2014 A\$'000	2013 A\$'000
The Group		
Cash flow hedges:		
Loss arising during the year	(16,996)	(20,123)
Non-controlling interests*	(4,249)	(5,031)
	<b>(21,245)</b>	<b>(25,154)</b>

\* The Group has a 80% shareholding in OM Materials (Sarawak) Sdn. Bhd., a subsidiary in which hedging takes place.

## 28 Loss per share

The Group

The loss per share is calculated based on the consolidated losses attributable to owners of the parent divided by the weighted average number of shares on issue of 704,366,754 (2013 - 704,366,754) shares during the financial year.

The following table reflects the profit or loss and share data used in the computation of basic and diluted loss per share from continuing operations for the years ended 31 December:

	2014 '000	2013 '000
The Group		
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	704,367	704,367
Effect of dilutive potential ordinary shares:		
Share options	-	-
Weighted average number of ordinary shares for the purposes of calculating diluted loss per share	704,367	704,367

Loss figures are calculated as follows:

	2014 A\$'000	2013 A\$'000
The Group		
Loss for the purpose of calculating basic and diluted loss per share	(62,586)	(48,987)

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 29 Employee benefits expense

	2014 A\$'000	2013 A\$'000
The Group		
Directors' fees	440	470
Directors' remuneration other than fees		
- Directors of the Company	1,379	1,475
- Directors of the subsidiaries	1,578	2,035
- Defined contributions plans	138	125
Key management personnel (other than Directors)		
- Salaries, wages and other related costs	2,964	1,970
- Defined contributions plans	211	150
Equity-settled share-based payments		
- Directors of the Company and subsidiaries	-	2,440
	<b>6,710</b>	<b>8,665</b>
Other than key management personnel		
- Salaries, wages and other related costs	30,052	24,947
- Defined contributions plans	2,883	2,471
	<b>39,645</b>	<b>36,083</b>
Capitalised in construction-in-progress	<b>(5,423)</b>	<b>(2,033)</b>
	<b>34,222</b>	<b>34,050</b>

## 30 Employee share option plan

The Company

At the Annual General Meeting held on 25 May 2007, shareholders approved the introduction of the OM Holdings Limited Employee Share Option Plan, which provided for the grant of unlisted share options to subscribe for shares in the Company to Directors and employees of the Company and its subsidiaries. Renewal approval for the Employee Share Option Plan was also provided by shareholders at the Annual General Meeting held on 20 April 2011. 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 including Director options and those 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.

During the reporting periods, certain Group employees (including Directors) have been granted share options. Details of the movements in the Company's share options granted were as follows:

	Options 2014 '000	Weighted Average Exercise Price 2014 A\$	Options 2013 '000	Weighted Average Exercise Price 2013 A\$
Outstanding at 1 January	6,000	2.08	15,000	2.13
Expired/lapsed	(6,000)	2.08	(9,000)	2.16
Outstanding at 31 December	-	-	6,000	2.08
Exercisable at 31 December	-	-	4,000	1.87

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 30 Employee share option plan (Cont'd)

In 2008 the Board and where relevant shareholders of the Company approved the grant of 56,650,000 unlisted options to Directors and employees of the Company and its subsidiaries. In 2014, the vested amount of A\$Nil (2013 - A\$2,440,000) was expensed through the profit or loss, out of which A\$Nil (2013 - A\$1,627,000) was reversed from the profit or loss and capitalised as part of construction-in-progress.

The fair value of equity-settled share options granted during the year ended 31 December 2008 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. The following table lists the inputs to the model used during the reporting period:

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

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

Option pricing models require the input of highly subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a realistic measure of fair value of the Company's share options at the date of the grant or thereafter.

## 31 Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following amounts are transactions with related parties based upon commercial arm's length terms and conditions:

	<b>2014</b>	<b>2013</b>
The Group	<b>A\$'000</b>	<b>A\$'000</b>
Sale of goods to an associate	-	1,190
Purchase of goods from an associate	<b>682</b>	43,740
Management fee charged to an associate	<b>569</b>	272
Payment made on behalf for an associate	<b>61</b>	153
Legal fees paid to a company of which a Director is a director and beneficial shareholder	-	58

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 32 Commitments

### 32.1 Capital commitments

The following table summarises the Group's capital commitments:

	2014 A\$'000	2013 A\$'000
The Group		
Capital expenditure contracted but not provided for in the financial statements:		
- capital injection to an associate for mine development	-	1,328
- capital expenditure	300	-
- acquisition of property, plant and equipment to be fully financed from Project Finance Loans [Note 21.2(f)]	29,553	223,892

### 32.2 Operating lease commitments in respect of office premises

At the end of the reporting period, the Group were committed to making the following rental payments in respect of non-cancellable operating leases of office premises with an original term of more than one year:

	2014 A\$'000	2013 A\$'000
The Group		
Not later than one year	539	607
Later than one year and not later than five years	287	412
	826	1,019

The leases on the Group's office premises on which rentals are payable will expire earliest on the 14 January 2016 and latest on the 14 September 2017, subject to an option to renew. The current rents payable on the leases ranges from A\$3,800 to A\$27,500 per month respectively which are subject to revision on renewal.

### 32.3 Other operating commitments

Other contracted operating commitments represents the provision of mining and processing services, catering, cleaning and village management, electrical power services, road haulage and rail haulage. These commitments are contracted for but not provided for in the financial statements.

	2014 A\$'000	2013 A\$'000
The Group		
Not later than one year	202	202
Later than one year and not later than five years	-	-
	202	202

### 32.4 Mineral Tenements

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

	2014 A\$'000	2013 A\$'000
The Group		
Mineral tenements annual expenditure commitments	194	177

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 32 Commitments (Cont'd)

### 32.5 Environmental bonds

A subsidiary has environmental bonds to the value of A\$9,205,000 (2013 - A\$9,429,000) lodged with the Northern Territory Government (Department of Resources) to secure environment rehabilitation commitments. The A\$9,205,000 of bonds has been secured by A\$7,451,000 of bonds issued under financing facilities and A\$1,664,000 cash backed secured with the Northern Territory Department of Resources.

## 33(a) Contingent liabilities

### Northern Territory Mineral Royalties

The Northern Territory Mineral Royalty Act ("MRA") is a profit based royalty regime that uses the net value of a mine's production to calculate royalties payable on the recovery of mineral commodities from a mine site. The determination of the net value of manganese produced from the Bootu Creek Manganese Mine is in dispute between a subsidiary and the Territory Revenue Office ("TRO") (the office responsible for administering the MRA). The central issue in the dispute relates to the calculation of the gross realisation by the subsidiary.

The TRO has issued mineral royalty Notices of Assessment for the years 2006 to 2011 totalling A\$41,624,806. The subsidiary has paid each of the mineral royalty Notices of Assessment issued by the Territory Revenue Office for the years 2006 to 2011. The subsidiary has not received any Notices of Assessment for the royalty years 2012 to 2014 and expects that no mineral royalties will be payable in relation to such years as a result of Negative Net Values.

## 33(b) Contingent assets

### Northern Territory Mineral Royalties

Notwithstanding payment by the subsidiary of the mineral royalty Notices of Assessments (required by law) as described in Note 33(a) above, the subsidiary disagrees with the Territory Revenue Office mineral royalty notices of assessments from years 2006 to 2011 and on 9 December 2014 lodged an appeal in the Supreme Court of the Northern Territory to a determination of an objection in relation to the royalty assessments. At the reporting date, the final amount of the subsidiary's claim against the TRO cannot be determined. At this early stage of the proceedings the expectation is that the matter may be heard some time in the second half of 2015.

## 34 Operating segments

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

Mining	Exploration and mining of manganese ore
Smelting	Production of manganese ferroalloys and manganese sinter ore
Marketing and Trading	Trading of manganese ore, manganese ferroalloys and sinter ore, chrome ore and iron ore

Each of these operating segments is managed separately as they require different resources as well as operating approaches.

The reporting segment results exclude the finance income and costs, share of results of associate, income tax which are not directly attributable to the business activities of any operating segment, and are not included in arriving at the operating results of the operating segment.

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

Segment performance is evaluated based on the operating profit or loss which in certain respects, as set out below, is measured differently from the operating profit or loss in the consolidated financial statements.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 34 Operating segments (Cont'd)

	Mining		Smelting		Marketing and Trading		Others		Total	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
<b>Reportable segment revenue</b>										
Sales to external customers	-	-	104,816	156,589	427,924	267,073	-	-	532,740	423,662
Inter-segment sales	145,755	116,078	-	-	44,212	108,049	5,538	2,660	195,505	226,787
Elimination									(195,505)	(226,787)
	145,755	116,078	104,816	156,589	472,136	375,121	5,538	2,660	532,740	423,662
<b>Reportable segment (loss)/profit</b>	<b>(24,539)</b>	<b>(31,199)</b>	<b>3,738</b>	<b>(272)</b>	<b>182</b>	<b>14,415</b>	<b>(3,531)</b>	<b>(24,078)</b>	<b>(24,150)</b>	<b>(41,134)</b>
<b>Reportable segment assets</b>	<b>119,998</b>	<b>145,752</b>	<b>699,577</b>	<b>452,779</b>	<b>385,519</b>	<b>350,628</b>	<b>397,679</b>	<b>329,493</b>	<b>1,602,773</b>	<b>1,278,652</b>
Elimination									(770,023)	(614,988)
Investment in associates									107,881	100,336
Deferred tax assets									8,996	31,031
Available-for-sale financial assets									2,727	11,691
Goodwill									2,065	2,065
Cash collateral									26,122	31,274
<b>Total assets</b>									<b>980,541</b>	<b>840,061</b>
<b>Reportable segment liabilities</b>	<b>258,239</b>	<b>253,109</b>	<b>194,713</b>	<b>103,074</b>	<b>194,379</b>	<b>133,317</b>	<b>161,495</b>	<b>143,935</b>	<b>808,826</b>	<b>633,435</b>
Elimination									(58,764)	(438,949)
Borrowings									482,012	326,893
Deferred tax liabilities									-	6
Income tax payables									8,808	16,394
<b>Total liabilities</b>									<b>740,882</b>	<b>537,779</b>
<b>Other segment information</b>										
Purchase of property, plant and equipment	9,520	3,184	189,688	203,766	32	65	-	-	199,240	207,015
Depreciation of property, plant and equipment	12,068	11,924	3,234	2,880	379	354	6	-	15,687	15,158
Amortisation of land use rights	-	-	651	626	-	-	-	-	651	626
Addition of mine development costs	1,462	335	-	-	-	-	-	-	1,462	335
Amortisation of mine development costs	4,296	2,254	-	-	-	-	-	-	4,296	2,254
Addition of evaluation and exploration costs	1,527	1,407	-	-	-	-	-	-	1,527	1,407

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 34 Operating segment (Cont'd)

Reconciliation of the Group's reportable segment loss to the loss before income tax is as follows:

	2014 A\$'000	2013 A\$'000 (Restated)
The Group		
Reportable segment loss	(24,150)	(41,134)
Finance income	300	608
Share of results of associates	6,161	1,710
Finance costs	(17,291)	(9,387)
Loss before income tax	(34,980)	(48,203)

The Group's revenues from external customers and its non-current assets (other than available-for-sale financial assets and deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
Principal markets				
PRC	529,637	422,264	25,886	25,721
Australia	-	-	64,648	71,215
Mauritius	-	-	105,753	100,103
Malaysia	-	-	488,599	283,116
Others (including Bermuda and Madagascar)	3,103	1,398	4,971	3,076
	532,740	423,662	689,857	483,231

The geographical location of customers is based on the locations at which the goods were delivered. The geographical location of non-current assets is based on the physical location of the asset.

Revenue of approximately A\$71,295,000 (2013 - A\$30,861,000) was derived from a single external customer. This revenue is attributable to the Marketing and Trading segment (2013 - Smelting segment).

## 35 Financial risk management objectives and policies

The Company and the Group are exposed to financial risks arising from its operations and use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Company's and the Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Company's and the Group's financial performance.

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

There has been no change to the Company's and the Group's exposure to these financial risks or the manner in which it manages and measures the risk during the reporting period. The Group continues to use derivative instruments to manage certain market risks. Details of these are in Note 14. Market risk exposures are measured using sensitivity analysis indicated below.

## 35 Financial risk management objectives and policies (Cont'd)

### 35.1 Credit risk

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

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

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management.

#### Exposure to credit risk

As the Company and the Group do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

The Company's and the Group's major classes of financial assets are bank deposits and trade receivables. Cash is held with reputable financial institutions. Further details of credit risks on trade and other receivables are disclosed in Note 15.

#### *Guarantees*

The Company provides corporate guarantees to its subsidiaries on their bank borrowings. The Company's maximum exposure to credit risk in respect of the intra-group corporate guarantees (Note 35.2) at the reporting date is equal to the facilities drawn down by the subsidiaries in the amounts of A\$601,870,000 (2013 – A\$169,688,000). At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intragroup corporate guarantee.

There is no impact on the corporate guarantee as the bank borrowings of the subsidiaries concerned are at prevailing market rates.

#### *Undrawn credit facilities*

The Group has undrawn credit facilities of approximately A\$306,030,000 (2013 – A\$212,190,000).

### 35.2 Liquidity risk

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

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

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 35 Financial risk management objectives and policies (Cont'd)

### 35.2 Liquidity risk (Cont'd)

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

The Group	Less than 1 year A\$'000	Between 2 and 5 years A\$'000	Over 5 years A\$'000	Total A\$'000
<b>As at 31 December 2014</b>				
Non-derivative financial liabilities				
Trade and other payables	148,585	36,621	-	185,206
Lease obligation	4,394	4,394	-	8,788
Borrowings	101,173	182,565	321,908	605,646
	<b>254,152</b>	<b>223,580</b>	<b>321,908</b>	<b>799,640</b>
Derivative financial liabilities				
5% Convertible note	483	-	-	483
Interest rate swaps	-	2,184	-	2,184
Cross currency swaps	-	15,625	-	15,625
Forward foreign exchange contracts	-	31,050	-	31,050
	<b>483</b>	<b>48,859</b>	<b>-</b>	<b>49,342</b>
<b>As at 31 December 2013</b>				
Non-derivative financial liabilities				
Trade and other payables	129,736	14,247	-	143,983
Lease obligation	1,707	8,537	-	10,244
Borrowings	175,913	62,611	146,522	385,046
	<b>307,356</b>	<b>85,395</b>	<b>146,522</b>	<b>539,273</b>
Derivative financial liabilities				
5% Convertible note	2,713	-	-	2,713
Interest rate swaps	-	2,256	-	2,256
Cross currency swaps	-	9,440	-	9,440
Forward foreign exchange contracts	-	15,714	-	15,714
	<b>2,713</b>	<b>27,410</b>	<b>-</b>	<b>30,123</b>

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 35 Financial risk management objectives and policies (Cont'd)

### 35.2 Liquidity risk (Cont'd)

The Company	Less than 1 year A\$'000	Between 2 and 5 years A\$'000	Over 5 years A\$'000	Total A\$'000
<b>As at 31 December 2014</b>				
Non-derivative financial liabilities				
Trade and other payables	49,912	-	-	49,912
Borrowings	6,487	71,880	-	78,367
Intragroup financial guarantee	601,870	-	-	601,870
	<b>658,269</b>	<b>71,880</b>	-	<b>730,149</b>
Derivative financial liabilities				
5% Convertible note	483	-	-	483
<b>As at 31 December 2013</b>				
Non-derivative financial liabilities				
Trade and other payables	34,773	-	-	34,773
Borrowings	922	19,529	-	20,451
Intragroup financial guarantee	169,688	-	-	169,688
	<b>205,383</b>	<b>19,529</b>	-	<b>224,912</b>
Derivative financial liabilities				
5% Convertible note	2,713	-	-	2,713

The Group has various lines of credit with major financial institutions for purposes of drawing upon short term borrowings, through the pledging of bills receivables or inventories. Further, management closely monitors the Group's capital structure to ensure that there are adequate funds to meet all its obligations in a timely and cost effective manner.

The Group incurred a net loss after tax of A\$60,392,000 and negative operating cash flows of A\$10,575,000 during the financial year ended 31 December 2014. Notwithstanding this, the Group has a strong cash position of A\$64,873,000 (2013 – A\$67,326,000), including cash collaterals of A\$26,122,000 (2013 – A\$31,274,000) and net current assets of A\$38,817,000 (2013 – A\$31,354,000) as at the year end.

The Group manages its liquidity risk by ensuring there are sufficient cash and current assets to meet all their normal operating commitments in a timely and cost-effective manner and having adequate amount of credit facilities. The Group has the ability to generate additional working capital through financing from financial institutions.

Based on the foregoing, the Directors are of the view that there is reasonable assurance that the Group will be able to meet its obligations as and when they fall due within the next twelve months.

### 35.3 Interest rate risk

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

The Company's and the Group's exposure to interest rate risk arises primarily from their bank borrowings, cash collaterals and fixed deposits. The Group uses derivative financial instruments such as interest rate swap to protect against the volatility associated with the interest payments, as disclosed in Note 14.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 35 Financial risk management objectives and policies (Cont'd)

### 35.3 Interest rate risk (Cont'd)

#### Sensitivity analysis for interest rate risk

At the end of the reporting period, if USD, RMB and MYR interest rates had been 75 (2013 - 75) basis points lower/higher with all other variables held constant, the Group's loss net of tax would have been lower/higher by the amounts shown below, arising mainly as a result of lower/higher interest expense on bank borrowings, cash collaterals and fixed deposits.

		The Group Profit or loss	
		2014	2013
		A\$'000	A\$'000
United States Dollars	-lower 75 basis points (2013 - 75 basis points)	2,181	1,580
	-higher 75 basis points (2013 - 75 basis points)	(2,181)	(1,580)
Renminbi	-lower 75 basis points (2013 - 75 basis points)	(62)	(70)
	-higher 75 basis points (2013 - 75 basis points)	62	70
Malaysian Ringgit	-lower 75 basis points (2013 - 75 basis points)	420	117
	-higher 75 basis points (2013 - 75 basis points)	(420)	(117)

### 35.4 Foreign currency risk

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

The Group 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 USD, RMB and MYR.

The Group uses derivative financial instruments such cross currency swap and interest rate swap to protect against the volatility associated with the interest payments, as disclosed in Note 14.

#### Sensitivity analysis for foreign currency risk

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

		2014		2013	
		(Loss)/ profit net of tax	Equity	(Loss)/ profit net of tax	Equity
		A\$'000	A\$'000	A\$'000	A\$'000
The Group					
United States Dollars	-strengthened 5% (2013 - 5%)	(21,578)	(23,952)	(3,746)	(3,784)
	-weakened 5% (2013 - 5%)	21,578	23,952	3,746	3,784
Renminbi	-strengthened 5% (2013 - 5%)	892	910	(15,204)	(16,572)
	-weakened 5% (2013 - 5%)	(892)	(910)	15,204	16,572
Malaysian Ringgit	-strengthened 5% (2013 - 5%)	(6,967)	(7,036)	(511)	(516)
	-weakened 5% (2013 - 5%)	6,967	7,036	511	516

### 35.5 Market price risk

Market price risk relates to the risk that the fair values or future cash flows of the Company's and the Group's financial instruments will fluctuate because of changes in market prices, other than changes in interest rates and foreign exchange rates.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 35 Financial risk management objectives and policies (Cont'd)

### 35.5 Market price risk (Cont'd)

The Company and the Group are exposed to market price risks arising from its investment in equity investments quoted on the Australian Securities Exchange in Australia that are classified as available-for-sale financial assets. Available-for-sale equity investments are held for strategic rather than trading purposes. The Company and the Group do not actively trade available-for-sale investments.

The policies to manage equity price risk have been followed by the Group during the reporting periods and are considered to be effective.

#### Market price sensitivity

At the end of each reporting period, if the market share price had been 10% higher/lower, with all the other variables held constant, the Company's and the Group's fair value reserve in equity would have been A\$273,000 (2013 - A\$1,169,000) higher/lower, arising as a result of increase/decrease in the fair value of the Group's and the Company's available-for-sale financial assets.

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

## 36 Capital risk management

The Company's and the Group's objectives when managing capital are:

- to safeguard the Company's and the Group's abilities to continue as a going concern;
- to support the Company's and the Group's stability and growth;
- to provide capital for the purpose of strengthening the Company's and the Group's risk management capability; and
- to provide an adequate return to shareholders.

The Company and the Group actively and regularly review and manage its capital structure to ensure optimal capital structure and shareholders' returns, taking into consideration the future capital requirements of the Company and the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Company and the Group currently do not adopt any formal dividend policy.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company and the Group, is reasonable.

The Company and the Group monitor capital using a gearing ratio, which is net debt divided by total equity:

	The Company		The Group	
	2014	2013	2014	2013
	A\$'000	A\$'000	A\$'000	A\$'000
Borrowings	64,243	18,442	482,012	326,893
Less: Cash and cash equivalents	(227)	(50)	(38,751)	(36,052)
	<b>64,016</b>	<b>18,392</b>	<b>443,261</b>	<b>290,841</b>
Total equity	<b>267,254</b>	<b>270,283</b>	<b>239,659</b>	<b>302,282</b>
Gearing ratio	<b>0.24</b>	<b>0.07</b>	<b>1.85</b>	<b>0.96</b>

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

Please refer to Note 21.4 on the compliance of covenants imposed by the bank.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 37 Financial instrument

### 37.1 Accounting classifications of financial assets and financial liabilities

The Group	Note	Held for trading (fair value through profit and loss) A\$'000	Loans and receivables (carried at amortised cost) A\$'000	Available-for-sale (carried at fair value) A\$'000	Total A\$'000
<b>31 December 2014</b>					
Financial assets					
Available-for-sale financial assets	9	-	-	2,727	2,727
Trade and other receivables	15	-	39,905	-	39,905
Cash and bank balances	16	-	64,873	-	64,873
		-	104,778	2,727	107,505

The Company					
<b>31 December 2014</b>					
Financial assets					
Available-for-sale financial assets	9	-	-	2,727	2,727
Trade and other receivables	15	-	126,417	-	126,417
Cash and bank balances	16	-	227	-	227
		-	126,644	2,727	129,371

The Group	Note	Liabilities at fair value through profit and loss A\$'000	Derivatives used for hedging A\$'000	Other financial liabilities (carried at amortised cost) A\$'000	Total A\$'000
<b>31 December 2014</b>					
Financial liabilities					
Borrowings (excluding finance lease liabilities)	21	-	-	473,334	473,334
Derivative financial instruments	14	483	48,859	-	49,342
Trade and other payables	35.2	-	-	185,206	185,206
Land use rights obligation	20	-	-	6,717	6,717
		483	48,859	665,257	714,599

The Company					
<b>31 December 2014</b>					
Financial liabilities					
Borrowings	21	-	-	64,243	64,243
Derivative financial instruments	14	483	-	-	483
Trade and other payables	35.2	-	-	49,912	49,912
		483	-	114,155	114,638

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 37 Financial instrument (Cont'd)

### 37.1 Accounting classifications of financial assets and financial liabilities (Cont'd)

The Group	Note	Held for trading (fair value through profit and loss) A\$'000	Loans and receivables (carried at amortised cost) A\$'000	Available-for-sale (carried at fair value) A\$'000	Total A\$'000
31 December 2013					
Financial assets					
Available-for-sale financial assets	9	-	-	11,691	11,691
Trade and other receivables	15	-	125,574	-	125,574
Cash and bank balances	16	-	67,326	-	67,326
		-	192,900	11,691	204,591

The Company					
31 December 2013					
Financial assets					
Available-for-sale financial assets	9	-	-	11,691	11,691
Trade and other receivables	15	-	125,154	-	125,154
Cash and bank balances	16	-	50	-	50
		-	125,204	11,691	136,895

The Group	Note	Liabilities at fair value through profit and loss A\$'000	Derivatives used for hedging A\$'000	Other financial liabilities (carried at amortised cost) A\$'000	Total A\$'000
31 December 2013					
Financial liabilities					
Borrowings (excluding finance lease liabilities)	21	-	-	326,728	326,728
Derivative financial instruments	14	2,713	27,410	-	30,123
Trade and other payables	23	-	-	143,983	143,983
Land use rights obligation	20	-	-	8,629	8,629
		2,713	27,410	479,340	509,463

The Company					
31 December 2013					
Financial liabilities					
Borrowings	21	-	-	18,442	18,442
Derivative financial instruments	14	2,713	-	-	2,713
Trade and other payables	23	-	-	34,773	34,773
		2,713	-	53,215	55,928

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 38 Fair value measurement

### Definition of fair value

IFRSs define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### 38.1 Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statements of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 December 2014 and 31 December 2013:

The Group	Note	Level 1 A\$'000	Level 2 A\$'000	Level 3 A\$'000	Total A\$'000
<b>At 31 December 2014</b>					
Financial assets					
Available-for-sale financial assets	(a)	2,727	-	-	2,727
Financial liabilities					
5% convertible note	(c)	-	483	-	483
Derivatives used for hedging:					
Interest rate swaps	(b)	-	2,184	-	2,184
Cross currency swaps	(b)	-	15,625	-	15,625
Forward foreign exchange contracts	(b)	-	31,050	-	31,050
		-	49,342	-	49,342
<b>At 31 December 2013</b>					
Financial assets					
Available-for-sale financial assets	(a)	11,691	-	-	11,691
Financial liabilities					
5% convertible note	(c)	-	2,713	-	2,713
Derivatives used for hedging:					
Interest rate swaps	(b)	-	2,256	-	2,256
Cross currency swaps	(b)	-	9,440	-	9,440
Forward foreign exchange contracts	(b)	-	15,714	-	15,714
		-	30,123	-	30,123

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 38 Fair value measurement (Cont'd)

### 38.1 Fair value measurement of financial instruments (Cont'd)

The Company	Note	Level 1 A\$'000	Level 2 A\$'000	Level 3 A\$'000	Total A\$'000
<b>As at 31 December 2014</b>					
Financial assets					
Available-for-sale financial assets	(a)	2,727	-	-	2,727
Financial liabilities					
5% convertible note	(c)	-	483	-	483
<b>As at 31 December 2013</b>					
Financial assets					
Available-for-sale financial assets	(a)	11,691	-	-	11,691
Financial liabilities					
5% convertible note	(c)	-	2,713	-	2,713

There were no transfers between Level 1 and Level 2 in 2014 or 2013.

- (a) The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

#### Measurement of fair value of financial instruments

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the group financial controller and to the audit committee. Valuation processes and fair value changes are discussed among the audit committee and the valuation team at least every year, in line with the Group's reporting dates.

The valuation techniques used for instruments categorised in Level 2 are described below:

(b) Derivatives

The fair values of interest rate swaps, cross currency swaps and forward exchange contracts (Level 2 fair values) are based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take into account the credit risk of the Group entity and counterparty when appropriate.

(c) 5% Convertible note

The fair value of the 5% convertible note is determined using valuation techniques based on discounted future cash flows using a 9% effective interest rate. The observable inputs used in the valuation techniques are based on quoted share prices.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## 39 Comparative figures

Certain comparative information has been reclassified to conform with current year's presentation as follows:

The Group	31 December 2013		
	As restated A\$'000	Adjustments A\$'000	As previously reported A\$'000
<b><u>Consolidated statement of comprehensive income</u></b>			
Administrative expenses	(8,507)	(2,030)	(10,537)
Other operating expenses	(50,574)	(311)	(50,885)
Finance costs	(9,387)	2,341	(7,046)
<b><u>Consolidated statement of cash flows</u></b>			
Cash flows from operating activities	38,502	(1,687)	36,815
Includes:			
- Reversal of provision for rehabilitation	(67)	67	-
- Gain on disposal of subsidiary	(8)	8	-
- Interest expenses	9,387	(2,341)	7,046
- Decrease in long-term provision (for restoration)	(664)	579	(85)
Cash flows from investing activities	(210,737)	(335)	(211,072)
Includes:			
- Payments for mine development costs	-	(335)	(335)
Cash flows from financing activities	131,413	2,038	133,451
Includes:			
- Interest paid	(9,076)	2,030	(7,046)
- Net proceeds from disposal of a subsidiary	-	8	8

## 40 Other matters

### GWA (North) Pty Ltd Wagon Derailment

On 15 June 2012 a subsidiary received correspondence from GWA (North) Pty Ltd ("GWAN") regarding a train derailment event which occurred on 7 June 2012. GWAN issued demands to the subsidiary for the payment of A\$5,470,352. The subsidiary formally denied liability and put the owner of the wagons, CFCL Australia Pty Ltd ("CFCL") with whom the subsidiary had a rental and maintenance agreement in relation to the wagons, on notice that the subsidiary reserves its legal rights against CFCL Australia Pty Ltd.

On 17 March 2014, the subsidiary's insurers – QBE Insurance – agreed to indemnify the subsidiary for any liability it may have to GWAN in respect of the claim and instructed the lawyers to assume conduct of the claim on the subsidiary's behalf. The position of the claim remains unchanged.

### Sponsor Guarantee issued under the terms of the Power Purchase Agreement with Syarikat Sesco Berhad

Pursuant to the execution of the Power Purchase Agreement ("PPA") between a subsidiary and Syarikat Sesco Berhad ("SSB"), the Company issued the following guarantees as conditions precedent to the PPA:

The Company issued sponsor guarantee to SSB for its 80% interest of the subsidiaries' obligations under the PPA. The sponsor guarantees include but are not limited to termination payments, late payment interest and guaranteed obligations under the PPA. Cahya Mata Sarawak Berhad ("CMSB") has correspondingly provided the sponsor guarantees for its 20% interest held in the subsidiaries.

## 40 Other matters (Cont'd)

The sponsor guarantee mentioned above does not fall into the category of financial guarantees as they do not relate to debt instruments as the purpose of these guarantees is essentially to enable SSB to provide the power supply to the subsidiaries on the condition that these guarantees are provided by the ultimate holding company in the event that there are any unpaid claims on the interconnection fees owed to SSB during the term of the PPA. There are no bank loans involved in these guarantees. As such, there is no need for the guarantees to be fair valued.

### **Project Support guarantee issued under the terms of the Facilities Agreement and the Project Support Agreement**

OM Materials (Sarawak) Sdn Bhd, a subsidiary of the Company entered into a project finance Facilities Agreement ("FA") on 28 March 2013 for a limited recourse senior project finance debt facilities totaling USD215 million and MYR310 million for the total cost of the Project's Phase 1 ferrosilicon production facility and another MYR126 million credit line for the issuance of performance and payment guarantees to the power provider SSB, as part of its obligations under the Power Purchase Agreement.

Concurrently, the Company also executed a Project Support Agreement ("PSA") with OM Materials (Sarawak) Sdn Bhd (as Borrower), OM Materials (S) Pte. Ltd. (a wholly-owned subsidiary of the Company) and Samalaju Industries Sdn. Bhd and Cahya Mata Sarawak Berhad (as Obligors). The PSA governs the rights and obligations of the Obligors. These obligations and liabilities of the Company and the CMSB Group are several and pro-rata to their respective 80% and 20% shareholding in OM Materials (Sarawak) Sdn. Bhd.

The PSA will lapse and the Project will become non-recourse 18 months after the satisfaction of pre-agreed project completion tests typical for a project financing facility of this nature.

## 41 Events after end of reporting period

### **Partial disposal of investment in a subsidiary**

On 25 March 2015, a subsidiary of the Company executed a share sale agreement to transfer 5% equity interest in the Sarawak smelter project to the subsidiary's non-controlling interest for a total consideration of US\$18.45 million. It is expected that the transfer will be completed by the end of March 2015. On completion of the transfer, the subsidiary's effective interest in the Sarawak smelter project will be 75% and the non-controlling interest's effective interest will be 25%.

### **Sale of 40 acres of land in Malaysia**

On 6 March 2015, a subsidiary of the Company entered into another option agreement with a separate party to sell another 40 acres of land at A\$13,800,000. 10% of the option fee for the purchase of the land had been received. The sale and purchase agreement is expected to be signed in early April 2015.

# Corporate Governance

OM Holdings Limited (the "Company") is committed to implementing and maintaining the highest standards of corporate governance. In determining what those high standards should involve, the Company has had regard to the third edition of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations with 2013 Amendments*. The ASX Listing Rules require the Company to report on the extent to which it has followed those principles and recommendations during its 2014 financial year.

This statement outlines the main corporate governance practices in place during the 2014 financial year, all of which comply with the ASX Corporate Governance Council recommendations unless stated otherwise.

Further information about the Company's corporate governance practices is set out on the Company's website at [www.omholdingsltd.com](http://www.omholdingsltd.com).

The Company's Board of Directors (the "Board") is responsible for corporate governance, that is, the system by which the Company and its subsidiaries (together, the "OMH Group") are managed.

## 1. BOARD OF DIRECTORS

### 1.1 Role of the Board and Management

The Board's role is to govern the OMH Group. In governing the OMH Group, the Board must act in the best interests of the OMH Group as a whole. It is the role of senior management to manage the OMH Group in accordance with the direction and delegations of the Board and it is the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, one of the primary tasks of the Board is to drive the performance of the OMH Group. The Board must also ensure that the OMH Group complies with all of its contractual, statutory and any other legal obligations, including the requirements of any relevant regulatory body. The Board has the final responsibility for the successful operations of the OMH Group.

To assist the Board in carrying out its functions, it has developed a Code of Conduct to guide the Company's directors ("Directors") and key executives in the performance of their respective roles. The Code of Conduct, along with a number of the Company's other policies and protocols, is available on the Company's website at [www.omholdingsltd.com](http://www.omholdingsltd.com).

The Board represents shareholders' interests in relation to optimising the Company's manganese mining operations, marketing and trading business, ferro alloy smelter and sinter ore facility, and in managing its various strategic investments in the carbon steel materials industry and its development initiatives in both South Africa and Malaysia. This fully integrated strategy seeks to achieve medium to long-term financial returns for shareholders while seeking to minimise risk. The Board believes that this diversified strategy will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

The Board is responsible for ensuring that the OMH Group is managed in such a way to best achieve this desired result. Given the size of the OMH Group's mining, smelting, marketing and trading activities, the Board currently undertakes an active, not passive role.

The Board is responsible for evaluating and setting the strategic direction of the OMH Group, establishing goals for management and monitoring the achievement of these goals. The Executive Chairman and Chief Executive Officer are responsible to the Board for the day-to-day management of the OMH Group.

Among other things, the Board has sole responsibility for the following matters:

- Appointing and removing the Chief Executive Officer, any other executive director and the Company Secretary and determining their respective remuneration and conditions of employment;
- Determining the strategic direction of the OMH Group and measuring performance of management against approved strategies;
- Reviewing the adequacy of resources for management to properly carry out approved strategies and business plans;
- Adopting operating (including production), capital and development expenditure budgets at the commencement of each financial year and ensuring adherence to those budgets by monitoring both financial and non-financial key performance indicators;
- Monitoring the OMH Group's medium term capital, exploration and cash flow requirements;
- Approving and monitoring financial and other reporting to regulatory bodies, shareholders and other key stakeholders;
- Determining that satisfactory arrangements are in place for auditing the OMH Group's financial affairs;
- Appointing the external auditors of the OMH Group;

- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and compliance with all applicable legislative requirements;
- Authorising the issue of shares, options, equity instruments or other securities;
- Authorising borrowings, other than in the ordinary course of business, and the granting of any security over the undertakings of the OMH Group or any of its assets;
- Approving the acquisition, establishment, disposal or cessation of any significant business of the OMH Group; and
- Ensuring that policies and compliance systems consistent with the OMH Group's objectives and best practice are in place and that the OMH Group and its officers act legally, ethically and responsibly at all times.

The Board's role, and the OMH Group's corporate governance practices, are being continually reviewed and improved as the OMH Group's businesses further expand.

The Board may from time to time delegate some of its responsibilities listed above to its senior management team.

The Chief Executive Officer is responsible for managing the operations of the OMH Group (in accordance with the requirements of his Executive Service Agreement) under delegated authority from the Board and for implementing the policies and strategy set by the Board. In carrying out his responsibilities, the Chief Executive Officer must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the OMH Group's operational results and financial position.

The role of management is to support the Executive Chairman and Chief Executive Officer and implement the running of the general operations and financial business of the OMH Group, in accordance with the delegated authority of the Board.

## 1.2 Composition of the Board

To add value to the OMH Group, the Board, which comprised of a majority of independent Directors for most of 2014, has been formed so that it has an effective composition, size and commitment to adequately discharge its responsibilities and duties. The names of the Directors and their qualifications and experience are disclosed in the 'Directors' section of the Annual Report. Directors are appointed based on the specific governance skills required by the OMH Group and on the independence of their decision-making and judgment.

The OMH Group recognises the importance of independent Non-Executive Directors and the external perspective and advice that such Directors can offer. The Board consists of the following independent Non-Executive Directors: Mr Zainul Abidin Rasheed, Mr Tan Peng Chin, Mr Thomas Teo Liang Huat and Mr Peter Church. Ms Julie Wolseley is also a Non-Executive Director but is not viewed as independent due to her also providing company secretarial services to the OMH Group. It should be noted however, that the value of such services are not considered to constitute a material supply arrangement of the Company. Mr Ivo Philipps, a newly appointed director on 20 May 2014, is also not considered to be independent. This is because he is a nominee Director appointed by Standard Chartered Bank following the Company's entry into the New Debt Facility with Standard Chartered Bank.

While the Board strongly believes that boards need to exercise independence of judgment, it also recognises (as does ASX Corporate Governance Council Principle 2) that the need for independence is to be balanced with the need for skills, commitment and a workable board size. The Board believes it has recruited members with the skills, experience and character necessary to discharge its duties and that any greater emphasis on independence would be at the expense of the Board's effectiveness.

As the OMH Group's activities increase in size, nature and scope, the size of the Board will be reviewed and the optimum number of Directors required for the Board to properly perform its responsibilities and functions will continue to be re-assessed.

The Company's current Executive Chairman and acting CEO, Mr Low, is not considered by the Board to be independent having regard to the relationships set out in Box 2.3 titled 'Factors relevant to assessing the independence of a director' in the ASX Corporate Governance Council's Principles and Recommendations. The Board has regard to the relationships set out in Box 2.3, among other things, together with the Company's materiality thresholds when forming a view as to the independent status of a Director.

The Board considers that Mr Low's position as Executive Chairman (and acting Chief Executive Officer) is appropriate given his world-wide experience and specialised understanding of the global manganese industry. The Board believes that Mr Low has the range of skills, knowledge, and experience necessary to effectively govern the Company and understand the industries and market segments in which the Company operates. Mr Low was a founding Director of the Company and was a major force in its evolution and success. Given his

# Corporate Governance

technical, commercial and financial experience and knowledge of the Company, and his continuing contribution to the Board, it is appropriate that he remain in his position.

The membership of the Board, together with its activities and composition, are subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include the quality of the individual, their background of experience and achievement, their compatibility with other Board members, their intellectual ability to contribute to Board duties and their physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the Board subject to re-election by shareholders at the subsequent Annual General Meeting. Under the Company's Bye-laws the tenure of Directors (other than the Chief Executive Officer) is subject to re-appointment by shareholders not later than the third anniversary following his/her last appointment by shareholders. Subject to the requirements of the law, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a Director. A Chief Executive Officer may be appointed for any period and on any terms the Directors think fit and, subject to the terms of any agreement entered into, the Board may revoke that appointment.

## 1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the OMH Group. It is required to do all things that may be necessary to be done in order to carry out the objectives and strategic imperatives of the OMH Group.

Without limiting the authority and role of the Board, the principal functions and responsibilities of the Board include the following:

1. Leadership of the OMH Group - overseeing the OMH Group and establishing codes, policies and protocols that reflect the values of the OMH Group and guide the conduct of the Board, management and employees;
2. Strategy Formulation - working with senior management to set and review the overall strategy and goals for the OMH Group and ensuring that there are policies in place to govern the operation of the OMH Group;
3. Overseeing Planning Activities - overseeing the development of the OMH Group's strategic plans (including operating, capital, exploration and development programmes and initiatives) and approving such plans as well as the annual budget;
4. Shareholder Liaison - ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company;
5. Monitoring, Compliance and Risk Management - overseeing the OMH Group's risk management, compliance, control and accountability systems and monitoring and directing the operational and financial performance of the OMH Group;
6. OMH Group Finances - approving expenditure in excess of that which falls outside the approved authority matrix, approving expenditure materially outside the annual budget and approving and monitoring acquisitions, divestments and financial and other reporting;
7. Human Resources - appointing, and where appropriate, removing the Chief Executive Officer as well as reviewing the performance of the Chief Executive Officer and monitoring the performance of senior management in their implementation of the OMH Group's strategy;
8. Ensuring the Health, Safety and Well-Being of Employees - in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the OMH Group's occupational health and safety systems to ensure the well-being of all employees; and
9. Delegation of Authority - delegating appropriate powers to the Chief Executive Officer to ensure effective day-to-day management of the OMH Group and establishing and determining the powers and functions of the various Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter, a summary of which is contained on the Company's website.

## 1.4 Board Policies

### 1.4.1 Conflict of Interest

Directors must:

- disclose to the Board any actual or potential conflict of interests that may or might reasonably be thought to exist between the interests of the Director and the interests of the OMH Group; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove or mitigate any such conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per law, remove himself/herself from the Boardroom when discussion in relation to matters touching upon that conflict occur and/or abstain from voting on matters about which the conflict relates.

### 1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

### 1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, the Directors and key executives of the OMH Group have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

### 1.4.4 Independent Professional Advice

The Board collectively and, each Director individually, has the right to seek independent legal, accounting or other professional advice at the OMH Group's expense, up to specified limits, to assist it or them (as applicable) in carrying out its or their (as applicable) responsibilities.

### 1.4.5 Board Access to Information

Subject to the Directors' Conflict of Interest guidelines referred to in Section 1.4.1 above, Directors have direct access to members of the Company's management and to all Company information in the possession of management.

### 1.4.6 Related Party Transactions

Related party transactions include any financial transaction between a Director and the OMH Group. Unless there is an exemption under the Companies Act 1981 of Bermuda or any other relevant laws or regulation (including the ASX Listing Rules) from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

## 1.5 Board Meetings

The Executive Chairman, in conjunction with the Chief Executive Officer and Company Secretary<sup>1</sup>, sets the agenda for each meeting. Any Director may request a matter be included on the agenda.

Typically, at Board Meetings the agenda will include:

- minutes of the previous Board meeting and matters arising;
- the Executive Chairman's Report;
- the Chief Executive Officer's Report;
- the Group Financial Controllers' Report;
- operating and financial reports from each key business unit;
- reports on major projects and current issues; and
- specific business proposals.

<sup>1</sup> In accordance with Recommendation 1.4, the company secretary of the Company is directly accountable to the Board, through the Executive Chairman, on all matters to do with the proper functioning of the Board.

# Corporate Governance

The number of meetings of the Directors held in the period each Director held office during the 2014 financial year and the number of meetings attended by each Director were:

	Board of Directors' Meetings		Short Notice Meetings	
	Held	Attended	Held	Attended
Low Ngee Tong	4	4	1	1
Peter Ivan Toth(ii)	4	1	1	1
Julie Wolseley(i)	4	0	1	0
Tan Peng Chin	4	4	1	1
Thomas Teo	4	4	1	1
Zainul Abidin Rasheed	4	4	1	1
Ivo Philipps(iii)	4	3	1	1

- (i) Due to personal circumstances, Ms Wolseley was unable attend meetings of the Board held during 2014. Ms Wolseley is however kept fully apprised of all material matters relating to the affairs of the OMH Group and is briefed prior to, and after, each Board meeting.
- (ii) Mr Peter Toth resigned from the Board and from his role as Chief Executive Officer, effective, 4 April 2014.
- (iii) Mr Ivo Philipps was appointed as director on 20 May 2014

During the financial year there were four general Directors' meetings for which formal notice of meeting was given. In addition, there was one Directors' meeting called for a specific purpose.

## 2. BOARD COMMITTEES

Except for the Committees mentioned in Sections 2.1 and 2.2 below, the Board considers that the affairs of the OMH Group are not sufficiently complex to justify the formation of numerous special Board committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the OMH Group's activities and to ensure that it adheres to appropriate ethical standards.

The Board has however established a framework for the management of the OMH Group including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards.

The Board also holds meetings at such times as may be necessary to address any general or specific matters as required.

If the OMH Group's activities increase in size, scope and nature, the establishment of separate or special Board committees will be considered and implemented if appropriate.

### 2.1 Audit Committee

To ensure the integrity of the financial statements of the OMH Group and the independence of the external auditor, an Audit Committee has been formally established by the Board. The Audit Committee consists of three independent Non-Executive Directors being Mr Thomas Teo Liang Huat (chairman of the Audit Committee), Mr Zainul Abidin Rasheed and Mr Peter Church. All Audit Committee members have sufficient financial expertise and experience to discharge the Audit Committee's mandate.

During the financial year ended 31 December 2014, the Audit Committee had two meetings and all committee members were in attendance.

The Audit Committee is responsible for reviewing the annual and half-yearly financial statements of the Company and any reports which accompany those financial statements.

The Board, in conjunction with the Audit Committee, considers the appointment of the external auditor and reviews the appointment of the external auditor, their independence, the audit fee and any questions of resignation or dismissal. The Audit Committee also reviews the scope of work of the internal audit function and reviews the internal audit reports tabled by the internal auditors. The Board is responsible for establishing, and ensuring adherence to, policies on risk oversight and management.

The role of the Audit Committee is to assist the Board to meet its oversight responsibilities in relation to the Company's financial reporting, compliance with legal and regulatory requirements, internal control structure and the external audit function.

Key activities undertaken by the Audit Committee include:

- approval of the scope, plan and fees for the external audit;
- reviewing the independence and performance of the external auditor;
- reviewing significant accounting policies and practices;
- appointment of the internal auditor and approving the scope, plan and fees for the internal auditor; and
- reviewing OMH Group's half year and annual financial statements.

Members of the Audit Committee and their qualifications are outlined in the Directors' section of the Annual Report.

The Audit Committee Charter is available on the Company's website.

## 2.2 Remuneration Committee

The Remuneration Committee reviews and makes recommendations to the Board on remuneration policies applicable to executive officers and Directors of the OMH Group. The Remuneration Committee comprises Mr Tan Peng Chin (chairman of the Remuneration Committee), Mr Zainul Abidin Rasheed and Mr Thomas Teo Liang Huat.

The role of the Remuneration Committee is to assist the Board in reviewing human resources and compensation policies and practices which:

- enable the Company to attract, retain and motivate employees who achieve operational excellence and create value for shareholders; and
- reward employees fairly and responsibly, having regard to the results of the OMH Group, individual performance and general remuneration conditions.

The Remuneration Committee works with the Board on areas such as setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Executive Chairman and the Chief Executive Officer, reviewing superannuation arrangements, reviewing the remuneration of Non-Executive Directors and undertaking an annual review of the Chief Executive Officer's performance.

The OMH Group is committed to remunerating its senior executives in a manner that is market competitive and consistent with best practice as well as supporting the interests of shareholders. The Board also administers the OM Holdings Limited Employee Share Option Plan last approved by shareholders on 20 April 2011.

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. The annual aggregate maximum amount of remuneration paid to Non-Executive Directors was last approved by shareholders on 30 May 2008 and is currently A\$750,000.

During the year ended 31 December 2014, the Remuneration Committee had one meeting and all committee members were in attendance.

### Nomination committee

The Company does not have a nomination committee because it is not considered that such a committee would be a more efficient forum than the Board as a whole for the consideration of potential candidates to the Board or other key positions.

The responsibilities of the Board as a whole include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Board also oversees management succession plans including the Chief Executive Officer and his direct reports and evaluates the Board's performance and makes recommendations for the appointment and removal of Directors.

# Corporate Governance

Directors are appointed based on the specific governance skills required by the OMH Group. Given the size of the OMH Group and the businesses that it operates, the OMH Group aims at all times to have at least one Director with substantial experience in the metals trading and mining industries. In addition, the Board should consist of members that have a blend of expertise and professional experience in:

- accounting and financial management;
- legal skills;
- technical skills; and
- Chief Executive Officer - business experience and commercial acumen.

## 3. ETHICAL STANDARDS

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance and ethical conduct by all Directors and employees of the OMH Group.

### 3.1 Code of Conduct for Directors and Key Executives

The Board has adopted a Code of Conduct for Directors and key executives to promote ethical and responsible decision-making as per Recommendation 3.1. This code outlines how the OMH Group expects its Directors and employees to behave and conduct business in the workplace on a range of issues. The OMH Group is committed to the highest level of integrity and ethical standards in all business practices. Directors and employees must conduct themselves in a manner consistent with current community and corporate standards and in compliance with all applicable legislation. In addition, the Board subscribes to the Statement of Ethical Standards as published by the Australian Institute of Company Directors.

A summary of the Company's Code of Conduct is available on the Company's website.

All Directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

### 3.2 Code of Ethics and Conduct

As noted above, the OMH Group has implemented a Code of Ethics and Conduct, which provides guidelines aimed at maintaining the highest ethical standards, corporate behaviour and accountability at all times within the OMH Group.

All Directors and employees are expected to:

- respect the law and act in accordance with it;
- respect confidentiality and not misuse OMH Group information, assets or facilities;
- value and maintain professionalism;
- avoid any real or perceived conflict of interests;
- act in the best interests of shareholders;
- by their actions contribute to the OMH Group's reputation as a good 'corporate citizen' that seeks the respect of the community and environment in which it operates;
- perform their duties in a way that minimises environmental impacts and maximises workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Ethics and Conduct may face disciplinary action. If an employee suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must advise that breach to management. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

As part of its commitment to recognising the legitimate interests of stakeholders, the OMH Group has established the Code of Ethics and Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, customers, government authorities, creditors and the community as a whole. This Code includes the following:

#### *Responsibilities to Shareholders and the Financial Community Generally*

The OMH Group complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The OMH Group has processes in place to ensure the truthful and factual presentation of the OMH Group's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and international financial reporting standards.

## *Employment Practices*

The OMH Group endeavours to provide a safe workplace in which there is equal opportunity for all employees at all levels of the OMH Group. The OMH Group does not tolerate the offering or acceptance of bribes or the misuse of OMH Group assets or resources.

## *Responsibilities to the Community*

As part of the community, the OMH Group:

- is committed to conducting its business in accordance with applicable environmental laws and regulations and encourages all employees to have regard for the environment when carrying out their jobs; and
- encourages all employees to engage in activities beneficial to their local community.

## *Responsibilities to the Individual*

The OMH Group is committed to keeping private information confidential which has been provided by employees and investors and protect such information from uses other than those for which it was provided.

## *Conflict of Interests*

Employees and Directors must avoid conflicts as well as the perception of conflicts between personal interests and the interests of the OMH Group.

## *How the OMH Group Monitors and Ensures Compliance with its Code*

The Board, management and all employees of the OMH Group are committed to implementing this Code of Ethics and Conduct and each individual is accountable for such compliance.

Disciplinary measures may be taken for violating the Code of Ethics and Conduct.

## 4. DIVERSITY

The OMH Group recognises the value contributed to the group's operations by employing people with varying skills, cultural backgrounds, ethnicity and experience. The OMH Group's diverse workforce is the key to continued growth, improved productivity and performance. The OMH Group actively values and embraces the diversity of its employees and is committed to creating an inclusive workplace where everyone is treated equally and fairly, and where discrimination, harassment and inequality are not tolerated.

The Company is committed to workplace diversity and to ensuring that a diverse mix of skills and talent exists amongst its Directors, officers and employees to enhance Company performance. The Board has adopted a Diversity Policy which addresses equal opportunities in the hiring, training and career advancement of Directors, officers and employees. The Diversity Policy outlines the strategies and processes according to which the Board will set measurable objectives to achieve the aims of its Diversity Policy, with particular focus on gender diversity within the Company and representation of indigenous individuals. The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements, including the achievement of diversity objectives.

Information relating to the total current representation of women employees in the OMH Group, including holding senior executive positions and on the Board is as follows:

	Number of Women	%
Board of Directors	1	14.3%
Senior Executives <sup>2</sup>	17	1.6%
Total OMH Group employees	176	16.8%

As at 31 December 2014, 6.8% of the OMH Group's mining subsidiary workforce were indigenous employees.

A copy of the Company's Diversity Policy is available on the Company's website.

## 5. KEY MANAGEMENT PERSONNEL DEALING IN COMPANY SHARES

The Company has a formal trading policy relating to the trading of securities by key management personnel (including Directors) of the Company which complies with ASX Listing Rule 12.12. A copy of the Company's Securities Trading Policy is available on the Company's website.

<sup>2</sup> A Senior Executive of the OMH Group is a person having the authority and responsibility for planning, directing and controlling the activities of the entity.

# Corporate Governance

## 6. DISCLOSURE OF INFORMATION

### 6.1 Continuous Disclosure to ASX

The Company has a formal Continuous Disclosure and Information Policy as required by Recommendation 5.1. This policy was introduced to ensure that the Company achieves best practice in complying with its continuous disclosure obligations under the ASX Listing Rules and also to ensure that the Company and individual officers do not contravene the ASX Listing Rules.

The Company is committed to ensuring that shareholders and the market are provided with full and timely information and that all stakeholders have equal opportunity to receive externally available information issued by the Company.

The Chief Executive Officer is responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with ASX.

The Continuous Disclosure Policy requires all executives and Directors to inform the Chief Executive Officer (or in his absence the Company Secretary) of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

### 6.2 Communication with Shareholders

The Company places considerable importance on effective communication with shareholders. Directors recognise that shareholders, as the ultimate owners of the Company, are entitled to receive timely and relevant high quality information about their investment. Similarly, prospective new investors are entitled to be able to make informed investment decisions when considering the purchase of the Company's shares.

The Company aims to communicate with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the OMH Group. The strategy provides for the use of internal processes and protocols that ensure a regular and timely release of information about the OMH Group is provided to shareholders.

OMH Group's Continuous Disclosure Policy encourages effective communication with its shareholders by requiring:

- the timely and full disclosure of material information about the OMH Group's activities in accordance with the disclosure requirements contained in the ASX Listing Rules;
- that all information released to the market be placed on the Company's website following release;
- that the Company's market announcements be maintained on OMH's website for at least three years; and
- that all disclosures, including notices of meetings and other shareholder communications, are drafted clearly and concisely.

The Board encourages full participation of shareholders at annual general meetings to ensure a high level of accountability and understanding of the OMH Group's strategy and goals. Copies of the addresses by the Chairman and CEO are disclosed to the market and posted to the Company's website.

Furthermore, the Company's external auditor attends the Company's annual general meeting to answer shareholder questions about the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

OMH's significant briefings with major institutional investors and analysts are lodged with the ASX and are made available on the Company's website.

## 7. RISK MANAGEMENT

### 7.1 Approach to Risk Management and Internal Control

The Board recognises that risk management and internal compliance and control are key elements of good corporate governance.

The OMH Group's Risk and Internal Control policy describes the manner in which the Company:

- identifies, assesses, monitors and manages business and operational risks;
- identifies material changes to the Company's risk profile; and
- designs, implements and monitors the effectiveness of the internal compliance and control framework.

OMH considers that effective risk management is about achieving a balanced approach to risk and reward. Risk management enables the Company to capitalise on potential opportunities while mitigating potential adverse effects. Both mitigation and optimisation strategies are considered equally important in risk management.

## 7.2 Risk Management Roles and Responsibilities

The Board is responsible for reviewing and approving the Company's risk management strategy, policy and key risk parameters, including determining the OMH Group's appetite for country specific risk and major investment decisions.

The Board is also responsible for satisfying itself that management has developed and implemented a sound system of risk management and internal control. Rather than separately constituting an additional committee of the Board, the Board has delegated oversight of the risk and internal control policy, including review of the effectiveness of OMH's internal control framework and risk management process, to the key executive management team in conjunction with the Board. The Board considers this structure to be the most effective means of (i) managing the various risks that are relevant to the OMH Group and (ii) monitoring the OMH Group's compliance with the Risk and Internal Control policy.

Management is responsible for designing, implementing, reviewing and providing assurance as to the effectiveness of the risk and internal control policy. This responsibility includes developing business risk identification, implementing appropriate risk mitigation strategies and controls, monitoring effectiveness of controls and reporting on risk management capability.

Each business unit reports annually to the Board on its business plan, risk profile and management of risk. The Board confirms that each business unit has provided such a report for the 2014 financial year.

The Board is responsible for the oversight of the OMH Group's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the OMH Group with the Chief Executive Officer (with the support of the group's most senior financial executives) having ultimate responsibility to the Board for the risk management and control framework.

## 7.3 Internal Audit

Since 2009, BDO Consultants Pte Ltd has been engaged to provide internal audit services to the OMH Group. The internal audit function is tendered every two years.

The internal audit function is independent of both business management and of the activities it reviews. Internal audit provides assurance that the design and operation of the OMH Group's risk management and internal control system is effective. A risk-based audit approach is used to ensure that the higher risk activities in each business unit are targeted by the internal audit program. All audits are conducted in a manner that conforms to international auditing standards. The assigned internal audit team has all the necessary access to OMH Group management and information. The Audit Committee oversees and monitors the internal auditor's activities. It approves the annual audit program and receives reports from internal auditor concerning the effectiveness of internal control and risk management. The Audit Committee members have access to the internal auditors without the presence of other management. The internal auditor has unfettered access to the Audit Committee and its Chairman.

Internal audit and external audit are separate and independent of each other.

## 7.4 Integrity of Financial Reporting

Each year, the OMH Group's Chief Executive Officer and Group Financial Controller report in writing to the Board that:

- the financial statements of the OMH Group for each half and full year present a true and fair view, in all material aspects, of the OMH Group's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the OMH Group's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

# Corporate Governance

The Board confirms that such a report was provided by the Chief Executive Officer and Group Financial Controller for the 2014 financial year.

## 7.5 Role of External Auditor

The OMH Group's practice is to invite the auditor to attend each annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Board seeks to ensure that the appointment of the external auditor is limited to maintaining the independence of the external auditor and to assess whether the provision of any non-audit services by the external auditor that may be proposed is appropriate.

The services considered unacceptable for provision by the external auditor include:

- internal audit;
- acquisition accounting due diligence where the external auditor is also the auditor of the other party;
- transactional support for acquisitions or divestments where the external auditor is also the auditor of the other party;
- book-keeping and financial reporting activities to the extent such activities require decision-making ability and/or posting entries to the ledger;
- the design, implementation, operation or supervision of information systems and provision of systems integration services;
- independent expert reports;
- financial risk management; and
- taxation planning and taxation transaction advice.

It is a requirement that there is a rotation of the external audit partner at least every five years and there is a prohibition in relation to the re-involvement of a previous audit partner in the audit service for two years following rotation.

## 8. ENCOURAGE ENHANCED PERFORMANCE

Board and management effectiveness are dealt with on a continuous basis by management and the Board, with differing degrees of involvement from various Directors and management, depending upon the nature of the matter.

The Board has adopted a self-evaluation process to measure its own performance during each financial year. The Board confirms that a review, conducted in accordance with this self-evaluation process, was performed during the 2014 financial year. Also, an annual review is undertaken in relation to the composition and skills mix of the Directors.

The performance of all Directors is reviewed by the Executive Chairman on an ongoing basis and any Director whose performance is considered unsatisfactory is asked to retire. The Executive Chairman's performance is reviewed by the other Board members.

The Company has established firm guidelines to identify the measurable and qualitative indicators of the Director's performance during the course of the year. Those guidelines include:

- attendance at all Board meetings. Missing more than three consecutive meetings without reasonable excuse will result in that Director's position being reviewed; and
- attendance at the Company's Shareholder Meetings. Non-attendance without reasonable excuse will result in that Director's position being reviewed.

The performance of each Director retiring at the next annual general meeting is taken into account by the Board in determining whether or not the Board should support the re-election of the Director. Board support for a Director's re-election is not automatic and is subject to satisfactory Director performance.

Arrangements put in place by the Board to monitor the performance of the OMH Group's Executive Directors and senior executives include:

- a review by the Board of the OMH Group's financial performance;
- annual performance appraisal meetings incorporating analysis of key performance indicators with each individual; and
- regular reporting from the Chief Executive Officer which monitors the performance of the Company's executives to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the OMH Group.

The Remuneration Committee reviews and makes recommendations to the Board on the criteria for, and the evaluation of, the performance of the Executive Chairman and the Chief Executive Officer.

The Board confirms that a review, conducted in accordance with these arrangements, was performed in relation to the performance of the Company's Executive Directors and senior management during the 2014 financial year.

## Executive Remuneration Policy

The OMH Group's remuneration policy aims to reward executives fairly and responsibly in accordance with the international market for executives and ensure that the Company:

- provides competitive rewards that attract, retain and motivate executives of the highest calibre;
- sets demanding levels of performance which are clearly linked to an executive's remuneration;
- structures remuneration at a level that reflects the executive's duties and accountabilities and is, where required, competitive within Australia and, for certain roles, internationally;
- benchmarks remuneration against appropriate comparable groups;
- aligns executive incentive rewards with the creation of value for shareholders; and
- complies with applicable legal requirements and appropriate standards of governance.

Executive remuneration is reviewed annually having regard to individual and business performance (compared against agreed financial and non-financial performance measures set at the start of the year), relevant comparative information and expert advice from both internal and independent external sources.

Remuneration consists of the following key elements:

- fixed remuneration (which includes base salary, superannuation contributions or equivalents and other allowances such as motor vehicle and health insurance);
- variable annual reward (related to the Company's and/or individual performance dictated by benchmark criteria); and
- issuance of unlisted options.

The operational targets for the Executive Directors and senior executives consist of a number of key performance indicators including safety, production, operating expenditure, return on shareholders' funds, enhancing corporate credibility and creation of value for shareholders.

At the end of the calendar year the Board assesses the actual performance of the consolidated entity and individual against the key performance indicators previously set. Any cash incentives and/or options granted require Board approval. Options proposed to be granted to any Directors also require shareholder approval. The entry into hedging arrangements in respect of any unvested incentive securities is not permitted.

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors. The Board seeks independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally. Remuneration packages include fixed remuneration with bonuses or equity based remuneration entirely at the discretion of the Board based on the performance of the OMH Group.

As OMH is incorporated in Bermuda it is not required to disclose the nature and amount of remuneration for each Director. However, in the interests of good corporate governance, the following table provides the remuneration details of all Directors of the Company (and the nature and amount of their remuneration) for the year ended 31 December 2014.

# Corporate Governance

Director	Primary			Post Employment	Equity Compensation	Total
	Base Remuneration	Directors Fees	Performance Bonus	Defined Contributions	Employee share option benefits	
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Low Ngee Tong <sup>(i)</sup>	755	-	412	6	-	1,173
Peter Ivan Toth <sup>(ii)</sup>	201	-	-	-	-	201
Zainul Abidin Rasheed <sup>(iii)</sup>	-	120	-	-	-	120
Julie Wolseley <sup>(iv)</sup>	-	80	-	-	-	80
Tan Peng Chin <sup>(v)</sup>	-	80	-	-	-	80
Thomas Teo <sup>(vi)</sup>	-	80	-	-	-	80
Peter Church OAM <sup>(vii)</sup>	-	80	-	-	-	80
Ivo Phillipps <sup>(viii)</sup>	-	-	-	-	-	-
	<b>956</b>	<b>440</b>	<b>412</b>	<b>6</b>	<b>-</b>	<b>1,814</b>

- (i) Mr Low Ngee Tong has been the Executive Chairman since October 2008 (and was appointed as 'acting' Chief Executive Officer following the resignation of Mr Peter Toth on 4 April 2014);
- (ii) Mr Peter Toth resigned as a Director on 4 April 2014;
- (iii) Mr Zainul Abidin Rasheed was first appointed as a Director on 3 October 2011;
- (iv) Ms Julie Wolseley was first appointed as a Director on 24 February 2005;
- (v) Mr Tan Peng Chin was first appointed as a Director on 14 September 2007;
- (vi) Mr Thomas Teo Liang Huat was first appointed as a Director on 17 July 2008;
- (vii) Mr Peter Church was first appointed as a Director on 12 December 2011; and
- (viii) Mr Ivo Phillipps was appointed as a Director on 20 May 2014.

## 9. RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS

The Company has introduced a formal Privacy Policy. The Company is committed to respecting the privacy of stakeholders' personal information. This Privacy Policy sets out the Company's personal information management practices and covers the application of privacy laws, personal information collection, the use and disclosure of personal information, accessing and updating stakeholders' information and the security of stakeholders' information.

Other than the introduction of a formal Privacy Policy, the Board has not adopted any other additional formal codes of conduct to guide compliance with legal and other obligations to legitimate stakeholders, as it considers, in the context of the size and nature of the Company, that it would not improve the present modus operandi.

As at 31 December 2014, the Company complied in all material respects with each of the Corporate Governance Principles and the corresponding Recommendations as published by the ASX Corporate Governance Council except as noted below:

Recommendation Reference	Notification of Departure	Explanation for Departure
1.5	Disclose the measurable objectives for achieving gender diversity	The Diversity Policy outlines the strategies and process according to which the Board will set measurable objectives to achieve the aims of its Diversity Policy, with particular focus on gender diversity within the Company and representation from indigenous communities. The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements, including the achievement of diversity objectives. The Board intends to establish appropriate measurable objectives and to report progress against them in future Annual Reports.

2.1	A separate Nomination Committee should be established	The Board considers that the Company currently cannot justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification of the attributes required in new Directors. Where appropriate independent consultants are engaged to identify possible new candidates for the Board.
2.2	A listed entity should have and disclose a skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership	In its annual reports, meeting documents, ASX announcements and on its website, the Company has provided fulsome disclosure in relation to the skills, experience and diversity of its Board (and its intentions in relation to the same) and as such does not consider that a separate 'skills matrix' will enhance the Company's disclosure in relation to these matters.
2.5	The chair should be an independent director	The Company's current Chairman, Mr Low is not considered by the Board to be independent in the light of the factors outlined in Box 2.5 of the ASX Corporate Governance Council's Principles and Recommendations which indicate when a director may not be considered to be an independent director. Refer Section 1.2 of the Corporate Governance Statement. However the Board considers that Mr Low's position as Executive Chairman is appropriate given his world-wide experience and specialised understanding of the global manganese industry. The Board believes that Mr Low has the range of skills, knowledge, and experience necessary to effectively govern the Company and to understand the economic sectors in which the Company operates. In addition, it should be noted that Mr Low is a substantial and longstanding shareholder of the Company and, as such, is able to clearly identify with the interests of shareholders as a whole.
2.6	A listed entity should have a program for inducting new directors	The Company does not consider it necessary, in the light of the size of the Board and the relatively low turn-over of Directors, to have a separate induction program for new directors. All new Directors are of course given sufficient support from the Board in order to familiarise themselves with the Company and its governance protocols.
7.1	The board of a listed entity should have a committee or committees to oversee risk.	Rather than separately constituting an additional committee of the Board, the Board has delegated oversight of the risk and internal control policy, including review of the effectiveness of OMH's internal control framework and risk management process, to the key executive management team in conjunction with the Board. The Board considers this structure to be the most effective means of (i) managing the various risks that are relevant to the OMH Group and (ii) monitoring the OMH Group's compliance with the Risk and Internal Control policy.

As the Company's activities increase in size, scope and/or nature, the Company's corporate governance principles will continue to be reviewed by the Board and amended as appropriate.

# ASX Additional Information

Pursuant to the listing requirements of the Australian Securities Exchange ("ASX"), the shareholder information set out below was applicable as at 23 April 2015.

## 1. SHAREHOLDER INFORMATION

### A. Distribution of Equity Securities

Analysis of numbers of shareholders by size of holding:

Distribution	Number of Shareholders	Number of Ordinary Shares	% of Issued Capital
1 – 1,000	287	97,031	0.01
1,001 – 5,000	343	985,539	0.13
5,001 – 10,000	204	1,667,949	0.23
10,001 – 100,000	305	10,694,077	1.46
More than 100,000	113	719,978,741	98.17
<b>Totals</b>	<b>1,252</b>	<b>733,423,337</b>	<b>100.00</b>

There were 348 holders holding less than a marketable parcel of ordinary shares.

### B. Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are listed below:

Shareholder Name	Listed Ordinary Shares	
	Number	Percentage Quoted
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	319,973,915	43.63%
NATIONAL NOMINEES LIMITED	63,692,800	8.68%
STRATFORD SUN LIMITED	58,731,393	8.01%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	56,211,755	7.66%
CITICORP NOMINEES PTY LIMITED	40,637,261	5.54%
NEWTIMES MARINE CO LTD	40,300,000	5.49%
HANWA CO LTD	32,500,000	4.43%
J P MORGAN NOMINEES AUSTRALIA LIMITED	13,407,975	1.83%
DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT>	9,087,318	1.24%
LAI SHUN HOLDINGS LTD	8,550,000	1.17%
UOB KAY HIAN PRIVATE LIMITED <CLIENTS A/C>	7,746,804	1.06%
BNP PARIBAS NOMS PTY LTD <DRP>	6,547,385	0.89%
MS JULIE ANNE WOLSELEY	5,562,002	0.76%
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	5,195,011	0.71%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	5,165,254	0.70%
NEFCO NOMINEES PTY LTD	2,642,717	0.36%
UOB KAY HIAN (HONG KONG) LIMITED <CLIENTS A/C>	2,300,000	0.31%
RHB SECURITIES SINGAPORE PTE LTD <CLIENTS A/C>	2,155,263	0.29%
MRS DEBORAH ANNE MAHDAVI ARDABILI	2,000,000	0.27%
MR KAVEH MAHDAVI ARDABILI	2,000,000	0.27%
<b>TOTAL HELD BY 20 LARGEST SHAREHOLDERS</b>	<b>684,406,853</b>	<b>93.32%</b>
<b>OTHERS</b>	<b>49,016,484</b>	<b>6.68%</b>
<b>TOTAL</b>	<b>733,423,337</b>	<b>100.00%</b>

## C. *Substantial Shareholders*

An extract of the Company's Register of Substantial Shareholders (who hold 5% or more of the issued capital) is set out below.

Shareholder Name	Issued Ordinary Shares	
	Number of Shares	Percentage of Shares
Huang Gang and Newtimes Marine Co Ltd	89,261,779	12.17%
Marc Chan, Amplewood Resources Ltd and Parfield International Ltd	80,554,553	10.98%
Low Ngee Tong and Ramley International Ltd	67,138,500	9.15%
Heng Siow Kwee and Dino Company Limited	65,951,769	8.99%
Stratford Sun Limited	58,731,393	8.01%

## D. *Voting Rights*

Subject to the Bye-laws of the Company and to any rights or restrictions attaching to any class of shares, every member is entitled to be present at a meeting in person, by proxy, representative or attorney. In accordance with the Company's Bye-laws, voting rights in respect of ordinary shares are on a show of hands whereby each member present in person or by proxy or representative shall have one vote and upon a poll each member present in person or by proxy or representative shall have one vote for every share held.

## 2. TAXATION

The Company was incorporated in Bermuda and is not taxed as a company in Australia.

# ASX Additional Information

## 3. INVESTOR INFORMATION

### (a) Stock Exchange Listing

OM Holdings Limited shares are listed on the ASX Limited (ASX).  
The Company's ASX code is OMH.

### (b) Company Information Contact

For further information about OM Holdings Limited please contact the Corporate office:

OM Holdings Limited  
#08 – 08 Parkway Parade  
80 Marine Parade Road  
Singapore 449269

Telephone: (65) 6346 5515  
Facsimile: (65) 6342 2242  
Email: [om@ommaterials.com](mailto:om@ommaterials.com)  
Website: [www.omholdingsltd.com](http://www.omholdingsltd.com)

### (c) Share Registry Enquiries

Shareholders who require information about their shareholdings, dividend payments or related administrative matters should contact the Company's share registry:

Computershare Investor Services Pty Limited  
Level 2, Reserve Bank Building  
45 St Georges Terrace  
PERTH WA 600

Postal Address:  
GPO Box D182  
PERTH WA 6840

Telephone: (within Australia) 1300 850 505  
Telephone: (outside Australia) (61) 3 9415 4000  
Facsimile: (61) 3 9473 2500  
Website: [www.computershare.com](http://www.computershare.com)

Each enquiry should refer to the shareholder number which is shown on the issuer sponsored holding statements and dividend statements.

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**OM HOLDINGS LIMITED**  
(incorporated in Bermuda) A.R.B.N 081 028 337