OM HOLDINGS LIMITED

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

Renewable Energy
Global Reach

ANNUAL REPORT 2016

ANNUAL REPORT 2016

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Chairman and Chief Executive Officer's Report

Courtesy of Sarawak Energy Berhad

Dear Shareholders,

In 2016, the Group generated a net positive operating cash flow of A$22.3 million. The steady production ramp-up from OM Sarawak also contributed to revenue growth of 22% to A$414.2 million for FY 2016. Gross profit margins also improved from 1.8% in FY 2015 to 14.5% in FY 2016. Although a net loss was recorded at A$16.7 million, this was mainly attributed to a one-off foreign exchange hedging loss at OM Sarawak of approximately A$43.0 million. The hedge was entered into as a requirement of the project financing banks.

In 2016 global crude steel production was reported at 1,628.5 million tonnes, a marginal increase of 0.8% from the 1,615.4 million tonnes of 2015[1], signalling a recovery after a brief slump in steel production between 2014 to 2015. Notably, the Middle East, India and South East Asia showed significant growth, with firm plans in place for a sustainably higher level of steel production. Steel consumption per capita in these countries are poised to grow from the development of inland infrastructure, in particular rail, and also from the construction segment. Collectively, steel production in India and South East Asian countries grew by 7.7% in 2016[2].

This time last year, we explained that the long decline of manganese ore prices had reached unsustainable levels by the end of 2015, with manganese ore inventory in Chinese ports insufficient to even sustain a relatively low level of alloy production. Consequently, manganese ore prices rebounded from $1.84 per dmtu (44% grade) and $1.35 per dmtu (37% grade) as reported by Metal Bulletin in the first week of 2016, and in the course of the year reached $7.79 per dmtu (44% grade) and $6.76 per dmtu (37% grade) in the last week of 2016[3].

Our experiences in 2016 also informs our current belief that main tier high grade manganese ore is now permanently short. Looking at middle grade ores, so long as South African producers are able to profitably

[1] As published by World Steel Association in its press release on 25th January 2017. Steel production of 2015 has been revised.

[2] Ibid, collective growth of India and South East Asian countries represented in the top 40 steel producing countries.

[3] All manganese ore prices as reported by Metal Bulletin, units are in USD per dry metric ton unit ("dmtu").

Chairman and Chief Executive Officer's Report

bypass a constrained rail system and supply via road transportation, semi-carbonate ore will continue to be a swing source of supply.

We expect higher grade oxide ores to continue commanding a meaningful premium against semi-carbonate ore. In 2016, the rise of an active silicomanganese futures market in China and the consequent volatility in alloy prices further added to the volatility of manganese ore prices. Manganese ore price volatility will have a strong impact on non-integrated manganese alloy producers, as well as producers who are unable to hedge their sales on the futures market (currently limited to China). It will become increasingly difficult to plan and make production and sales decisions in a fast changing price environment. To illustrate, consider the prices at the end of December 2016 as mentioned above, which almost halved by March 2017 to US$4.04/2.23 per dmtu (44% and 37% grades respectively), before surging again to US$5.15/3.91 per dmtu in April 2017. As a result, manganese alloy prices have fluctuated widely across different geographies with varying degrees of time lag. When alloy and ore prices move out of sync, certain smelters may find themselves on the wrong end of both markets, and exit production when they find themselves unable to secure ore priced at the level they expect to breakeven. This destabilization, which we continue to observe, has caused temporary blips of alloy shortage, and the frequency of disruption will only increase.

The structure of the Chinese economy also continues to evolve. Up until recent years, China had excessive industrial output, with excessive ferrosilicon and manganese alloy production in spite of domestic export duties. This was in part due to power tariff discounts, with a spread between North and South China at approximately 10-20 RMB cents per kilowatt hour. From 2011 to 2014, Chinese ferrosilicon production varied between 4.5 – 5.5 million tonnes per annum. As we noted this time last year, this huge overcapacity led to unprofitable Chinese smelters exiting the market, and in 2016 production had fallen to 3.4 million tonnes [4]. Destocking has been going on for a while now, and while there is no visibility of the total stock level in the supply chain, it is a fair assessment that current production is in fact insufficient for actual consumption even within China.

The Group stands to benefit from all these developments. OM Sarawak, the Group's smelting complex in Sarawak, Malaysia, has successfully converted two of six ferrosilicon furnaces, demonstrating our in-house engineering capability. The first furnace successfully produced silicomanganese in December 2016, and the second successfully produced high carbon ferromanganese in January 2017. We expect to have all six manganese alloy furnaces in operation by the middle of 2017. By the middle of the year, the plant will be producing 170,000 – 200,000 tonnes of ferrosilicon and 250,000 – 300,000 tonnes of manganese alloys on an annual basis, providing competitive and stable supply of ferroalloys to consumers around the world.

In China, pressures over environmental concerns continue to mount and the government is stepping up enforcement of environmental regulation, often at the expense of growth. It will be increasingly difficult for local provinces to offer power subsidies to prop up industrial production, as national policy continues to transform the economic landscape. OM Sarawak, and the smelter complex now firmly established in Sarawak, will stand to benefit as China's anti-pollution paradigm shift gathers momentum. From the first tap in 2014 up until end 2016, our smelters

[4] Sum of monthly production from CNFEOL, a Chinese publication.

at OM Sarawak were exposed to the price risk of a single commodity – ferrosilicon. By the middle of 2017, we will be able to reduce this risk significantly, by adding silicomanganese and high carbon ferromanganese to the product mix. Specifically:

1. At the most fundamental level, production flexibility will allow the group to capture the most value from market changes, taking advantage of price changes arising from destabilized market production.

2. OM Sarawak's silicomanganese production will be able to consume Bootu Creek ore, maximizing the value-in-use of this high grade siliceous ore. Value is fully captured across the production chain, regardless of where premiums may lie.

3. Manganese alloy production will complement ferrosilicon as it will consume ferrosilicon by-products. In turn manganese alloy benefits from silicon units essential to the production of specialty grades of manganese alloys.

4. OM Sarawak is currently the only plant producing all three essential ferroalloys in Sarawak, effectively a one-stop shop for steel mills.

2016 was a significant year by any measure. OM Sarawak reached a new record level of ferrosilicon production and later successfully completed in-house modification of furnaces. OM Manganese exited administration and commenced production in Feb 2017. OMQ restarted one furnace in October 2016, and both alloy and ore prices have rebounded after years of malaise.

Looking ahead, the Group will focus on two broad tasks to drive value creation and strengthen the financial position of the Group. The first is to continue optimizing and improving existing operations. We have delivered on our commitment and have built one of the world's largest low-cost ferroalloy plant run on renewable energy. Yet significant upside potential remains. This includes among other things developing our own quartzite mine for supply security, developing higher grades of refined products, recycling exhaust heat, gases, and other by-products within Sarawak. The second task is to refine the process of agile production, improving coordination to achieve the ideal production mix as market conditions change. We seek to maximize synergies within OM Sarawak and across the Group's production assets, and achieve a lower overall risk profile even in the face of market volatility. Engineering work is underway to fully utilize by-products via processes like briquetting or sintering.

Looking at what we have achieved, it important to recognize the support, commitment, and dedication of all stakeholders. I would like to take this opportunity to thank my fellow directors, our staff, shareholders, partners, banks, and advisors for standing by us. The work that we do would not be possible without your patience and continued support.

LOW NGEE TONG
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 37 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, South Africa and Malaysia.

Zainul Abidin Rasheed   Independent Deputy Chairman

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 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 currently serves as the Ambassador to Kuwait (Non-Resident) and the Foreign Minister's Special Envoy to the Middle East.

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 Committee.

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 25 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.

Directors

Tan Peng Chin

Independent Non-Executive Director

Mr Tan Peng Chin was the founder, managing director and consultant of Tan Peng Chin LLC until he retired from the firm on 31 December 2015. Mr Tan's legal expertise includes corporate finance, banking, company and commercial laws, international trade, joint ventures and issues concerning shareholders. In addition, Mr Tan had acted in numerous complicated cross border transactions in the course of his legal career spanning more than 35 years. Mr Tan had served as Independent Director in numerous listed companies since 1996.

He was also a member of the Institutional Review Board of the Singapore National Cancer Center from 2007 to 2014. Mr Tan was instrumental in setting up and is currently the Chairman of Clarity Singapore Limited, a charity under the auspices of Caritas (the Catholic Church) to assist persons suffering from mental illnesses. Mr Tan had also volunteered with various charities including Christian Outreached for the Handicapped and the Roman Catholic Prison Ministry.

With his board experience in various companies in Asia and his legal expertise, Mr Tan is able to assist the Company in its strategic pursuits. He has been a Non-Executive Director since 14 September 2007. Mr Tan is the Chairman of the Remuneration Committee.

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.

Peter Church OAM

Independent Non-Executive Director

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.

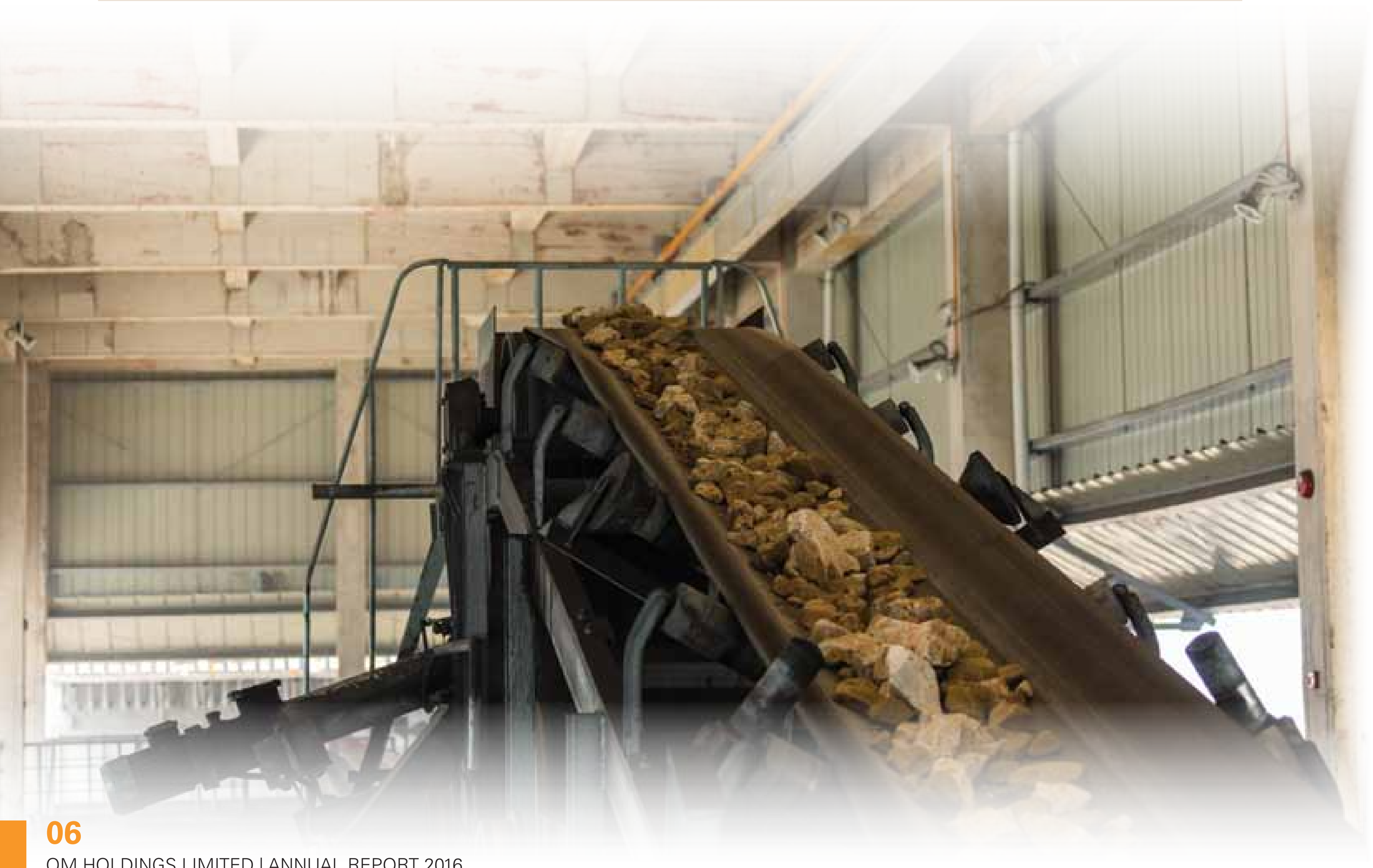
In 1994 Mr Church was awarded the Medal of the Order of Australia (OAM) by the Australian Government for his promotion of business between Australia and South East Asia. Presently, Mr Church is the Chairman of AFG Venture Group, an Australian and Asia corporate advisory firm with various activities throughout 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 He also holds professorial appointments at Curtin University in Perth, Great Lakes Institute of Management in Chennai and Sri Sharada Institute of Indian Management in New Delhi.

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.

Key Management

NAME	POSITION
Heng Siow Kwee	Group HR Director, Managing Director, OMS
Betty Tan	Group Financial Controller, OMH
Eugene Tan	Financial Controller, OMH
Edward Young	Chief Executive Officer, OM Tshipi
Don Heng	Director, Logistics, OMS
Tan Meng Khong	Director, Resources, OMS
Lu Rui Lin	Deputy Director, Trades & Logistics, OMS
Colin Ouwehand	General Manager, Trades, OMS
Goh Ping Choon	General Manager, Trades, OMS
Fanie Van Jaarsveld	Managing Director, OMM
Yang Li Zhong	Chairman, OMQ
Zheng Yuan Hua	Chairman, OMA
Pu Guo Liang	General Manager, OMA
Chen Xiao Dong	Managing Director, OM Sarawak
Dai Han Ping	General Manager, Production, OM Sarawak
Mustapha Bin Ismuni	General Manager, Admin, OM Sarawak
Lisa Chee	General Manager, HR, OM Sarawak



Corporate Directory

Directors

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

Company Secretaries

Heng Siow Kwee
Julie Anne Wolseley
Conyers Corporate Services (Bermuda) Limited

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:

Conyers Corporate Services (Bermuda) 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 11
172 St Georges Terrace
Perth, Western Australia 6000
Telephone :(618) 9323 2000
Facsimile :(618) 9323 2033
Website :www.computershare.com

Name of Bankers

Bank of China
BNP Paribas
Commonwealth Bank of Australia
Export-Import Bank of Malaysia Berhad
Malayan Banking Berhad
RHB Bank Berhad
Standard Chartered Bank

Name and Address of Auditors

Foo Kon Tan LLP
Public Accountants and Chartered Accountants
24 Raffles Place, #07-03
Clifford Centre
Singapore 048621

Name and Address of Appointed Australian Agent and Australian Registered Office:

OM Holdings (Australia) Pty Ltd
102 Angelo Street
South Perth, WA 6151
Facsimile :(618) 9367 5489

Name of Bermuda Resident Representative

Conyers Corporate Services (Bermuda) Limited

Website :www.omholdingsltd.com

ASX Code :OMH

Corporate Structure

As at 31 December 2016

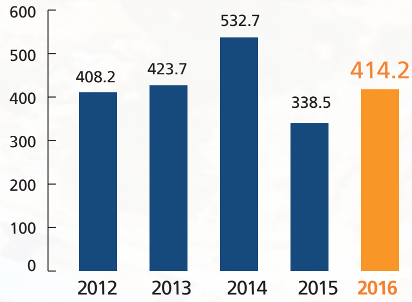
5 YEAR'S GROUP FINANCIAL HIGHLIGHTS

Financial years ended 31 December	2016 A$'million	2015 A$'million	2014 A$'million	2013 A$'million	2012 A$'million
Revenue	414.2	338.5	532.7	423.7	408.2
Loss before taxation	(8.1)	(131.6)	(41.0)	(48.2)	(53.5)
Profit/(Loss) attributable to owners of the Company	7.9	(122.1)	(67.4)	(49.0)	(61.1)
Total assets	1,196.2	1,103.8	980.5	840.1	626.5
Shareholders' funds	139.7	87.2	207.1	275.8	304.6
Net tangible assets	139.7	87.2	205.1	273.8	302.5
	A$	A$	A$	A$	A$
Total assets per share	1.64	1.51	1.34	1.15	0.93
	A$ cents	A$ cents	A$ cents	A$ cents	A$ cents
Net tangible assets per share	19.10	11.92	28.04	37.43	45.05
Basic earnings/(losses) per share	1.08	(16.69)	(9.57)	(6.96)	(10.09)
	2016	2015	2014	2013	2012
Gross profit (A$ million)	60.1	6.1	36.1	34.4	50.6
Gross profit margin (%)	14.5	1.8	6.8	8.1	12.4

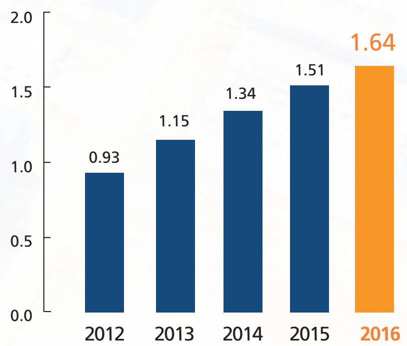
SALES BY INTERNATIONAL REGIONS

Region	2016	2015	2014	2013	2012
	%	%	%	%	%
Asia	91.9	86.0	99.4	99.7	100.0
Europe	3.6	10.7	-	-	-
Middle East	1.6	-	-	-	-
Asia Pacific	1.3	0.8	-	-	-
Africa	0.2	-	-	-	-
Others	1.4	2.5	0.6	0.3	-
Total	100.0	100.0	100.0	100.0	100.0

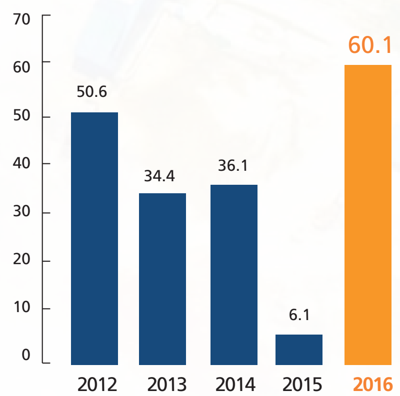
Revenue (A$'million)



Total Assets Per Share (A$)



Gross Profit (A$'million)



OM 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 alloys and ferrosilicon, and the marketing and trading of manganese ore, manganese alloys and ferrosilicon.

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 has established a ferrosilicon and manganese alloy smelter in Sarawak, East Malaysia, which has the capability to produce approximately 170,000 to 200,000 tonnes of ferrosilicon and 250,000 to 300,000 tonnes of manganese alloy per annum 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, and the marketing of OM Sarawak's alloy production and third party ores.

- **OM Materials Qinzhou Co Ltd ("OMQ")** – OMQ owns the Group's manganese alloy 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 Materials (Qinzhou) Trading Co Ltd ("OMQT")** – OMQT is the distribution arm of OMS in China. The company support the operations of OMS.

- **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. On 15 December 2015, the mining operations at the Bootu Creek Manganese Mine were suspended due to the ongoing and material fall in the manganese price. The Bootu Creek Manganese Mine has recommenced mining operations since February 2017.

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[1]	3.0-3.6
Exploration	
(i) Bootu Creek Regional	
(ii) Renner Springs Project	
(iii) Helen Spring Project	

[1] OMH holds an effective interest of 13% of the Tshipi Project

Processing & Smelting

Processing and Smelting Plant	Annual Production Capacity ('000 tonnes)	
(i) OM Materials Sarawak, East Malaysia	Ferrosilicon	170-200
	Manganese Alloy	250-300
(ii) OMQ, China	Sinter ore	300
	Manganese Alloy	80

Marketing & Trading

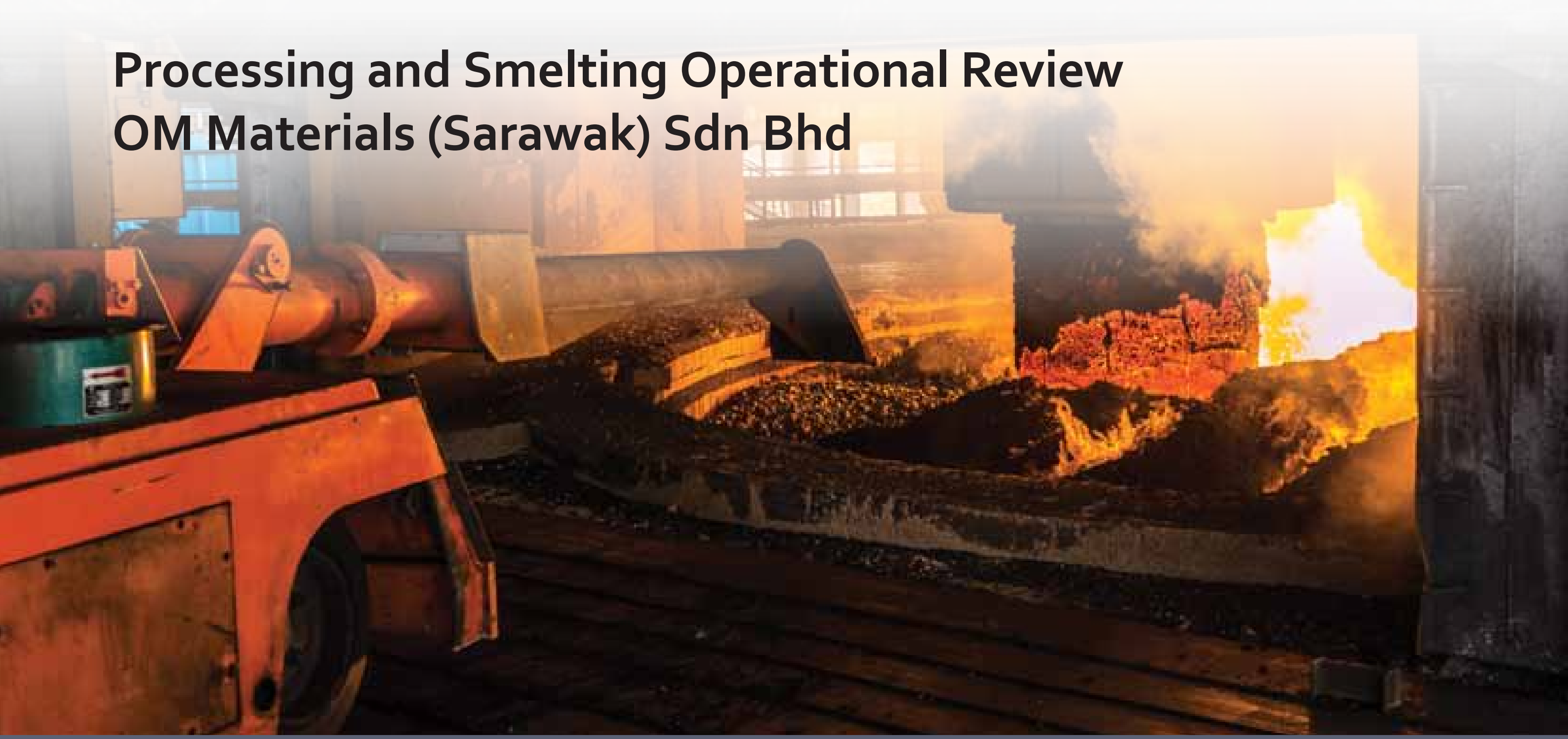
(i) OMS in Singapore
(ii) OMA in Northern China [2]
(iii) OMQT in Southern China
(iv) OM Tshipi in Singapore (marketing of Tshipi Mn Ore) [3]

[2] OM Hujin Science & Trade (Shanghai) Co Ltd
[3] OMH holds an effective interest of 33.3% of OM Tshipi

Strategic Investments

(i) Effective 13% interest in Tshipi é Ntle Manganese Mining (Pty) Ltd.

Processing and Smelting Operational Review
OM Materials (Sarawak) Sdn Bhd



HIGHLIGHTS

- The existing 6 furnaces in Plant A will be converted to produce manganese alloys.
- In the month of December 2016, the first modified furnace successfully achieved hot commissioning and tapping of silicomanganese. This demonstrates the advantage of the project's modular nature, with furnaces able to produce different alloys depending on the market environment. Modification for plant A is expected to be completed by the middle of 2017.
- During the year 2016, Plant B had 7 furnaces producing ferrosilicon with an annual output of 126,261 tonnes, thus bringing the average daily production output above the nameplate capacity of 55 tonnes and achieving 100% utilization. Remaining furnaces will be ramped up in the middle of 2017.
- A total of 129,025 tonnes of ferrosilicon and 222 tonnes of silicomanganese were exported in the year 2016.

OVERVIEW

OM Materials (Sarawak) Sdn Bhd ("OM Sarawak"), a 75:25 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"). The Project consists of 8 main workshops and a total of 16 units of 25.5 MVA furnaces, of which 10 furnaces are allocated for the production of ferrosilicon and 6 units will be modified to produce manganese alloy. Upon the completion of the modification, the Project will have a design capacity to produce 170,000 to 200,000 tonnes of ferrosilicon and 250,000 to 300,000 tonnes of manganese alloy per annum.

PLANT CONSTRUCTION AND DEVELOPMENT

Physical construction was completed at the end of 2015 for Phase 1 of the ferrosilicon production facility. In order to diversify product mix and reduce impact from unfavourable market developments in any one product type, the company restructured operationally by converting the existing 6 furnaces in Plant A from ferrosilicon to manganese alloy, while the remaining 10 furnaces in Plant B will continue to produce ferrosilicon. This modification also taps into the natural synergy with the Group's other manganese assets. The modification works commenced in the 2nd half of 2016 and the first modified furnace has successfully achieved hot commissioning and tapping of silicomanganese on 18th December 2016. The second modified furnace tapped high carbon ferromanganese on 14th January 2017. The successful furnace modifications give us flexibility in producing a mix of ferroalloys, and OM Sarawak is the only plant in Sarawak currently producing all three ferroalloys (ferrosilicon, silicomanganese, high carbon ferromanganese). This significantly increases our competitive edge. The company will continue to modify remaining furnaces in Plant A and this task is expected to be completed by the middle of 2017 at an expected capital expenditures of USD 15 million. Upon the completion of the modifications, the project will have a design capacity to produce approximately 170,000 to 200,000 tonnes of ferrosilicon and 250,000 to 300,000 tonnes of manganese alloys per annum.

OPERATIONS

Continuous efforts have been made to improve the production efficiency of our furnaces. The year saw average daily ferrosilicon production output exceed the nameplate daily production capacity of 55 tonnes per day, thus achieving 100% full-utilization rate with a total production of 126,261 tonnes for the whole year, up by approximately 21% from the previous year. The first manganese alloy furnace in operation commenced production in December 2016, leveraging on in-house furnace engineering and production expertise. This enabled the company to reach stable production within a short period of time. 876 tonnes of silicomanganese was produced in the year. Total ferrosilicon sales achieved

Processing and Smelting Operational Review
OM Materials (Sarawak) Sdn Bhd

Table 1. Production & Sales

	Years ended 31 December			
	Unit	2016	2015	2014
Production				
Ferrosilicon	tonnes	126,261	104,554	8,641
Silicomanganese	tonnes	876	-	-
Sales				
Ferrosilicon	tonnes	129,025	73,388	-
Silicomanganese	tonnes	222	-	-

for the full year 2016, is 129,025 tonnes, representing an increase of approximately 76% from FY 2015, and 222 tonnes of silicomanganese.

The total workforce has grown from 994 as at the end December 2015 to 1,105 at end December 2016. It is expected that the total number of employees will continue to grow to 2,000 employees during the full commercial operation in the second half of 2017. Since its commencement in early 2015, the company has been able to increase the number of local employees to comprise approximately 58% of the total manpower. The reduction in the number of foreign employees was made possible by the company's commitment to providing continuous upskilling training programmes in smelting operations for local employees. Most of the training was conducted in-house by experienced operators and engineers from China. In addition two job fairs were conducted by the company with UNIMAS and Curtin University Sarawak to recruit local talent for the company's vacancies.

OM Materials Sarawak recorded a loss primarily due to a substantial loss on the discontinuation of its cash flow hedge, as well as depressed commodity markets and the delay in its ramp up schedule. However, given that the unwinding of the hedge was a one-off event, and that the price of ferrosilicon has begun improving in 2016, management is confident of returning to profitability by continuously optimizing production and sales mix to meet market requirements.

In the long-run, we anticipate that market demand for both ferrosilicon and manganese alloys from the smelter will remain healthy given the long-term growth prospects for steel consumption in the region. We also expect ferroalloy market prices to return to healthier levels, given the changes in the macro-environment and the current level of supply discipline from ferroalloy producers. The smelter is also expected to continue reaping the benefits of competitively priced energy, the weakening Ringgit, a 10-year tax holiday with no import and or export duties, and its strategic proximity to growing South East Asian markets.

Processing and Smelting Operational Review
OM Materials Qinzhou Co. Ltd

OVERVIEW AND UPDATE IN 2016

The ferroalloy processing segment includes the operations of OMQ's smelter and sinter ore plant located in Qinzhou.

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 tonnes per annum of alloys. 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 16.5 MVA furnaces and one set of 3.5 MVA 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 technologically 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 fired-up both the rotary kiln and for the production of manganese sinter ores.

OMQ suspended production from its two furnaces in October 2015. On 26 October 2016, OMQ fired-up one of the two suspended furnaces and resumed production of High Carbon Ferromanganese on 31 October 2016. In 2016, OMQ produced a total of 5,337 tonnes of High Carbon Ferromanganese.

Table 1. Production

	Years ended 31 December					
	Unit	2016	2015	2014	2013	2012
High Carbon Ferromanganese	Tonnes	5,337	18,551	85,839	94,119	80,801
Sinter ore	Tonnes	Nil	Nil	86,772	245,158	230,524

HIGHLIGHTS

- OMQ produced 5,337 tonnes of HCFeMn in 2016.
- On 26 October 2016, OMQ fired-up one furnace and resumed production of HCFeMn on 31 October 2016.

Marketing and Trading Operational Review

OVERVIEW AND UPDATE IN 2016

2016 marked the second full year of ferrosilicon sales from OM Sarawak. Reaping the rewards of earlier marketing efforts, products from OM Sarawak enjoyed significant interest from major steel mills in the region. In 2016, sales tonnage was concentrated in Asian markets as the year saw Chinese ferrosilicon supply tighten, with spot sales to other regions to maintain market presence and trading relationships. In Asia, the Group was able to secure long-term ferrosilicon contracts (ranging from 6 months to a year) with several of the largest steel mills in Taiwan, Japan, and Korea. Given the market changes and volatility of ferrosilicon prices in 2016, emphasis was placed on securing long-term contracts that could effectively dampen the influence of spot pricing in the Group's overall price exposure. This was successful to the extent that minimal spot tonnage was sold at the bottom of the short term market cycle. This year also saw the first tap of silicomanganese from OM Sarawak, with part of the initial production sold in December 2016.

Sales and distribution of manganese ore continued in 2016, although tonnage was reduced. OMM recommenced mining at Bootu Creek in February 2017, and four shipments of high grade siliceous manganese ore have been concluded as at May 2017. Ore from Bootu Creek will complement OM Sarawak's silicomanganese production, and can be integrated into the ore feed strategy, while maintaining the option of marketing to 3rd parties. Overall supply of high grade ores is expected to remain tight. Price volatility has become an integral part of the manganese industry, and we foresee continued opportunities going forward.

HIGHLIGHTS

In 2016, 1,456,066 tonnes of ores and alloys were transacted, compared to 1,848,256 tonnes in 2015. This was largely due to the reduction of ore from OMM during the period of the mine's suspension of operation.

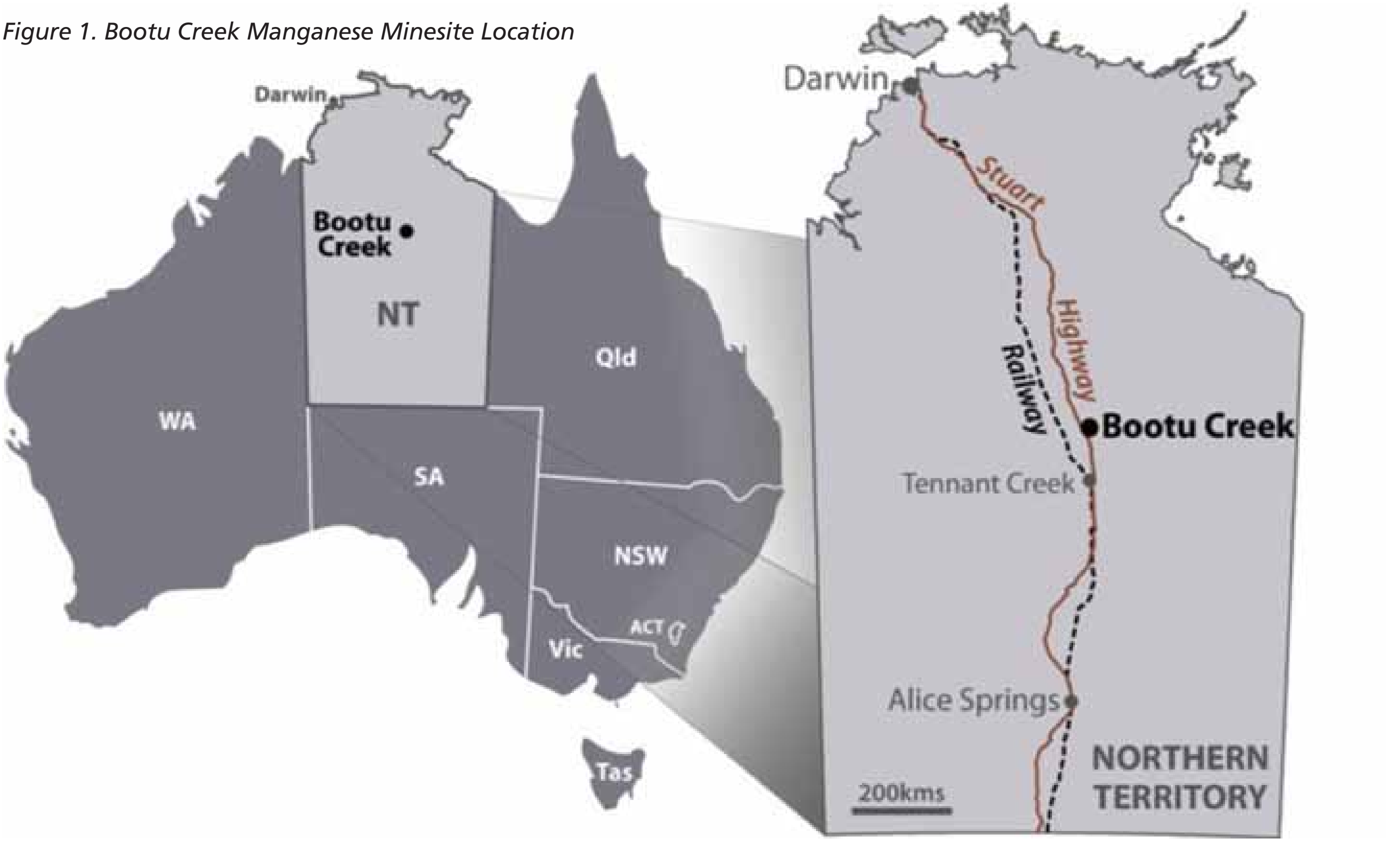
High Carbon Ferromanganese

Ferrosilicon

Silicomanganese

Exploration & Mining Operational Review
OM (Manganese) Ltd

Figure 1. Bootu Creek Manganese Minesite Location



HIGHLIGHTS

- No mining and production activity carried out in FY 2016 as OMM was placed into Voluntary Administration ("VA") since 4 January 2016
- OMM executed a Deed of Company Arrangement ("DOCA") with its creditors on 12 July 2016 and the DOCA was completed on 24 August 2016
- The Bootu Creek Mine (the "Mine") has been in care and maintenance since the DOCA completion date to the end of the year
- Sales of 188,144 tonnes grading 36.29 % Mn of existing inventory during the VA period
- Relevant approvals to re-start the Mine were obtained in late December 2016
- The Mine recommenced mining and production activities in February 2017

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 office is located in Perth.

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 ship loader and loaded onto vessels for shipping to overseas markets.

The processing of manganese ore is described diagrammatically below:

Figure 2. Bootu Creek Manganese Processing Plant Schematic

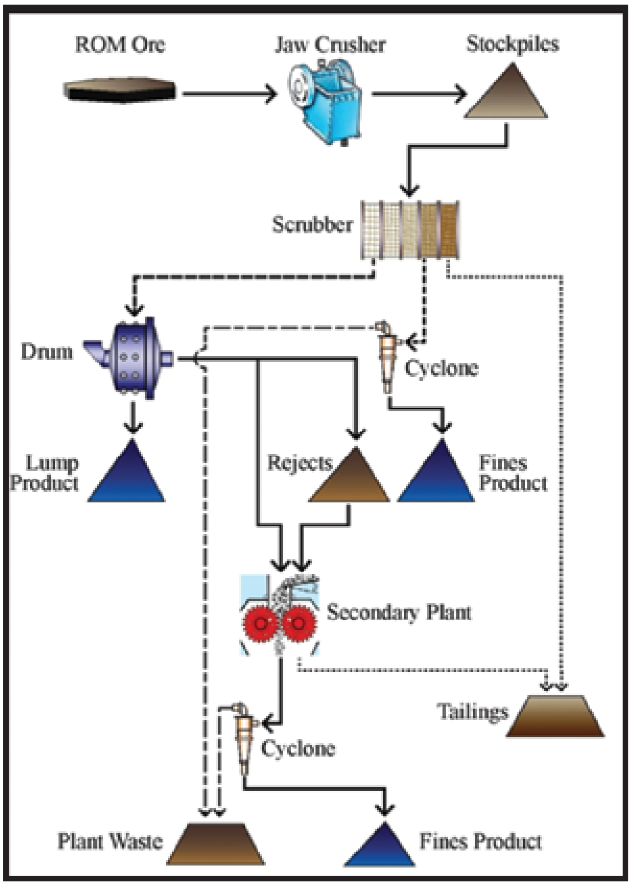
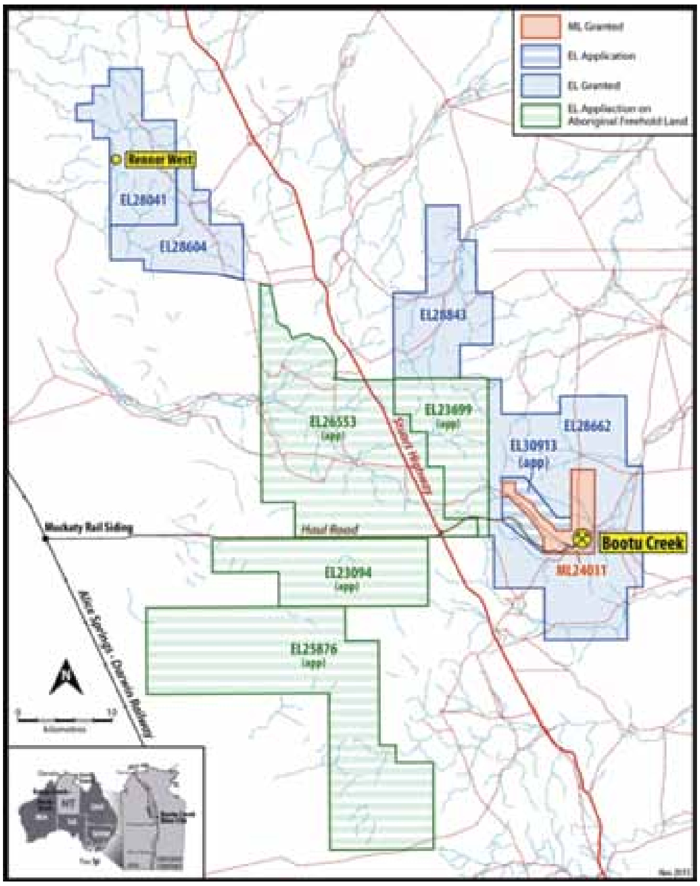


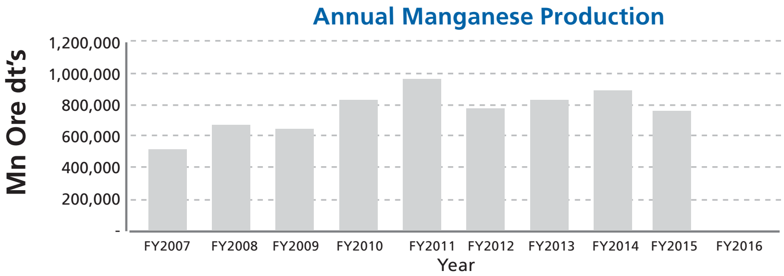
Figure 3. Bootu Creek Manganese Project Tenement Holdings

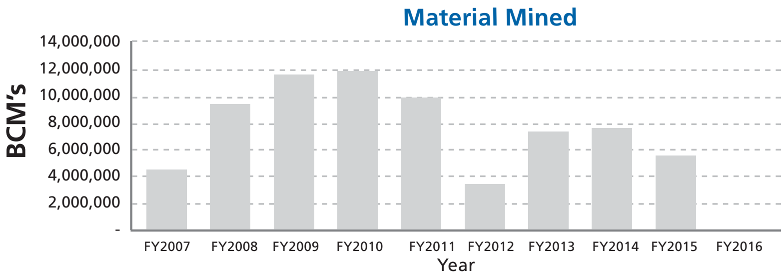


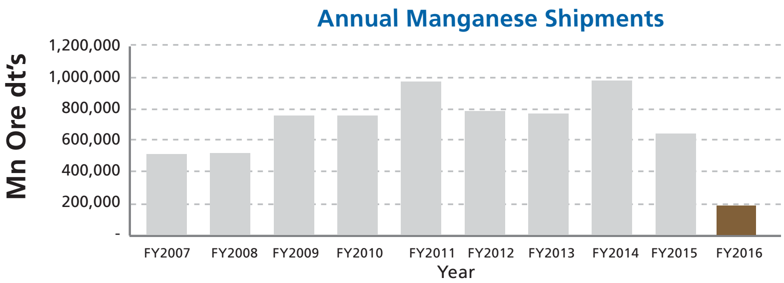
Exploration & Mining Operational Review
OM (Manganese) Ltd

Table 1. Bootu Creek Operations – Production

	Years ended 31 December					
	Unit	2016	2015	2014	2013	2012
Mining						
Total Material Mined	bcms	-	5,417,733	7,398,605	7,178,868	3,260,984
Ore Mined - tonnes	dt's	-	1,918,137	2,043,786	1,842,955	1,435,874
Ore Mined - Mn grade	%	-	22.52	22.45	21.77	23.03
Production						
Lump - tonnes	dt's	-	549,575	637,773	561,499	485,585
Lump - Mn grade	%	-	35.80	35.32	34.23	36.14
Fines/SPP - tonnes	dt's	-	211,295	252,564	265,101	252,180
Fines/SPP - Mn grade	%	-	37.90	37.15	36.69	37.35
Total Production - Tonnes	**dt's**	**-**	**760,870**	**890,337**	**826,599**	**737,766**
Total Production - Mn Grade	**%**	**-**	**35.71**	**35.84**	**35.02**	**36.55**
Sales						
Lump - tonnes	dt's	**119,470**	501,640	686,068	505,397	507,941
Lump - Mn grade	%	**35.75**	35.41	35.51	34.15	36.23
Fines/SPP - tonnes	dt's	**68,674**	137,411	277,083	253,203	265,947
Fines/SPP - Mn grade	%	**37.22**	36.50	37.28	36.88	37.72
Total Sales - Tonnes	**dt's**	**188,144**	**639,051**	**963,151**	**758,600**	**773,888**
Total Sales - Mn Grade	**%**	**36.29**	**35.65**	**36.02**	**36.02**	**35.06**







OPERATIONS

On 15 December 2015, the mining operations at the Bootu Creek Manganese Mine were suspended due to the ongoing and material fall in the manganese price. OMM was placed into Voluntary Administration ("VA") on 4 January 2016.

On 12 July 2016, OMM executed a Deed of Company Arrangement ("DOCA") with its creditors. The DOCA was subsequently completed on 24 August 2016 and the deed administration of OMM was consequently terminated in accordance with the DOCA terms. The day to day management and control of OMM has since reverted back to the directors of OMM since the DOCA completion date.

The Mine has been under care and maintenance since the DOCA completion date to the end of December 2016 and there was no mining and production activity carried out for the whole of FY 2016.

During the VA period, a total of 188,144 dry tonnes of existing product inventory was exported through the Port Of Darwin as part of the VA and DOCA process.

In late December 2016, OMM obtained the relevant approvals to re-start the Mine and work to prepare the Mine for recommencement took about 2 months. The Mine eventually re-started mining and production activities in February 2017.

Tshipi é Ntle Manganese Mining (Pty) Ltd ("Tshipi")

HIGHLIGHTS

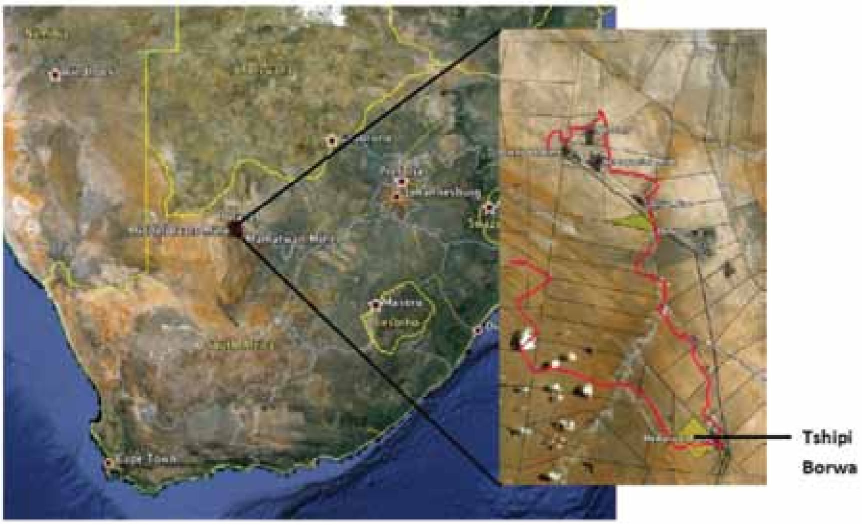
- A worldclass low cost expandable manganese asset.
- One of the three largest manganese mines in South Africa.
- Contiguous to South32's Mamatwan mine Tshipi commenced exporting in 2012.
- Tshipi has a total resource of 164.3 million tonnes of manganese ore.
- Tshipi exports totalled 1,818,841 tonnes during calendar year 2016.
- Total exports made up of both lump and fines.

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 owns a manganese property 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.

Tshipi Project Location



The Tshipi Borwa mine is an open pit manganese mine which commenced production in October 2012 and 1,818,841 tonnes were exported in 2016.

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 mineralized 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 3.0-3.6 million tonnes per annum of manganese ore.

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.

OM Tshipi (S) Pte Ltd ("OM Tshipi")

OM Tshipi is a Singapore based joint venture company between OM Materials Trade (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").

As of 31 December 2016, OM Trades, Jupiter and Ntsimbintle each hold an equal 33.3% stake in OM Tshipi.

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.

OM Tshipi has established itself as one of the few trading entities trading South African semi carbonate ores.

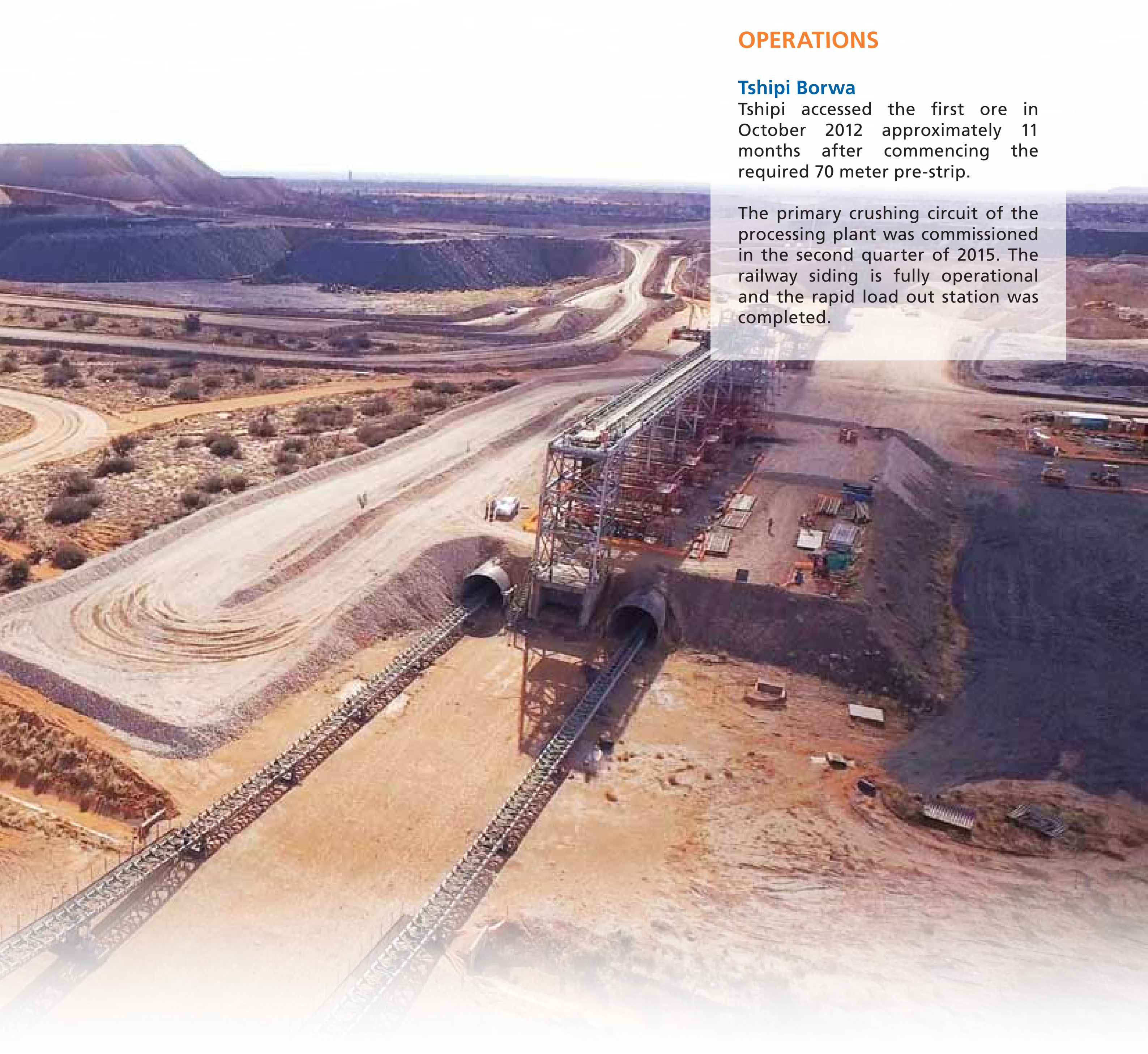
Tshipi é Ntle Manganese Mining (Pty) Ltd ("Tshipi")

OPERATIONS

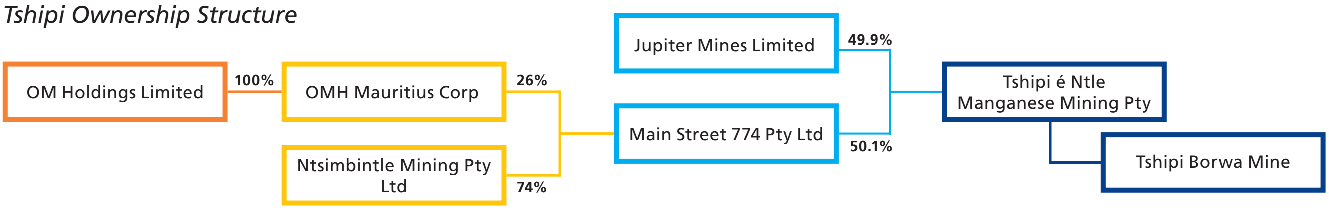
Tshipi Borwa

Tshipi accessed the first ore in October 2012 approximately 11 months after commencing the required 70 meter pre-strip.

The primary crushing circuit of the processing plant was commissioned in the second quarter of 2015. The railway siding is fully operational and the rapid load out station was completed.



Tshipi Ownership Structure



The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of OM Holdings Limited ("the Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2016 and the statement of financial position of the Company as at 31 December 2016.

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Names of Directors

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

Low Ngee Tong	(Executive Chairman)
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) (resigned on 26 August 2016)

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' Statement
for the financial year ended 31 December 2016

Directors' interests in shares

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	
The Company -	As at 1.1.2016	**As at 31.12.2016**	As at 1.1.2016	**As at 31.12.2016**
	Number of ordinary shares fully paid			
Low Ngee Tong	19,825,000	**19,825,000**	(1) 47,313,500	
Julie Anne Wolseley	5,562,002	**5,562,002**	–	–
Tan Peng Chin	(2) 1,660,000	(2) **1,960,000**	–	–

Notes:

(1) These shares are held directly by a company named Ramley International Limited, which is wholly owned by Mr Low Ngee Tong.

(2) 660,000 (2015 - 360,000) shares are held by UOB Kay Hian Private Limited on behalf of Mr Tan Peng Chin.

Shares Options

No options were granted during the financial year to take up unissued shares of the Company.

No shares were issued by virtue of the exercise of options.

There were no unissued shares of subsidiaries under option at 31 December 2016.

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;

Audit Committee (Cont'd)

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 2016 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.

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, 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, 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: 31 March 2017

Independent Auditor's Report
to the members of OM Holdings Limited

Opinion

We have audited the accompanying financial statements of OM Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Company and the Group as at 31 December 2016, and 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the International Financial Reporting Standards (IFRSs) so as to give a true and fair view of the financial position of the Company and the consolidated financial position of the Group as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (Cont'd)

Key audit matter	Risk:	Our response and work performed:
Valuation of property, plant and equipment	The Group has property, plant and equipment ("PPE") of A$639,825,000 as at 31 December 2016. PPE are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is based on certain key assumptions, such as cash flow projections covering a five-year period and the perpetual growth rate and discount rate per cash generating unit. These assumptions which are determined by management are judgmental. Due to the uncertain global economic environment, there are higher inherent risks relating to the impairment of property, plant and equipment.	We found that cautious estimates were made in the determination of the recoverable amount, and impairment is made to the certain categories of property, plant and equipment, since the recoverable amount is less than the net book value. Our audit procedures included among others, obtaining the valuation model and assumptions used, challenging management's assumptions and involving independent valuation experts to support us in our evaluation of the model. We have engaged our auditor's expert to review the valuation model, inputs and assumptions made. In the computation of the discounted cash flow projections, the Group takes into account the indicative open market prices of the finished products from independent expert and publication report, and uses inputs, such as market growth rate, weighted average cost of capital and other factors, typical of similar mining and smelting industries. Senior management has applied its knowledge of the business in its regular review of these estimates. We have evaluated the competence, capabilities and objectivity of management's expert and our auditor's expert, obtained an understanding of the work of our expert; and evaluated the appropriateness of our expert's work as audit evidence for the relevant assertion. We also focused on the adequacy of disclosures about key assumptions and sensitivity. The Group's disclosures about property, plant and equipment is included in Note 4 to the financial statements.

Key Audit Matters (Cont'd)

Key audit matter	Risk:	Our response and work performed:
Acquisition of a subsidiary (OMM)	In August 2016, the Company re-acquired a former subsidiary, OM (Manganese) Ltd ("OMM") that had gone into Voluntary Administration in the prior year, and that had completed a Deed of Company Arrangement ("DOCA"). Control of OMM reverted to the Company on 24 August 2016. Accordingly, the results of OMM was consolidated to the Group, with effect from 24 August 2016. A purchase price allocation exercise was carried out by management to determine the fair value of the assets acquired and liabilities assumed at the date control was regained.	Our audit procedures included checking and evaluating management's assessment that the Company has gained control of OMM in accordance with IFRS 10 *Consolidated Financial Statements* and the group's accounting policies. Other audit procedures included among others, obtaining valuation report on the fair value of assets and liabilities, performed by external valuer. We have engaged our auditor's expert to review and assess the valuation model used, the accuracy of fair value of the assets and liabilities assumed. We also challenged the assumptions and inputs used by the valuer and determine whether the assumptions and inputs are appropriate and accurate. We have evaluated the competence, capabilities and objectivity of management's expert, obtained an understanding of the work of that expert, and evaluated the appropriateness of that expert's work as audit evidence for the relevant assertion. We have evaluated the competence, capabilities and objectivity of our auditor's expert, obtained an understanding of the work of our expert, and evaluated the appropriateness of our expert's work as audit evidence for the relevant assertion. Based on our procedures, the management's assessment of OMM as a subsidiary is supported by the completion of DOCA, providing the Group with the control over OMM, in accordnace with IFRS 10. We also found that the estimates used in determining the value of the mine development costs, and property, plant and equipment and the resulting estimate used to determine the allocated values to the purchase price allocation were fair. We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements. The Group's disclosures on the investment in subsidiary is included in Note 11 to the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the directors' statement, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with the ISAs.

Responsibilities of Management and those charged with governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The responsibilities of those charged with governance include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Foo Kon Tan LLP

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 31 March 2017

Statements of Financial Position

as at 31 December 2016

		The Company		The Group	
		31 December	31 December	**31 December**	31 December
		2016	2015	**2016**	2015
	Note	**A$'000**	A$'000	**A$'000**	A$'000
Assets					
Non-Current					
Property, plant and equipment	4	**–**	–	**639,825**	613,023
Land use rights	5	**–**	–	**9,813**	18,112
Exploration and evaluation costs	6	**–**	–	**1,866**	1,676
Mine development costs	7	**–**	–	**43,169**	–
Goodwill	8	**–**	–	**–**	–
Deferred tax assets	10	**–**	–	**–**	4,608
Interests in subsidiaries	11	**107,992**	107,303	**–**	–
Interests in associates	12	**–**	–	**117,281**	106,662
		107,992	107,303	**811,954**	744,081
Current					
Inventories	13	**–**	–	**302,817**	259,848
Trade and other receivables	15	**128,181**	125,955	**50,174**	54,018
Prepayments		**862**	1	**1,897**	861
Available-for-sale financial assets	9	**–**	798	**–**	798
Cash collateral	16	**–**	–	**8,764**	11,202
Cash and cash equivalents	16	**21**	55	**20,571**	12,711
		129,064	126,809	**384,223**	339,438
Land use rights classified as held-for-sale	5	**–**	–	**–**	20,311
		129,064	126,809	**384,223**	359,749
Total assets		**237,056**	234,112	**1,196,177**	1,103,830
Equity					
Capital and Reserves					
Share capital	17	**36,671**	36,671	**36,671**	36,671
Treasury shares	18	**(2,330)**	(2,330)	**(2,330)**	(2,330)
Reserves	19	**(10,136)**	7,277	**105,370**	52,826
		24,205	41,618	**139,711**	87,167
Non-controlling interests		**–**	–	**62,748**	32,496
Total equity		**24,205**	41,618	**202,459**	119,663
Liabilities					
Non-Current					
Borrowings	21	**86,300**	54,391	**560,348**	435,249
Land use rights obligation	20	**–**	–	**–**	2,937
Derivative financial liabilities	14	**–**	–	**–**	73,464
Trade and other payables	23	**–**	12,291	**183,857**	131,563
Provisions	22	**–**	–	**6,069**	–
Deferred capital grant	24	**–**	–	**14,554**	–
		86,300	66,682	**764,828**	643,213
Current					
Trade and other payables	23	**126,551**	97,132	**166,319**	162,551
Derivative financial liabilities	14	**–**	–	**–**	30,461
Borrowings	21	**–**	20,362	**57,283**	134,886
Land use rights obligation	20	**–**	–	**–**	3,173
Provisions	22	**–**	8,318	**–**	8,318
Deferred capital grant	24	**–**	–	**783**	–
Income tax payables		**–**	–	**4,505**	1,565
		126,551	125,812	**228,890**	340,954
Total liabilities		**212,851**	192,494	**993,718**	984,167
Total equity and liabilities		**237,056**	234,112	**1,196,177**	1,103,830

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 2016

	Note	**Year ended 31 December 2016 A$'000**	Year ended 31 December 2015 A$'000
Revenue	3	**414,243**	338,463
Cost of sales		**(354,161)**	(332,348)
Gross profit		**60,082**	6,115
Other income	25	**62,756**	24,334
Distribution costs		**(13,864)**	(17,695)
Administrative expenses		**(23,096)**	(18,474)
Other operating expenses		**(62,150)**	(100,753)
Finance costs	27	**(42,418)**	(23,637)
Loss from operations		**(18,690)**	(130,110)
Share of results of associates		**10,574**	(1,522)
Loss before income tax	27	**(8,116)**	(131,632)
Income tax	28	**(8,629)**	6,591
Loss for the year		**(16,745)**	(125,041)
Other comprehensive (expense)/income, net of tax:			
Items that may be reclassified subsequently to profit or loss			
Net fair value loss on available-for-sale financial assets and financial derivative		**(217)**	(616)
Currency translation differences arising from foreign subsidiaries		**(3,600)**	14,748
Currency translation differences for disposal of a subsidiary		**(842)**	–
Cash flow hedges	29	**65,408**	(32,051)
Other comprehensive income/(expense) for the year, net of tax of nil		**60,749**	(17,919)
Total comprehensive income/(expense) for the year		**44,004**	(142,960)
Profit/(loss) attributable to:			
Owners of the Company		**7,936**	(122,101)
Non-controlling interests		**(24,681)**	(2,940)
		(16,745)	(125,041)
Total comprehensive income/(expense) attributable to:			
Owners of the Company		**52,550**	(135,911)
Non-controlling interests		**(8,546)**	(7,049)
		44,004	(142,960)
Profit/(loss) per share		**Cents**	Cents
- Basic	30	**1.08**	(16.69)
- Diluted	30	**1.08**	(16.69)

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 2016

	Share capital A$'000	Share premium A$'000	Treasury shares A$'000	Non-distributable reserve A$'000	Capital 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 2016	**36,671**	**176,563**	**(2,330)**	**5,553**	**16,513**	**217**	**(56,962)**	**19,718**	**(108,776)**	**87,167**	**32,496**	**119,663**
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,936**	**7,936**	**(24,681)**	**(16,745)**
Other comprehensive (expense)/income for the year	**–**	**–**	**–**	**114**	**–**	**(217)**	**49,056**	**(4,225)**	**(114)**	**44,614**	**16,135**	**60,749**
Total comprehensive (expense)/income for the year	**–**	**–**	**–**	**114**	**–**	**(217)**	**49,056**	**(4,225)**	**7,822**	**52,550**	**(8,546)**	**44,004**
Capital injection from non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**38,798**	**38,798**
Dividend forfeited	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**127**	**127**	**–**	**127**
Disposal of a subsidiary	**–**	**–**	**–**	**(133)**	**–**	**–**	**–**	**–**	**–**	**(133)**	**–**	**(133)**
Balance at 31 December 2016	**36,671**	**176,563**	**(2,330)**	**5,534**	**16,513**	**–**	**(7,906)**	**15,493**	**(100,827)**	**139,711**	**62,748**	**202,459**
Balance at 1 January 2015	36,671	176,563	(2,330)	5,553	572	833	(31,812)	7,762	13,325	207,137	32,522	239,659
Loss for the year	–	–	–	–	–	–	–	–	(122,101)	(122,101)	(2,940)	(125,041)
Other comprehensive (expense)/income for the year	–	–	–	–	–	(616)	(25,150)	11,956	–	(13,810)	(4,109)	(17,919)
Total comprehensive (expense)/income for the year	–	–	–	–	–	(616)	(25,150)	11,956	(122,101)	(135,911)	(7,049)	(142,960)
Capital injection from non–controlling interest	–	–	–	–	–	–	–	–	–	–	177	177
Disposal of non–controlling interests without a change in control	–	–	–	–	15,941	–	–	–	–	15,941	6,846	22,787
Balance at 31 December 2015	36,671	176,563	(2,330)	5,553	16,513	217	(56,962)	19,718	(108,776)	87,167	32,496	119,663

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 2016

	Year ended 31 December 2016 A$'000	Year ended 31 December 2015 A$'000
Cash Flows from Operating Activities		
Loss before income tax	**(8,116)**	(131,632)
Adjustments for:		
Amortisation of land use rights	**328**	327
Amortisation of mine development costs	**–**	4,023
Depreciation of property, plant and equipment	**19,230**	27,116
Write off of exploration and evaluation costs	**109**	605
Write-down of inventories to net realisable value	**–**	9,354
Write-off of inventories	**–**	27,167
Gain on disposal of property, plant and equipment	**(11)**	–
Gain on disposal of land use right	**(9,574)**	–
Gain on deconsolidation of a subsidiary	**–**	(9,009)
Gain on bargain purchase	**(42,811)**	–
Loss on disposal of a subsidiary	**182**	–
Impairment loss on:		
- Available-for-sale financial assets	**581**	1,313
- Property, plant and equipment	**344**	10,638
- Mine development costs	**–**	10,510
- Other assets	**–**	2,065
Write back of trade and other payables	**–**	(12,411)
Gain on extinguishment of convertible bond	**(3,446)**	–
Unwinding of interest income	**(2,505)**	–
Fair value gain on financial liabilities through profit or loss	**–**	(483)
Fee paid for obtaining capital grant	**4,574**	–
Discontinuation of cash flow hedge	**24,411**	–
Loss on derivative settlement	**18,500**	–
Interest expenses	**42,418**	23,637
Interest income	**(170)**	(241)
Share of results of associates	**(10,574)**	1,522
Operating loss before working capital changes	**33,470**	(35,499)
Increase in inventories	**(41,526)**	(150,709)
(Increase)/decrease in trade and bill receivables	**(19,101)**	2,031
Decrease/(increase) in prepayments, deposits and other receivables	**12,490**	(16,093)
Increase in trade and bill payables	**27,019**	21,291
(Decrease)/increase in other payables and accruals	**(42,812)**	43,465
Increase in short-term provision	**–**	8,318
Changes in long-term liabilities:		
- Decrease in long-term lease obligation	**–**	(636)
- Decrease in long-term provision (for restoration)	**–**	(139)
- Decrease in retirement benefit obligation	**–**	(858)
- Increase in other long term payable	**53,793**	90,164
Cash generated from/(used in) operations	**23,333**	(38,659)
Overseas income tax (paid)/refunded	**(1,081)**	3,736
Net cash generated from/(used in) operating activities	**22,252**	(34,923)
Cash Flows from Investing Activities		
Payments for exploration and evaluation costs	**(299)**	(802)
Purchase of property, plant and equipment	**(16,900)**	(91,948)
Proceeds from disposal of property, plant and equipment	**121**	–
Proceeds from disposal of land use right	**29,885**	–
Acquisition of a subsidiary (Note 26)	**1,004**	–
Net proceeds from disposal of subsidiaries (Note A)	**747**	22,787
Loan to an associate	**(45)**	(303)
Interest received	**170**	241
Net cash generated from/(used in) investing activities	**14,683**	(70,025)

Consolidated Statement of Cash Flows

for the financial year ended 31 December 2016

	Year ended 31 December 2016 A$'000	Year ended 31 December 2015 A$'000
Cash Flows from Financing Activities		
Repayment of bank and other loans	**(21,493)**	(14,131)
Proceeds from bank loans	**–**	121,166
Payment to finance lease creditors	**(987)**	(2,934)
Capital grant received, net of cost	**10,672**	–
Capital contribution by non-controlling interests	**38,798**	177
Decrease in cash collateral	**4,949**	12,088
Loss on derivative settlement	**(18,500)**	–
Interest paid	**(42,418)**	(23,638)
Net cash (used in)/generated from financing activities	**(28,979)**	92,728
Net increase/(decrease) in cash and cash equivalents	**7,956**	(12,220)
Cash and cash equivalents at beginning of the year	**12,711**	38,751
Exchange difference on translation of cash and cash equivalents at beginning of the year	**(96)**	(13,820)
Cash and cash equivalents at end of the year (Note 16)	**20,571**	12,711

Note A

The Group disposed of a subsidiary in 2016. The carrying value of assets and liabilities disposed of were as follows:

	2016 A$'000
Net assets disposed of	
Property, plant and equipment	**233**
Deposits and other receivables	**2,384**
Cash and bank balances	**1**
Other payables and accruals	**(1,688)**
	930
Loss on disposal of a subsidiary	**(182)**
Proceeds received	**748**
Cash balance in subsidiaries disposed of	**(1)**
Cash inflow on disposal	**747**

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

1 General information

The financial statements of the Company and of the Group for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Directors on the date of the Directors' Statement.

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 collectively 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 in applying accounting policies

Management's assessment of going concern assumption

The Group suffered net losses of A$16,745,000 and A$125,041,000 for 2 consecutive financial years. Total borrowings amounted to A$617,631,000 (2015 - A$570,135,000) as of year end. Notwithstanding the above condition and event, the financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet their obligations as and when they fall due in the next 12 months. Management has evaluated the above condition and event in relation to the Group's ability to meets its obligations and together with its plans to mitigate the effect of the condition and event concluded that no material uncertainty exists.

Management's plans and assessment include assessing the Group's financial position and its cash flow position within the next 12 months. The Group generated a net positive operating cash flow of A$22.3 million during the year and as at end of the reporting period has a cash position of A$29.3 million. Management has taken, and will continue to take, appropriate measures to reduce the Group's operating costs as well as to continue to improve the Group's operating performance with the projected increase in production volume and price for manganese ore and ferro-alloys.

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

Significant judgements in applying accounting policies (Cont'd)

Management's assessment of going concern assumption (Cont'd)

The Group recorded revenue of A$414.2 million for financial year ("FY") 2016, representing a 22% increase from the A$338.5 million recorded for FY 2015. This increase in revenue was mainly from the smelting segment as a result of higher ferrosilicon volumes produced and traded from the Group's 75% owned smelter in Sarawak, which contributed 127,515 tonnes of sales corresponding to revenue of A$158.8 million for FY 2016.

During the year, a restructuring proposal was prepared and presented to its bankers for consent of the restructuring. At the end of the reporting period; certain bankers have given in principal approval for the restructuring and will not seek to enforce claims against the Group within the next 12 months. Accordingly, management has reclassified a total amount of AS$105.7 million from current liabilities to non-current liabilities. As at 31 December 2016, the Group's total current assets exceeded its total current liabilities by A$155.3 million as stated in the Statement of Financial Position.

Subsequent to the financial year end, the Group has also recommenced its mining and production activities at the Bootu Creek mine site in February 2017, and two shipments of Manganese ore have been concluded at the date of this report.

At the date of authorisation of these financial statements, 10 out of 16 furnaces are in operation in the Sarawak smelter, out of which 2 furnaces are producing manganese alloy and 8 furnaces are producing ferrosilicon. Production for the remaining 6 furnaces are expected to commence by the middle of 2017. With the Sarawak smelter going into full production capacity, it is expected that the Group will be able to achieve higher sales volume with better selling price in addition to lower fixed costs in FY 2017 as compared to FY 2016.

In addition, the Group is currently in the process to investigate strategic options to realise shareholders' value from the disposal of some of its assets and will endeavour to complete this within FY 2017.

At the date of authorisation of these financial statements, the loan restructuring agreement is in the final stage of drafting and it is expected to be finalised and signed within the next month. In addition, the recommencement of mining and production activities in Bootu Creek mine site is projected to generate healthy cash flows. Management prepared and assessed the Group's cash flow position for the next 12 months, using the revised repayment terms of the approved restructured loan as well as management's judgement and assumption of the economic conditions including the market outlook for the commodity prices such as manganese ore, manganese alloy and ferrosilicon alloy, capital distribution, disposal of assets and the Group's expected performance for the next 12 months. Based on the cash flow projection, management is of the view that the Group will be able to meet its obligations as and when they fall due in the next 12 months.

Income taxes (Note 28)

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 in applying accounting policies (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 significant or prolonged in recognising impairment loss of the available-for-sale financial assets. 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 significant or prolonged in recognising the impairment loss of available-for-sale financial assets. 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 2016 is A$Nil (2015 - A$798,000).

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.

Capitalisation of employee benefit expenses and borrowing costs in construction-in-progress (Notes 31 and 21.3)

During the year, the Group capitalised employee benefits expenses of A$47,000 (2015 - A$6,702,000) and borrowing costs of A$Nil (2015 - A$2,708,000) in construction-in-progress. The amounts of employee benefit expenses 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.

Valuation of Assets and Liabilities in a Purchase Price Allocation ("PPA")

In August 2016, the Company re-acquired a former subsidiary, OM (Manganese) Ltd ("OMM") that had gone into Voluntary Administration in the prior year, and that had completed a Deed of Company Arrangement ("DOCA").

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

Significant judgements in applying accounting policies (Cont'd)

Valuation of Assets and Liabilities in a Purchase Price Allocation "PPA" (Cont'd)

Control of OMM reverted to the Company on 24 August 2016. Accordingly, the results of OMM was consolidated to the Group, with effect from 24 August 2016. A purchase price allocation exercise was carried out by management to determine the fair value of the assets acquired and liabilities assumed at the date control was regained.

On initial recognition, the assets and liabilities of the acquired business are included in the consolidated statement of financial position at their fair values. In measuring fair value, management uses estimates about future cash flows and discount rates, however, the actual results may vary.

Gain on deconsolidation of a subsidiary

In the previous year, the mining operations of a wholly-owned subsidiary in Australia ceased and before the end of the reporting period, management put this subsidiary into Voluntary Administration ("VA") through the appointment of an Administrator. As a result of the VA, management deemed that the Group had effectively lost control of this subsidiary as at the end of the reporting period and deconsolidated the subsidiary from the Group in accordance with the accounting policy detailed in Note 2(d). However, this subsidiary is still considered a legal subsidiary of the Company. A gain on deconsolidation of A$9,009,000 was recognised in profit or loss. Several areas involving high degree of judgements and assumptions were used by management in deriving this gain. These are detailed below:

(a) Based on management's computation of the estimated net proceeds available for pay outs to the subsidiary's creditors after estimating the expected realisation from the sale of existing inventory, management assessed that a portion of the trade and other payables of this subsidiary would not be settled in full and hence, wrote back this amount to the profit or loss.

(b) An external valuation by an independent professional valuer was undertaken to assess the fair value of this subsidiary's property, plant and equipment. The fair value was based on valuation using the market/cost approach after taking into consideration the information made available to the valuer, prevailing market conditions and other factors considered appropriate by the management. Given that the mine had ceased operations and the fair value was lower than the carrying amount of property, plant and equipment as at the date when control was lost, management was of the view that the property, plant and equipment was impaired and the fair value represented the recoverable amount of the property, plant and equipment. Accordingly, the carrying amount was reduced to its recoverable amount and the reduction recognised as impairment loss in profit or loss.

(c) Except for one category of inventories which was written down to net realisable value based on an external valuation done by an independent professional valuer, all other inventories and mine development costs in this subsidiary were fully written off and recognised in profit or loss due to the suspension of the mining operations as management was of the view that these costs may no longer be recoverable.

(d) Based on management's assumption that this subsidiary will be returned to the Group after a successful restructuring and recommencing its mining operations within 12 months, other amounts receivable from or payable to Group companies as at the date where control was lost were impaired or written back respectively in profit or loss.

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

Significant judgements in applying accounting policies (Cont'd)

Crystallisation of corporate guarantees (Notes 22 and 27)

In the previous year, the Company provided corporate guarantees to a subsidiary which went into VA (as above) on its agreements with suppliers and finance lease creditors. As a result of the VA, these corporate guarantees had crystallised and management has estimated the Company's expected liability at A$8,318,000 based on the amount expected to be paid out to the creditors. This has been accrued for accordingly in the statements of financial position.

The Group had paid the guarantee during the current financial year.

Critical assumptions used and accounting estimates in applying accounting policies

Impairment of investment in subsidiaries (Note 11)

Determining whether investment in subsidiaries is impaired requires an estimation of the value-in-use of that investment. The value-in-use calculation requires the Company to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverability of the investment based on such estimates. In the previous year, one of the subsidiaries suspended its mine operations and went into Voluntary Administration during the year. Management is of the view that the investment in this subsidiary may not be recoverable and fully impaired this investment to profit or loss. The carrying amount of interests in subsidiaries is A$107,992,000 (2015 - A$107,303,000). If the present value of estimated future cash flows decrease by 10% from management's estimates, the Company's allowance for impairment will increase by A$10,799,200 (2015 - increase by A$10,730,700).

Mine Development Costs (Note 7)

The fair value adjustments for the mine development cost were approximately $43,169,000, based on valuations by an independent international valuer. The fair value of the mine development costs was determined based on property highest and best use, using the income approach.. If the fair value 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$4,316,900 (2015 - A$Nil).

Depreciation of property, plant and equipment (Note 4)

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 levels 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$1,923,000 (2015 - A$2,711,600). 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 2016 is A$639,825,000 (2015 - A$613,023,000).

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

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

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).

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 Group's financial liabilities carried at fair value is A$Nil (2015 - A$103,925,000) respectively. If the fair value of the Group's derivative financial liabilities increase/decrease by 10%, the Group's loss and other comprehensive expenses for the year will increase/decrease by A$Nil (2015 - A$10,393,000) 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 for the year will decrease or increase by A$Nil or A$Nil (2015 - A$2,971,000 or A$3,705,000) respectively. The carrying amount of the inventories as at 31 December 2016 is A$302,817,000 (2015 - A$259,848,000).

2(b) Interpretations and amendments to published standards effective in 2016

The directors do not anticipate that the adoption of the IFRSs will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption except for the following new or amended IFRS and INT FRS issued and effective in year 2016:

Reference	**Description**
Amendments to IAS 1	*Disclosure Initiatives*

The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:
- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities should adopt a systemic order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. As this is a disclosure standard, it will have no impact to the financial position and performance of the Group when applied in.

2(c) FRS not yet effective

The following are the new or amended FRS and INT FRS issued in 2016 that are not yet effective but may be early adopted for the current financial year:

Reference	**Description**	**Effective date (Annual Periods beginning on)**
Amendments to IAS 7	*Statement of Cash Flows*	1 January 2017
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrecognised Losses*	1 January 2017
Amendments to IAS 102	*Classification and Measurement of Share-based Payment Transactions*	1 January 2018
IFRS 15	*Revenue from Contracts with Customers*	1 January 2018
Clarifications to IFRS 15	*Revenue from Contracts with Customers*	1 January 2018
IFRS 9	*Financial Instruments*	1 January 2018
FRS 16	*Leases*	1 January 2019
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*	1 January 2018

Amendments to IAS 7 *Statement of Cash Flows*

The Amendments to IAS 7 *Statement of Cash Flows* required entities to reconcile cash flows arising from financing activities as reported in the statement of cash flows – excluding contributed equity – to the corresponding liabilities in the opening and closing statements of financial position and to disclose any restrictions over the decisions of an entity to use cash and cash equivalent balances, in particular way – e.g. any tax liabilities that would arise on repatriation of foreign cash and cash equivalent balances. These amendments are effective on beginning or after 1 January 2017. As this is a disclosure standard, it will have no impact to the financial position and performance of the Group when applied in.

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

Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*

The amendments to IFRS 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

(i) The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments
(ii) Share-based payment transactions with a net settlement feature for withholding tax obligations and
(iii) A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Companies are required to apply the amendments for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact to the consolidated financial statements.

IFRS 15 *Revenue Contracts with Customers*

IFRS 15 *Revenue from Contracts with Customers* establishes a framework for determining when and how to recognise revenue. The objective of the standard is to establish the principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer.

The standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 18 *Transfer of Assets from Customers* and SIC 31 *Revenue – Barter Transactions involving Advertising Services*. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall into the scope of other standards.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. The Group is currently assessing the impact to the consolidated financial statements.

Clarifications to IFRS 15 *Revenue Contracts with Customers*

The amendments clarify how to:
- Identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract
- Determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided)
- Determine whether the revenue from granting a licence should be recognised at a point in time or over time.

The amendments have the same effective date as the Standard, IFRS 15, i.e. on 1 January 2018.

IFRS 9 *Financial Instruments*

IFRS 9 Financial Instruments replaces the IAS 39 and it is a package of improvements introduced by IFRS 9 which include a logical model for:
- Classification and measurement;
- A single, forward – looking "expected loss" impairment model and
- A substantially reformed approach to hedge accounting

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Group is currently assessing the impact to the consolidated financial statements.

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

IFRS 16 *Leases*

IFRS 16 Leases replaces accounting requirements introduced more than 30 years ago in accordance with IAS 17 Leases that are no longer considered fit for purpose, and is a major revision of the way in which companies where it is required lessees to recognise most leases on their balance sheets. Lessor accounting is substantially unchanged from current accounting in accordance with IAS 17. IFRS 16 Leases will be effective for accounting periods beginning on or after 1 January 2019. Early adoption will be permitted, provided the company has adopted IFRS 15. The Group is currently assessing the impact to the consolidated financial statements.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

This Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The Group is currently assessing the impact to the consolidated financial statements.

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 are attributable to the non-controlling interest even if that results in a deficit balance.

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 rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

Consolidation (Cont'd)

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.

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.

<u>Transactions with Non-Controlling Interest</u>

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.

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

Consolidation (Cont'd)

Business combinations

Business combinations are accounted for by applying the acquisition method identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss. The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquire (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

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 accounts 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.

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

Associates (Cont'd)

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.

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 any 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 on acquisition of subsidiaries on or after 1 January 2010 represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired.

Goodwill on subsidiaries and joint ventures is recognised separately as intangible assets.

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

Intangible assets (Cont'd)

Goodwill (Cont'd)

Gains and losses on the disposal of subsidiaries, joint ventures and associated companies include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisition prior to 1 January 2001. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in profit or loss on disposal.

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.

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.

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.

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

Intangible assets (Cont'd)

Exploration and evaluation costs (Cont'd)

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 36 "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

(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.

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

Intangible assets (Cont'd)

Mine development costs (Cont'd)

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 allocate their depreciable amount 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
Computer equipment, office equipment and furniture	1 to 10 years
Motor vehicles	5 to 10 years

Plant and equipment - process facility, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed using the unit of production method to allocate their depreciable amount of these assets over their estimated useful lives as follows:

Plant and equipment - Process facility	Life of mine

Previously, the depreciation is computed using the straight-line method. The effect of this change in estimate was an increase in the net profit for the financial year and the net book value of property, plant and equipment by A$13,980,909 and a corresponding decrease in the accumulated depreciation account by the same amount.

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.

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

Property, plant and equipment (Cont'd)

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 period 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.

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.

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 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.

De-recognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

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

Financial assets (Cont'd)

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.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the 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. Loan and receivables are recognised initially at fair value, plus any directly attributable costs. Subsequent to initial recognition, they are 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 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 investments 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 de-recognised.

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.

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

Financial assets (Cont'd)

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

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.

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.

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

Derivative financial instruments and hedging activities (Cont'd)

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.

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.

Cash flow hedges

For cash flow hedges, 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 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.

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.

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

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.

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

Share premium

Any excess of the proceeds received over the par value of the shares is recorded in share premium.

Financial liabilities

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

Financial liabilities are recognised when the Company and the Group become 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 de-recognised if the Company's and the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

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 de-recognised 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 12 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 12 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 incur 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.

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

Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

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,

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

Leases (Cont'd)

Finance leases

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

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

Operating leases

Rentals on operating leases are charged to 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 realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in 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.

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

Income taxes (Cont'd)

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.

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.

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

Employee benefits (Cont'd)

Employee leave entitlements

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

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 or 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);
- (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); or
- (viii) the entity, or any member of a group which is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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.

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

Impairment of non-financial assets (Cont'd)

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:

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;

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

Conversion of foreign currencies (Cont'd)

Group entities (Cont'd)

(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

(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, ferrosilicon and manganese sinter ore
Marketing and trading	Trading of manganese ore, manganese ferroalloys, ferrosilicon, 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.

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
Cost						
At 1 January 2015	384,157	23,136	213,608	4,030	2,153	627,084
Additions	89,387	313	1,480	410	358	91,948
Transfers	(198,353)	–	198,353	–	–	–
Adjustment for loss of control of subsidiary *	(1,668)	(8)	(107,960)	(3,190)	–	(112,826)
Written off	–	–	–	(29)	–	(29)
Exchange realignment	41,783	1,342	10,171	70	155	53,521
At 31 December 2015	**315,306**	**24,783**	**315,652**	**1,291**	**2,666**	**659,698**
Additions	**9,773**	**149**	**6,732**	**240**	**6**	**16,900**
Transfers	**(311,506)**	**–**	**311,506**	**–**	**–**	**–**
Acquisition of subsidiary #	**520**	**–**	**109,018**	**2,014**	**–**	**111,552**
Disposal	**–**	**(835)**	**(644)**	**(11)**	**(391)**	**(1,881)**
Written off	**–**	**–**	**–**	**(29)**	**(2)**	**(31)**
Exchange realignment	**3,391**	**(1,235)**	**1,480**	**(22)**	**(62)**	**3,552**
At 31 December 2016	**17,484**	**22,862**	**743,744**	**3,483**	**2,217**	**789,790**
Accumulated depreciation						
At 1 January 2015	–	6,870	83,581	3,330	1,251	95,032
Depreciation for the year (Note 27)	–	1,315	24,877	534	390	27,116
Adjustment for loss of control of subsidiary *	–	–	(84,359)	(3,223)	–	(87,582)
Written off	–	–	–	(29)	–	(29)
Exchange realignment	–	381	991	34	94	1,500
At 31 December 2015	**–**	**8,566**	**25,090**	**646**	**1,735**	**36,037**
Depreciation for the year (Note 27)	**–**	**1,270**	**17,285**	**349**	**326**	**19,230**
Acquisition of subsidiary #		**–**	**84,152**	**1,971**	**–**	**86,123**
Disposal	**–**	**(640)**	**(555)**	**(11)**	**(332)**	**(1,538)**
Written off	**–**	**–**	**–**	**(29)**	**(2)**	**(31)**
Exchange realignment	**–**	**(448)**	**(329)**	**(20)**	**(41)**	**(838)**
At 31 December 2016	**–**	**8,748**	**125,643**	**2,906**	**1,686**	**138,983**
Impairment loss						
At 1 January 2015	–	–	–	–	–	–
Impairment loss recognised (Note 27)	–	–	10,638	–	–	10,638
As at 31 December 2015	**–**	**–**	**10,638**	**–**	**–**	**10,638**
Impairment loss recognised (Note 27)	**344**	**–**	**–**	**–**	**–**	**344**
At 31 December 2016	**344**	**–**	**10,638**	**–**	**–**	**10,982**
Net book value						
At 31 December 2016	**17,140**	**14,114**	**607,463**	**577**	**531**	**639,825**
At 31 December 2015	315,306	16,217	279,924	645	931	613,023

* This relates to a subsidiary in which the Group had lost control in the previous period.

\# This relates to a subsidiary in which the Group had regained control at the end of the reporting period, previously de–consolidated.

4 Property, plant and equipment (Cont'd)

The net book value of motor vehicles and plant and equipment acquired under finance lease for the Group amounted to A$301,000 and A$1,951,000 (2015 - A$454,000 and A$Nil) (Note 21.1) respectively.

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

As of 31 December 2016, property, plant and equipment with a total carrying amount of A$582,635,000 (2015- A$281,250,000) had been pledged for banking facilities granted to a subsidiary.

Impairment assessment

During the year an impairment loss of A$344,000 was recognised for the construction-in-progress in a subsidiary, due to the suspension of works in building the construction-in-progress. In the previous year, the impairment loss represent the impairment of certain property, plant and equipment recognised in profit or loss due to the suspension of mining operations in one of the subsidiaries during the year (see Note 2(a)).

The Group evaluates any indication of impairment in the property, plant and equipment at the end of each reporting period. Cash flow projections used in these calculations were based on financial budgets approved by management covering the useful life of the property, plant and equipment. Cash flows beyond the useful life of the property, plant and equipment were extrapolated using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate in which the CGU operates.

Key assumptions used for value-in-use calculations:

	2016
Gross margin (1)	14%
Growth rate (2)	2.5% to 3% before 2021, 0% after 2021
Discount rate (3)	8%

(1) Budgeted gross margin
(2) Weighted average growth rate used to extrapolate cash flows beyond the budget period
(3) Pre-tax discount rate applied to the pre-tax cash flow projections

These assumptions were used for the analysis. Management determined budgeted gross margin based on past performance and its expectations of the market developments. The weighted average growth rates used were consistent with the forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments. Based on the assessment, no impairment is required.

5 Land use rights

The Group	2016 A$'000	2015 A$'000
Non-current		
At the beginning of the year	**18,112**	32,164
Amortisation for the year (Note 27)	**(328)**	(327)
Incentives by government	**(8,038)**	–
Reclassification	**–**	(15,629)
Exchange realignment	**67**	1,904
At the end of the year	**9,813**	18,112
Current - land use rights classified as held-for-sale		
At the beginning of the year	**20,311**	6,698
Disposal	**(20,311)**	–
Reclassification	**–**	15,629
Exchange realignment	**–**	(2,016)
At the end of the year	**–**	20,311
	9,813	38,423
At the end of the year		
Cost	**11,456**	40,444
Accumulated amortisation	**(1,643)**	(2,021)
Net carrying value	**9,813**	38,423

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

The land use rights for leasehold land located in Malaysia had a net carrying value of A$36,823,000 and were pledged as security for borrowings referred to in Note 21.2(a) and (c). During the year, the land use rights amounting to A$20,311,000 were sold and the related borrowings were fully repaid.

6 Exploration and evaluation costs

The Group	2016 A$'000	2015 A$'000
At beginning of the year	**1,676**	1,479
Costs incurred during the year	**299**	802
Written off during the year (Note 27)	**(109)**	(605)
At end of the year	**1,866**	1,676

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

The Group	2016 A$'000	2015 A$'000
Assets	**16**	23
Income and expenses	**(39)**	(46)
Operating cash flows	**283**	360
Investing cash flows	**(243)**	(376)

7 Mine development costs

The Group	**2016**	2015
	A$'000	A$'000
At beginning of the year	**–**	14,076
Costs incurred during the year	**–**	457
Amortisation for the year (Note 27)	**–**	(4,023)
Acquisition of subsidiary #	**43,169**	–
Impairment during the year (Note 27)	**–**	(10,510)
At end of the year	**43,169**	–

The Group	**2016**	2015
	A$'000	A$'000
At the end of the year	**–**	–
Costs	**43,169**	–
Net carrying value	**43,169**	–

This relates to a subsidiary in which the Group regained control at the end of the reporting period, previously de–consolidated.

8 Goodwill

The Group	**2016**	2015
	A$'000	A$'000
At beginning of the year	**–**	2,065
Impairment recognised (Note 27)	**–**	(2,065)
At end of the year	**–**	–

9 Available–for–sale financial assets

The Company and The Group	**2016**	2015
	A$'000	A$'000
Quoted equity investments, at fair value		
At beginning of the year	**798**	2,727
Impairment loss recognised directly in profit or loss (Note 27)	**(581)**	(1,313)
Fair value loss recognised directly in other comprehensive income	**(217)**	(616)
	(798)	(1,929)
At end of the year	**–**	798

9 Available–for–sale financial assets (Cont'd)

Represented by:

The Company and The Group	2016 A$'000	2015 A$'000
Quoted equity investments, at costs	**81,899**	81,899
Impairment loss		
At beginning of the year	**(81,101)**	(79,172)
Impairment loss recognised directly in profit or loss	**(581)**	(1,313)
Fair value loss recognised directly in other comprehensive income	**(217)**	(616)
At end of the year	**(81,899)**	(81,101)
At end of the year	–	798

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.

During the year, the available–for–sale financial assets had been fully written off, as the investments went into voluntary administration.

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:

The Group	2016 A$'000	2015 A$'000
Deferred tax assets		
To be recovered within one year	–	–
To be recovered after one year	–	4,608
	–	4,608
Balance at beginning of the year	**4,608**	2,730
(Charged)/credited to the profit or loss (Note 28)	**(4,608)**	1,760
Exchange difference on translation	–	118
Balance at end of the year	–	4,608

10 Deferred taxation (Cont'd)

The balance comprises tax on the following temporary differences:

The Group	Tax losses A$'000	Northern territory government royalty benefit A$'000	Total A$'000
At 1 January 2015	2,730	6,266	8,996
Credited/(charged) to the profit or loss (Note 28)	1,760	(6,266)	(4,506)
Exchange difference on translation	118	–	118
At 31 December 2015	**4,608**	**–**	**4,608**
Charged to the profit or loss (Note 28)	**(4,608)**	**–**	**(4,608)**
At 31 December 2016	**–**	**–**	**–**

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

The Group	**2016 A$'000**	2015 A$'000
Tax losses	**104,078**	112,467
Deductible temporary differences	**44,424**	17,658

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

Unrecognised taxable temporary differences associated with investments in subsidiaries

Deferred income tax liabilities of A$1,771,000 (2015 – A$1,357,000) have not been recognised for withholding and other taxes that will be payable on the earnings of an overseas subsidiary when remitted to the holding company.

11 Subsidiaries

The Company	**2016 A$'000**	2015 A$'000
Unquoted equity investments, at cost	**4,961**	4,961
Amounts due from subsidiaries	**103,031**	102,342
	107,992	107,303

The amounts due from subsidiaries are loans to subsidiaries, representing an extension of its investments in the subsidiaries. These amounts are unsecured with indeterminate repayment terms.

11 Subsidiaries (Cont'd)

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 2016 %	2015 %	Principal activities
Held by the Company				
OM (Manganese) Ltd. [1]	Australia	**100**	–	Operation of manganese mine
Held by OM Resources (HK) Limited				
OM Materials (S) Pte. Ltd. [2]	Singapore	**100**	100	Investment holding and trading of metals and ferroalloy products
Held by OM Materials (S) Pte. Ltd.				
OM Materials (Sarawak) Sdn. Bhd.[3]	Malaysia	**75**	75	Sales and processing of ferroalloys and ores
OM Materials (Qinzhou) Co. Ltd. [4]	PRC	**100**	100	Sales and processing of ferroalloys and ores
Held by OM Materials Trade (S) Pte. Ltd.				
OM Materials Trading (Qinzhou) Co. Ltd. [4]	PRC	**100**	100	Sales and processing of ferroalloys and ores

Notes:

(1) audited by Grant Thornton Audit Pty. Ltd.

(2) audited by Foo Kon Tan LLP.

(3) audited by Ernst & Young

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

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:

Principal activities	Place of incorporation/ and operation	Number of subsidiaries	
		2016	2015
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	**1**	2
Sales and processing of ferroalloys and ores	Malaysia	**2**	2
Exploration and mining of minerals	Malaysia	**2**	2
		12	13

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

Name	Place of Incorporation and principal place of business	Proportion of ownership interests and voting rights held by non–controlling interests		Loss allocated to non–controlling interests		Accumulated non–controlling interests	
		2016	2015	**2016**	2015	**2016**	2015
				A$'000	A$'000	**A$'000**	A$'000
OM Materials (Sarawak) Sdn. Bhd.	Malaysia	**25%**	25%	**(20,921)**	(3,154)	**51,615**	17,613

11 Subsidiaries (Cont'd)

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.

OM Materials (Sarawak) Sdn. Bhd.	**2016**	2015
Summarised Statement of Financial Position	**A$'000**	A$'000
Current assets	**326,180**	260,058
Non-current assets	**592,290**	595,936
Current liabilities	**(154,681)**	(194,868)
Non-current liabilities	**(657,377)**	(590,982)
Equity attributable to owners of the Company	**79,809**	52,608
Non-controlling interests	**26,603**	17,536
Summarised Statement of Comprehensive Income		
Revenue	**156,841**	59,715
Expenses	**(240,527)**	(70,825)
Loss for the year	**(83,686)**	(11,110)
Loss attributable to owners of the Company	**(62,765)**	(8,332)
Loss attributable to the non-controlling interest	**(20,921)**	(2,778)
Loss for the year	**(83,686)**	(11,110)
Other comprehensive income/(expense) attributable to owners of the Company	**53,846**	(6,536)
Other comprehensive income/(expense) attributable to the non-controlling interests	**17,949**	(2,179)
Other comprehensive income/(expense) for the year	**71,795**	(8,715)
Summarised Statement of Comprehensive Income		
Total comprehensive expense attributable to owners of the Company	**(8,919)**	(14,869)
Total comprehensive expense attributable to the non-controlling interests	**(2,972)**	(4,957)
	(11,891)	(19,826)
Other summarised information		
Net cash outflow from operating activities	**(2,972)**	(20,798)
Net cash outflow from investing activities	**(8,019)**	(63,645)
Net cash inflow from financing activities	**17,839**	69,134
Net cash inflow/(outflow)	**6,848**	(15,309)

12 Interests in associates

The Group	**2016** **A$'000**	2015 A$'000
Unquoted equity investment, at cost	**106,707**	100,430
Share of post-acquisition profits and reserves	**10,574**	6,232
	117,281	106,662

12 Interests in associates (Cont'd)

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 2016 %	2015 %	Principal activities
Main Street 774 (Pty) Limited [(1)]	South Africa	**26**	26	Investment holding
OM Tshipi (S) Pte Ltd [(2)]	Singapore	**33**	33	Trading of metals and ferroalloy products

Notes:
(1) audit by KPMG Inc.
(2) audit by Ernst & Young

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	
	2016	2015	**2016**	2015	**2016**	2015
	A$'000	A$'000	**A$'000**	A$'000	**A$'000**	A$'000
- Current assets	**6**	34	**43,272**	12,784	**43,878**	12,818
- Non-current assets	**167,776**	115,351	**–**	–	**167,776**	115,351
- Current liabilities	**91,951**	82,551	**30,274**	3,122	**122,225**	85,673
- Revenue	**–**	–	**150,930**	5,693	**150,930**	5,693
- Profit/(loss) for the year	**31,935**	(9,087)	**3,732**	2,486	**35,667**	(6,601)
- Other comprehensive income for the year	**–**	–	**–**	–	**–**	–
- Total comprehensive income/(expense) for the year	**31,935**	(9,087)	**3,732**	2,486	**35,667**	(6,601)

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	
	2016	2015	**2016**	2015	**2016**	2015
	A$'000	A$'000	**A$'000**	A$'000	**A$'000**	A$'000
Net assets of the associate	**167,740**	115,380	**13,597**	9,662	**181,338**	125,042
Proportion of the Group's ownership interest in the associate	**43,612**	29,999	**4,532**	3,221	**48,144**	33,220
Goodwill	**59,842**	59,842	**–**	–	**59,842**	59,842
Currency translation difference	**9,269**	13,570	**(12)**	(10)	**9,257**	13,560
Carrying value	**112,723**	103,411	**4,520**	3,211	**117,243**	106,622
Add:						
Carrying value of individually immaterial associated company					**38**	40
Carrying value of Group's interest in associated companies					**117,281**	106,662

Aggregate information of associates that are not individually material

	2016	2015
	A$'000	A$'000
The Group's share of profit, representing total comprehensive income	**1**	12

13 Inventories

The Group	**2016**	2015
	A$'000	A$'000
Raw materials, at cost	**250,520**	176,007
Finished goods, at cost	**52,297**	83,841
	302,817	259,848
Cost of inventories recognised as an expense and included in cost of sales	**354,161**	332,348

During the year, inventories of A$Nil (2015 – A$9,354,000) were written down to net realisable value and recognised as expense in profit or loss (Note 27).

14 Derivative financial instruments

The Group	2016 Notional Principal Amount A$'000	2016 Assets A$'000	2016 Liabilities A$'000	2015 Notional Principal Amount A$'000	2015 Assets A$'000	2015 Liabilities A$'000
Current						
Foreign currency forward contracts [Note (a)]	–	–	–	127,835	–	30,461
Non–current						
Foreign currency forward contracts [Note (a)]	–	–	–	133,570	–	34,557
Cross currency swap [Note (b)]	–	–	–	98,704	–	37,501
Interest rate swap [Note (c)]	–	–	–	144,681	–	1,406
	–	–	–	376,955	–	73,464

Derivative financial instruments are denominated in the following currencies:

	The Company 2016 A$'000	The Company 2015 A$'000	The Group 2016 A$'000	The Group 2015 A$'000
United States dollar	–	–	–	66,424
Malaysian Ringgit	–	–	–	37,501
	–	–	–	103,925

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.

In the previous financial year, the changes in fair value of the derivatives not designated as cash flow hedges amounted to A$2,687,000 and were capitalised in construction-in-progress.

(a) 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 (c)]. 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 55% of the Group's MYR obligations into USD obligations, thus removing future currency risk for 55% of the payments.

(b) 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 (c)]. The outstanding cross currency swap at the end of the previous financial year has a notional value that hedges 100% of such interest and principal repayments.

(c) 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 (c)]. The Group has interest rate swaps with notional values that hedge 55% of the exposure to the cash flow risk in connection with the floating interest rate of loans and borrowings.

During the current financial year, the Group entered into Deeds of Acknowledgement of Debt to close out the hedging facilities as disclosed in Note 21.2.

15 Trade and other receivables

	The Company		The Group	
	2016	2015	**2016**	2015
	A$'000	A$'000	**A$'000**	A$'000
Trade receivables	**–**	–	**41,058**	4,475
Bills receivable	**–**	–	**–**	42
Net trade receivables (i)	**–**	–	**41,058**	4,517
Other receivables				
Amounts due from subsidiaries (non–trade)	**185,408**	100,257	**–**	–
Amount due from a legal subsidiary (non–trade) [Note 2(a)]	**–**	82,925	**–**	–
Deposits and other receivables	**–**	–	**9,116**	49,501
	185,408	183,182	**50,174**	49,501
Allowance for impairment of other receivables				
At beginning of the year	**(57,227)**	–	**–**	–
Allowance for the year	**–**	(57,227)	**–**	–
At end of the year	**(57,227)**	(57,227)	**–**	–
Net other receivables (ii)	**128,181**	125,955	**9,116**	49,501
Total (i) + (ii)	**128,181**	125,955	**50,174**	54,018

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

Trade and other receivables are denominated in the following currencies:

	The Company		The Group	
	2016	2015	**2016**	2015
	A$'000	A$'000	**A$'000**	A$'000
Australian dollar	**87,918**	125,955	**158**	26,085
Renminbi	**–**	–	**4,554**	6,900
United States dollar	**40,263**	–	**40,588**	13,783
Malaysian Ringgit	**–**	–	**4,388**	7,108
Others *	**–**	–	**486**	142
	128,181	125,955	**50,174**	54,018

* Others include Singapore dollar and South African rand.

15 Trade and other receivables (Cont'd)

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

	The Company		The Group	
	2016	2015	**2016**	2015
	A$'000	A$'000	**A$'000**	A$'000
By geographical areas				
People's Republic of China	**–**	–	**37,885**	7,733
Australia	**27,897**	25,698	**391**	26,085
Singapore	**–**	–	**105**	–
Malaysia	**–**	–	**6,536**	18,240
Mauritius	**100,284**	100,257	**–**	–
Others *	**–**	–	**5,257**	1,960
	128,181	125,955	**50,174**	54,018

* Others include India, Netherlands and Taiwan.

Financial assets that are neither past due nor impaired

Trade and other receivables that were neither past due nor impaired amounting to A$121,181,000 (2015 - A$125,955,000) and A$42,505,000 (2015 - A$54,018,000) for the Company and the Group related to a wide range of customers for whom there was no recent history of default.

Financial assets that are past due but not impaired

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

	The Company		The Group	
	2016	2015	**2016**	2015
	A$'000	A$'000	**A$'000**	A$'000
Past due 0 to 3 months	**–**	–	**8,266**	–
Past due 3 to 6 months	**–**	–	**71**	–
Past due over 6 months	**–**	–	**144**	50
	–	–	**8,481**	50

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.

Included in the amount due from legal subsidiary (non–trade) is an amount of A$82,925,000 which is not past due but impaired as the Company believes that this amount may not be recoverable.

16 Cash and bank balances

	The Company		The Group	
	2016	2015	**2016**	2015
	A$'000	A$'000	**A$'000**	A$'000
Cash at bank and on hand	**21**	55	**23,082**	15,310
Short–term bank deposits	**–**	–	**6,253**	8,603
Total cash and bank balances			**29,335**	23,913
Less: Cash collateral	**–**	–	**(8,764)**	(11,202)
Cash and cash equivalents	**21**	55	**20,571**	12,711

Included in the cash collateral is an amount of A$6,254,000 (2015 – A$11,202,000) which was pledged to banks as security for banking facilities.

During the financial year, cash collateral of A$2,410,000 was pledged to secure the issuance of environmental bonds.

Cash and bank balances are denominated in the following currencies:

	The Company		The Group	
	2016	2015	**2016**	2015
	A$'000	A$'000	**A$'000**	A$'000
Australian dollar	**20**	53	**2,920**	88
Renminbi	**–**	–	**2,962**	4,380
United States dollar	**1**	2	**22,027**	17,577
Malaysian Ringgit	**–**	–	**1,342**	1,761
Others *	**–**	–	**84**	107
	21	55	**29,335**	23,913

* Others include Singapore dollar, Hong Kong dollar, South African rand and Euro.

The short term bank deposits have an average maturity of 3 months (2015 - 3 months) from the end of the financial year with the following weighted average effective interest rates:

The Group	**2016**	2015
United States dollar	**0.40%**	0.40%
Malaysian Ringgit	**3.00%**	3.00%

17 Share capital

The Company and The Group	No. of ordinary shares 2016 '000	2015 '000	Amount 2016 A$'000	2015 A$'000
Authorised:				
Ordinary shares of A$0.05 (2015 - A$0.05) each	**2,000,000**	2,000,000	**100,000**	100,000
Issued and fully paid:				
Ordinary shares of A$0.05 each as at 1 January and 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

The Company and The Group	No. of ordinary shares 2016 '000	2015 '000	Amount 2016 A$'000	2015 A$'000
At beginning and end of year	**1,933**	1,933	**2,330**	2,330

Treasury shares relate to ordinary shares of the Company that is held by the Company. The Company acquired Nil shares (2015 - Nil shares) in the Company through purchase on the Australia Stock Exchange.

19 Reserves

	The Company 31 December 2016 A$'000	31 December 2015 A$'000	The Group 31 December 2016 A$'000	31 December 2015 A$'000
Share premium	**176,563**	176,563	**176,563**	176,563
Non-distributable reserves [Note (i)]	**–**	–	**5,534**	5,553
Capital reserve [Note (ii)]	**449**	449	**16,513**	16,513
Fair value reserve [Note (iii)]	**–**	217	**–**	217
Contributed surplus [Note (iv)]	**3,312**	3,312	**–**	–
Hedging reserve [Note (v)]	**–**	–	**(7,906)**	(56,962)
Exchange fluctuation reserve	**–**	–	**15,493**	19,718
Accumulated losses	**(190,460)**	(173,264)	**(100,827)**	(108,776)
	(10,136)	7,277	**105,370**	52,826
Share premium				
At 1 January and 31 December	**176,563**	176,563	**176,563**	176,563

19 Reserves (Cont'd)

	The Company		The Group	
	31 December 2016 A$'000	31 December 2015 A$'000	**31 December 2016 A$'000**	31 December 2015 A$'000
Non-distributable reserve				
At 1 January	**–**	–	**5,553**	5,553
Movement for the year	**–**	–	**114**	–
Disposal of a subsidiary	**–**	–	**(133)**	–
At 31 December	**–**	–	**5,534**	5,553
Capital reserve				
At 1 January and 31 December	**449**	449	**16,513**	16,513
Fair value reserve				
At 1 January	**217**	833	**217**	833
Fair value loss recognised directly in other comprehensive income	**(217)**	(616)	**(217)**	(616)
At 31 December	**–**	217	**–**	217
Contributed surplus				
At 1 January and 31 December	**3,312**	3,312	**–**	–
Hedging reserve				
At 1 January	**–**	–	**(56,962)**	(31,812)
Cash flow hedges	**–**	–	**49,056**	(25,150)
At 31 December	**–**	–	**(7,906)**	(56,962)
Exchange fluctuation reserve				
At 1 January	**–**	–	**19,718**	7,762
Currency translation differences	**–**	–	**(4,225)**	11,956
At 31 December	**–**	–	**15,493**	19,718
(Accumulated losses)/retained profits				
At 1 January	**(173,264)**	51,756	**(108,776)**	13,325
Profit/(loss) for the year	**(17,196)**	(225,020)	**7,936**	(122,101)
Transfer to non-distributable reserves	**–**	–	**(114)**	–
Dividend forfeited	**–**	–	**127**	–
At 31 December	**(190,460)**	(173,264)	**(100,827)**	(108,776)
Total reserves	**(10,136)**	7,277	**105,370**	52,826

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.

19 Reserves (Cont'd)

Notes (Cont'd):

(i) 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. In the previous financial year, there were changes in ownership interest in subsidiaries which did not result in loss of control. As a result, the impact of these changes was recognised in capital reserves.

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

(iv) 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.

(v) 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 forecast transaction is ultimately recognised in the profit or loss.

20 Land use rights obligation

In the previous financial year, the land use rights obligations pertain to the present value of the remaining unpaid land premium for a land use right in Sarawak, Malaysia.

21 Borrowings

	The Company		The Group	
	2016	2015	**2016**	2015
	A$'000	A$'000	**A$'000**	A$'000
Non-current				
Obligations under finance leases (Note 21.1)	**–**	–	**1,156**	1,741
Bank loans, secured (Note 21.2)	**42,391**	39,024	**493,955**	389,325
5% Convertible note (Note 21.3)	**27,346**	–	**27,346**	–
Other loans (Note 21.4)	**16,563**	15,367	**37,891**	44,183
	86,300	54,391	**560,348**	435,249
Current				
Obligations under finance leases (Note 21.1)	**–**	–	**1,832**	600
Bank loans, secured (Note 21.2)	**–**	–	**46,577**	111,871
5% Convertible note (Note 21.3)	**–**	20,362	**–**	20,362
Other loans (Note 21.4)	**–**	–	**8,874**	2,053
	–	20,362	**57,283**	134,886
	86,300	74,753	**617,631**	570,135

21 Borrowings (Cont'd)

21.1 Obligations under finance leases

The Group	**2016** **A$'000**	2015 A$'000
Minimum lease payments payable:		
Due not later than one year	**2,017**	736
Due later than one year and not later than five years	**1,238**	1,919
	3,255	2,655
Less: Finance charges allocated to future periods	**(267)**	(314)
Present value of minimum lease payments	**2,988**	2,341
Present value of minimum lease payments:		
Due not later than one year	**1,832**	600
Due later than one year and not later than five years	**1,156**	1,741
	2,988	2,341

The Group leases motor vehicles, plant and equipment 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).

The average interest rate per annum ranges from 4.87% to 7.07% (2015 - 4.87% to 7.07%)

21.2 Bank loans

	The Company		The Group	
	2016 **A$'000**	2015 A$'000	**2016** **A$'000**	2015 A$'000
Bank loans, secured [Note (a)]	**–**	–	**–**	13,309
Bank loans, secured [Note (b)]	**–**	–	**76,260**	58,424
Bank loans, secured [Note (c)]	**–**	–	**405,368**	359,227
Bank loans, secured [Note (d)]	**42,391**	39,024	**58,904**	70,236
	42,391	39,024	**540,532**	501,196
Amount repayable not later than one year	**–**	–	**46,577**	111,871
Amount repayable after one year	**42,391**	39,024	**493,955**	389,325
	42,391	39,024	**540,532**	501,196

Notes:

(a) In the previous financial year, the loan was secured by a charge over leasehold land as disclosed in Note 5, and an irrevocable and unconditional corporate guarantee provided by the Company. During the current year, the loan had been repaid, and the charge was discharged.

(b) The loans are secured by charges over certain bank deposits as disclosed in Note 16.

21 Borrowings (Cont'd)

21.2 Bank loans (Cont'd)

Notes (Cont'd):

(c) These loans are project finance loans for OM Sarawak ferroalloy projects and are secured by:

- shares of OM Materials (Sarawak) Sdn Bhd, a company incorporated in Malaysia;
- charge over certain bank accounts;
- charge over land use rights;
- debenture;
- borrower assignment;
- assignment of insurances;
- shareholder assignment;
- assignment of reinsurances; and
- corporate guarantee from OM Holdings Limted and Cahya Mata Sarawak Berhad.

The Group had signed a modified Facilities Agreement on 28 October 2016, which amongst the salient terms, deferred the repayment period of the existing loans. The difference of the net present value of cash flow of the restructured loan is less than 10% from the discounted present value of the remaining cash flow of the original loans and hence, the loans were accounted for as modification of liabilities during the year. The repayment of the loans commences from year 2019.

(d) The loans are secured by:

- charge over certain bank accounts;
- certain subsidiaries and associated companies and corporate guarantees from the Company and a subsidiary

Other than the loans disclosed in Note 21.2(b), the Company and the Group went into negotiations with the lenders to restructure the remaining loan facilities as disclosed in Note 2(a).

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%, 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$27,346,000 (2015 - current liability amounting to A$20,362,000), to be amortised over 3 years while the conversion option (Note 14) valued at A$Nil (2015 - A$Nil) is recognised as current liability. During the year, interest expense of A$Nil (2015 - A$2,708,000) was capitalised in construction-in-progress as the convertible note was used to finance the construction of the ferrosilicon production facility.

On 4 March 2016, the Company executed an amendment and restatement agreement with Hanwa Co. Ltd to extend the convertible note for 4 years to 6 March 2020. A resultant gain of A$3,446,000 was recognised as the extension was accounted for as an extinguishment in the convertible note.

21 Borrowings (Cont'd)

21.4 Other loans

	The Company		The Group	
	2016	2015	**2016**	2015
	A$'000	A$'000	**A$'000**	A$'000
Shareholder loan, unsecured [Note (a)]	**–**	–	**21,910**	20,605
Loan, secured [Note (b)]	**–**	–	**8,292**	10,264
Loan, secured [Note (c)]	**16,563**	15,367	**16,563**	15,367
	16,563	15,367	**46,765**	46,236
Amount repayable not later than one year	**–**	–	**8,874**	2,053
Amount repayable after one year	**16,563**	15,367	**37,891**	44,183
	16,563	15,367	**46,765**	46,236

Notes:

(a) The loan is unsecured and interest bearing at 4.75% to 5.26% per annum. Until all the secured borrowings as disclosed in Note 21.2(c) 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 4 January 2018. Interest is charged at 1.55% per annum. The loan is guaranteed by the Company.

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

21.5 Currency risk

Total borrowings are denominated in the following currencies:

	The Company		The Group	
	2016	2015	**2016**	2015
	A$'000	A$'000	**A$'000**	A$'000
Australian dollar	**–**	–	**1,265**	–
United States dollar	**86,300**	74,753	**527,884**	471,696
Renminbi	**–**	–	**–**	2
Malaysian Ringgit	**–**	–	**88,482**	98,437
	86,300	74,753	**617,631**	570,135

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	
	2016	2015	**2016**	2015
Obligations under finance leases	**–**	–	**4.71% to 7.17%**	4.71% to 7.07%
Bank loans	**11.03%**	12.74%	**3.18% to 11.03%**	2.23% to 12.74%
5% convertible note	**5.00%**	5.00%	**5.00%**	5.00%

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

21 Borrowings (Cont'd)

21.7 Carrying amounts and fair values

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

	The Company		The Group	
	Carrying amounts	Fair values	Carrying amounts	Fair values
	A$'000	A$'000	**A$'000**	A$'000
2016				
Obligations under finance leases	**–**	–	**1,156**	1,156
Bank loans, secured	**42,391**	39,108	**493,955**	491,246
5% convertible note	**27,346**	27,336	**27,346**	27,336
Other loans	**16,563**	15,280	**37,891**	36,646
2015				
Obligations under finance leases	–	–	1,741	1,741
Bank loans, secured	39,024	39,558	389,325	385,651
Other loans	15,367	15,576	44,183	45,322

The fair values above are determined from the discounted cash flow analysis, discounted at market borrowing rates (per annum) of an equivalent instrument at the end of reporting period which the directors expect to be available to the Group.

22 Provisions

	The Group	
	2016	2015
	A$'000	A$'000
Non-current		
Rehabilitation (Note a)		
At the beginning of the year	–	5,744
Provision made for the year (Note 27)	–	366
Payments during the year	–	(6,110)
Acquisition of a subsidiary	**6,069**	–
At end of the year (i)	**6,069**	–
Employee long service leave		
At the beginning of the year	–	816
Provision made for the year (Note 27)	–	1,392
Adjustment for loss of control in subsidiary	–	(2,208)
At end of the year (ii)	–	–
Total (i) + (ii)	**6,069**	–

22 Provisions (Cont'd)

	The Company and The Group	
	2016	2015
	A$'000	A$'000
Current		
Corporate guarantee		
At the beginning of the year	**8,318**	–
Provision made for the year (Note 27)	**–**	8,318
Payments during the year	**(8,318)**	–
At end of the year	**–**	8,318

Note:

(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. Although the ultimate cost to be incurred is uncertain, the Group 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.

23 Trade and other payables

	The Company		The Group	
	2016	2015	**2016**	2015
	A$'000	A$'000	**A$'000**	A$'000
Non-current				
Trade payables - third party payables	**–**	–	**165,972**	131,528
Other payables	**–**	–	**17,817**	–
Retention monies	**–**	–	**68**	35
Amount due to subsidiaries (non-trade)	**–**	12,291	**–**	–
	–	12,291	**183,857**	131,563
Current				
Trade payables				
- Third party payables	**–**	–	**104,804**	64,838
- Bill payables	**–**	–	**–**	12,573
	–	–	**104,804**	77,411
Amount due to subsidiaries (non-trade)	**123,563**	95,110	**–**	–
Accruals	**2,749**	1,878	**12,995**	10,379
Other payables	**239**	144	**48,213**	33,133
Retention monies	**–**	–	**262**	41,579
Welfare expense payable	**–**	–	**45**	49
	126,551	97,132	**166,319**	162,551

Non–current trade payables relate to payables to vendors which bear interest of 6% to 6.8% (2015 - 4% to 7%) per annum.

23 Trade and other payables (Cont'd)

Included in the current and non-current amount due to subsidiaries is an amount due to a wholly-owned subsidiary - OM Materials (S) Pte Ltd of A$123,352,000 (2015 - A$46,190,000) which bears interest of 5.58% to 13.52% (2015 - 4.64% to 12.74%) per annum. The current amount due to subsidiaries represents advances which is non-trade, unsecured and repayable on demand. The non-current amount represents advances which are non-trade, unsecured and repayable upon maturity in 2017.

Included in the Group's other payables are advances from customers of A$8,522,000 (2015 - A$3,889,000) and freight payable of A$13,901,000 (2015 - A$13,988,000).

Trade and other payables are denominated in the following currencies:

	The Company		The Group	
	2016	2015	**2016**	2015
	A$'000	A$'000	**A$'000**	A$'000
Australian dollar	**60,346**	45,878	**3,193**	3,044
Renminbi	**–**	–	**6,087**	11,061
United States dollar	**66,120**	63,462	**129,531**	67,758
Malaysian Ringgit	**–**	–	**210,820**	211,822
Others *	**85**	83	**545**	429
	126,551	109,423	**350,176**	294,114

* Others include Singapore dollar, Hong Kong dollar and South African rand.

All trade payables are generally on 30 to 120 (2015 - 30 to 120) days' credit terms.

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

	The Company		The Group	
	Carrying amounts	Fair values	Carrying amounts	Fair values
	A$'000	A$'000	**A$'000**	A$'000
2016				
Trade payables - third party payables	**–**	–	**165,972**	163,702
Other payables	**–**	–	**17,817**	17,817
Retention monies	**–**	–	**68**	68
Amount due to subsidiaries (non-trade)	**–**	–	**–**	–
2015				
Trade payables - third party payables	–	–	**131,528**	131,528
Other payables	–	–	**–**	–
Retention monies	–	–	**35**	35
Amount due to subsidiaries (non-trade)	**12,291**	12,291	**–**	–

24 Deferred capital grant

The Group	**2016 A$'000**	2015 A$'000
Government grant	**15,337**	–
Non-current	**14,554**	–
Current	**783**	–
	15,337	–

Government grant of A$15,663,699 (US$11,334,080) was received during the year to finance the construction of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to the grant.

25 Other income

The Group	**2016 A$'000**	2015 A$'000
Interest income from banks	**170**	241
Sundry income	**4,250**	2,673
Write back of trade and other payables (Note 2(a))	**–**	12,411
Unwinding interest income	**2,505**	–
Gain on extinguishment of convertible bond	**3,446**	–
Gain on disposal of land use rights	**9,574**	–
Gain on bargain purchase	**42,811**	–
Gain from de–consolidation of a subsidiary (Note 2(a))	**–**	9,009
	62,756	24,334

26 Business combinations

In the previous year, a wholly-owned subsidiary, OMM went into voluntary administration ("VA"), and the Company lost control over this subsidiary. On 24 August 2016, the VA has completed, and the Company regained control over this subsidiary. This is accounted as a business combination of a new subsidiary. A purchase price allocation exercise was carried out by management to determine the fair value of the assets acquired and liabilities assumed at the date control was recognised.

26 Business combinations (Cont'd)

The following summarises the major classes of consideration transferred and the fair value of identifiable assets acquired and liabilities assumed at the acquisition date:

The Group	2016 A$'000
Property, plant and equipment	**25,429**
Mine development costs	**43,169**
Inventories	**2,002**
Trade receivables	**108**
Cash and cash equivalents	**1,004**
Cash collateral	**2,511**
Finance leases	**(1,634)**
Long-term provisions	**(29,778)**
Total identifiable net assets	**42,811**
Gain on consolidation of a subsidiary previously de-consolidated	**(42,811)**
Consideration transferred	**–**
The effect on cash flows of the Group is as follows:	
Consideration paid	**–**
Less: Cash and cash equivalents in subsidiary acquired	**(1,004)**
Net cash inflow on acquisition	**(1,004)**

From the acquisition date, OMM contributed A$Nil of revenue and A$40,169,000 to the Group's profit for the year. If the business combination had taken place at the beginning of the year, the revenue from the subsidiary would have been A$23,795,000 and the Group's profit net of tax would have been A$36,970,000.

27 Loss before income tax

The Group	Note	2016 A$'000	2015 A$'000
Loss before income tax has been arrived at after charging/(crediting):			
Amortisation of land use rights *	5	**328**	327
Amortisation of mine development costs *	7	**–**	4,023
Cost of inventories recognised as expenses and included in cost of sales	13	**354,161**	332,348
Depreciation of property, plant and equipment *	4	**19,230**	27,116
Fair value gain on derivative financial instruments *		**–**	(483)
Impairment loss on:			
- available-for-sale financial assets *	9	**581**	1,313
- property, plant and equipment *	4	**344**	10,638
- mine development costs	7	**–**	10,510
- goodwill *	8	**–**	2,065
Exchange loss *		**46,269**	4,219
Exploration and evaluation costs written off *	6	**109**	605
Finance costs:			
- loans		**40,643**	21,432
- others		**1,775**	2,205
Operating lease charges in respect of land and buildings *		**605**	402
Provision for rehabilitation *	22	**–**	366
Provision for long service leave *	22	**–**	1,392
Employee benefits expenses	29	**25,399**	44,537
Write-down of inventories to net realisable value *	13	**–**	9,354
Write-off of inventories *		**–**	27,167
Crystalisation of corporate guarantees *	22	**–**	8,318

* Included in other operating expenses.

28 Income tax (benefit)/expense

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.

Global Trader Programme granted by Singapore Ministry of Trade and Industry to a Singapore subsidiary, OM Materials (S) Pte Ltd for a concessionary rate of 10% has been extended for another 5 year period to June 2019, 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.

The Group	**2016** **A$'000**	2015 A$'000
Current taxation		
- Singapore income tax	**2,872**	901
- PRC tax	**791**	–
- others	**50**	43
Deferred taxation (Note 10)	**4,608**	(1,760)
	8,321	(816)
Under/(over) provision in prior years		
- current year income tax	**42**	(6,208)
Income tax	**8,363**	(7,024)
Other tax expense/(benefit)		
- Withholding tax	**266**	(5,833)
- Profits-based royalty (Note 10)	**–**	6,266
	8,629	(6,591)

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:

The Group	**2016** **A$'000**	2015 A$'000
Loss before income tax	**(8,116)**	(131,632)
Tax at applicable tax rates	**1,620**	(31,427)
Tax effect of non–taxable revenue #	**(21,526)**	(2,382)
Tax effect of non–deductible expenses *	**11,448**	31,595
Tax effect of allowances given by tax jurisdiction	**(1,574)**	(1,470)
Deferred tax assets on temporary difference not recognised	**18,528**	2,897
Utilisation of deferred tax assets on temporary difference not recognised in previous years	**(151)**	–
Tax rebate	**(24)**	(29)
Under/(over) provision in prior years	**42**	(6,208)
	8,363	(7,024)

Non–taxable revenue relates mainly to unrealised exchange gain and gain on bargain purchase.

* Non–deductible expenses relates mainly to unrealised exchange loss, overseas interest expenses and provision of expenses.

29 Cash flow hedges

The Group	**2016** **A$'000**	2015 A$'000
Cash flow hedges:		
Gain/(loss) arising during the year	**49,056**	(25,150)
Non-controlling interests *	**16,352**	(6,901)
	65,408	(32,051)

* The Group has a 75% (2015 – 75%) shareholding in OM Materials (Sarawak) Sdn. Bhd., a subsidiary in which hedging takes place.

30 Profit/(loss) per share

The Group

The profit/(loss) per share is calculated based on the consolidated profit/(loss) attributable to owners of the parent divided by the weighted average number of shares on issue of 731,490,042 (2015 – 731,490,042) shares during the financial year.

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

The Group	**2016** **'000**	2015 '000
Weighted average number of ordinary shares for the purpose of calculating diluted profit/(loss) per share	**731,490**	**731,490**

Options do not carry a dilutive effect as the average market price of ordinary shares during the year below the exercise price of the option of A$0.40 as at 31 December 2016.

As 31 December 2016, 25,000,000 convertible notes that could potentially dilute basic profit per share were not included in the computation of dilution profit per share because the effect would have been anti–dilutive for the period presented.

Profit/(loss) figures are calculated as follows:

The Group	**2016** **A$'000**	2015 A$'000
Profit/(loss) for the purpose of calculating basic and diluted loss per share	**7,936**	(122,101)

31 Employee benefits expense

The Group	2016 A$'000	2015 A$'000
Directors' fees	**440**	440
Directors' remuneration other than fees		
- Directors of the Company	**999**	896
- Directors of the subsidiaries	**1,058**	1,145
- Defined contributions plans	**60**	74
Key management personnel (other than Directors)		
- Salaries, wages and other related costs	**2,333**	4,392
- Defined contributions plans	**163**	376
	5,053	7,323
Other than key management personnel		
- Salaries, wages and other related costs	**19,157**	40,617
- Defined contributions plans	**1,236**	3,299
	25,446	51,239
Capitalised in construction-in-progress	**(47)**	(6,702)
	25,399	44,537

32 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:

The Group	2016 A$'000	2015 A$'000
Purchase of goods from an associate	**17,046**	–
Services rendered to an associate	**1,002**	934
Payment made on behalf charged to an associate	**1**	312

33 Commitments

33.1 Capital commitments

The following table summarises the Group's capital commitments:

The Group	2016 A$'000	2015 A$'000
Capital expenditure contracted but not provided for in the financial statements		
- acquisition of property, plant and equipment	**11,643**	49,273

33 Commitments (Cont'd)

33.2 Operating lease commitments in respect of office premises

The Group leases office premises, buildings, plant and machinery from non-related parties under non-cancellable operating lease agreements. The lease having varying term, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

The Group	**2016**	2015
	A$'000	A$'000
Not later than one year	**1,641**	190
Later than one year and not later than five years	**126**	278
	1,767	468

33.3 Mineral Tenements

In order to maintain the mineral tenements in which a subsidiary was involved in prior year, the subsidiary was 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 was set out below:

	2016	2015
The Group	**A$'000**	A$'000
Mineral tenements annual expenditure commitments	**194**	–

33.4 Environmental bonds

A subsidiary had environmental bonds to the value of A$9,861,000 lodged with the Northern Territory Government (Department of Resources) to secure environment rehabilitation commitments. The A$9,861,000 of bonds were secured by A$7,451,000 of bonds issued under financing facilities, in which is secured by a corporate guarantee by the Company and A$2,410,000 cash backed secured with the Northern Territory Department of Resources.

34 Other matters

GWA (North) Pty Ltd Wagon Derailment

On 5 June 2015, GWA (North) Pty Ltd ("GWAN") filed (and subsequently served) a Statement of Claim in the Supreme Court of South Australia naming the Company as the defendant in relation to a train derailment event which occurred on 7 June 2012. The proceedings allege that a subsidiary, which has entered into Voluntary Administration ("the entity"), breached its contract with GWAN. A claim against the Company was made pursuant to a guarantee in the contract in lieu of the entity. The proceedings seek to recover the cost of repairs to a rail line in the amount of A$5,470,352 plus interest and costs.

The Company has notified its insurers of the claim which has granted indemnity to the Company subject to the terms and conditions of the policy. The Company's insurer is now handling the claim.

34 Other matters (Cont'd)

GWA (North) Pty Ltd Wagon Derailment (Cont'd)

The Company has issued a letter of demand to the entity claiming an indemnity for any liability it has to GWAN by reason that the Company's liability arises from the entity's breach of the contract. On the back of this letter of demand, the entity has commenced proceedings against the downstream contractors, namely CFCL (which supplied the rail wagon which allegedly caused the derailment) and against Downer EDI (which CFCL engaged to maintain the wagon), namely OMM proceedings.

The entity's insurer has also granted indemnity to the entity in relation to the Company's claim for indemnity subject to the terms and conditions of the policy.

The Court has ordered that the GWAN proceedings be listed and tried immediately before the OMM proceedings before the same Judge or Justice of the Supreme Court and that subject to the pleaded cases, evidence in the one action shall be received as evidence in the other.

The case has since been settled out of court on 29 November 2016. OMH, OMM, CFCL and Downer agreed to pay the sum of A$5.7m inclusive of interest, costs and disbursements ("the Settlement Sum") to GWAN in full and final settlement. OMH and OMM are liable for A$0.4m, while CFCL and Downer are each liable for A$0.935m and A$4.365m respectively. OMH and OMM's share of A$0.4m was borne by QBE, their insurance company.

All parties have paid their respective contributions towards the settle sum on 23 December 2016. Notices of Discontinuance have been distributed to all parties' lawyers and filed in court and sealed by the Registry.

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

Pursuant to the execution of the Amended Power Purchase Agreement ("PPA") between a subsidiary and Syarikat Sesco Berhad ("SSB"), the Company issued sponsor guarantees to SSB for its 75% (2015 - 75%) interest of the subsidiaries' obligations under the PPA.

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 arising from the PPA owed to SSB.

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") for a limited recourse senior project finance debt facility.

Concurrently, the Company also executed a Project Support Agreement ("PSA") with OM Materials (Sarawak) Sdn Bhd (as Borrower), and the ultimate shareholders of the Borrower (as Obligors). The PSA governs the rights and obligations of the Obligors. These obligations and liabilities of the Obligors are several basis in its shareholding proportion in OM Materials (Sarawak) Sdn. Bhd.

The PSA will lapse on the later of 29 September 2019 or 18 months after the satisfaction of pre-agreed project completion tests typical for a project financing facility of this nature.

35 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, ferrosilicon and manganese sinter ore
Marketing and Trading	Trading of manganese ore, manganese ferroalloys, ferrosilicon 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 measure differently from the operating profit or loss in the consolidated financial statements.

35 Operating segments (Cont'd)

	Mining		Smelting		Marketing and Trading		Others		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	A$'000	A$'000	**A$'000**	A$'000	**A$'000**	A$'000	**A$'000**	A$'000	**A$'000**	A$'000
Reportable segment revenue										
Sales to external customers	**–**	1,685	**95,204**	43,533	**318,506**	293,010	**533**	235	**414,243**	338,463
Inter-segment sales	**–**	80,698	**98,161**	42,141	**29,186**	56,723	**5,625**	–	**132,972**	179,562
Elimination									**(132,972)**	(179,562)
	–	82,383	**193,365**	85,674	**347,692**	349,733	**6,158**	235	**414,243**	338,463
Reportable segment profit/(loss)	**40,301**	(76,311)	**(43,682)**	(21,599)	**36,972**	(5,672)	**(10,033)**	(3,132)	**23,558**	(106,714)
Reportable segment assets	**1,753**	1,699	**1,018,062**	987,000	**419,769**	416,358	**328,900**	264,248	**1,768,484**	1,669,305
Elimination									**(698,352)**	(688,745)
Investment in associates									**117,281**	106,662
Deferred tax assets									**–**	4,608
Available-for-sale financial assets									**–**	798
Goodwill									**–**	–
Cash collateral									**8,764**	11,202
Total assets									**1,196,177**	1,103,830
Reportable segment liabilities	**1,472**	1,401	**383,306**	428,882	**185,064**	197,848	**490,522**	232,908	**1,060,364**	861,039
Elimination									**(688,782)**	(448,572)
Borrowings									**617,631**	570,135
Income tax payables									**4,505**	1,565
Total liabilities									**993,718**	984,167
Other segment information										
Purchase of property, plant and equipment	**–**	4	**16,886**	91,701	**14**	178	**–**	65	**16,900**	91,948
Depreciation of property, plant and equipment	**248**	14,703	**18,631**	11,955	**340**	448	**11**	10	**19,230**	27,116
Amortisation of land use rights	**–**	–	**328**	327	**–**	–	**–**	–	**328**	327
Addition of mine development costs	**43,169**	457	**–**	–	**–**	–	**–**	–	**43,169**	457
Amortisation of mine development costs	**–**	4,023	**–**	–	**–**	–	**–**	–	**–**	4,023
Addition of evaluation and exploration costs	**299**	802	**–**	–	**–**	–	**–**	–	**299**	802

35 Operating segments (Cont'd)

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

The Group	**2016**	2015
	A$'000	A$'000
Reportable segment loss	**23,558**	(106,714)
Finance income	**170**	241
Share of results of associates	**10,574**	(1,522)
Finance costs	**(42,418)**	(23,637)
Loss before income tax	**(8,116)**	(131,632)

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**	
	2016	2015	**2016**	2015
Principal markets	**A$'000**	A$'000	**A$'000**	A$'000
Asia	**380,739**	290,973	**630,879**	636,062
Europe	**14,955**	36,250	**–**	–
Middle East	**6,531**	–	**–**	–
Asia Pacific	**5,483**	2,577	**68,352**	–
Africa	**780**	–	**112,723**	103,411
Others	**5,755**	8,663	**–**	–
	414,243	338,463	**811,954**	739,473

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$30,022,000 (2015 - A$34,076,000) was derived from a single external customer. This revenue is attributable to the Marketing and Trading segment (2015 - Marketing and Trading segment).

36 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 ad 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.

36 Financial risk management objectives and policies (Cont'd)

36.1 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 36.2) at the reporting date is equal to the facilities drawn down by the subsidiaries in the amounts of A$542,140,000 (2015 - A$585,730,000). At the reporting date, the Company does not consider it probable that a claim will be made against the Company under these intragroup corporate guarantees.

There is no impact on the corporate guarantee as there are no differential rates given by the financial institutions.

Undrawn credit facilities

The Group has undrawn credit facilities of approximately A$253,560,000 (2015 - A$316,000,000).

36.2 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.

36 Financial risk management objectives and policies (Cont'd)

36.2 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
As at 31 December 2016				
Trade and other payables	**167,755**	**225,641**	**–**	**393,396**
Borrowings	**85,823**	**461,234**	**277,358**	**824,415**
Provisions	**–**	**6,069**	**–**	**6,069**
	253,578	**692,944**	**277,358**	**1,223,880**
As at 31 December 2015				
Trade and other payables	158,662	131,563	–	290,225
Land use rights obligation	3,997	3,997	–	7,994
Borrowings	115,965	194,509	369,822	680,296
Corporate guarantee	8,318	–	–	8,318
	286,942	330,069	369,822	986,833
The Company				
As at 31 December 2016				
Trade and other payables	**126,551**	**–**	**–**	**126,551**
Borrowings	**9,031**	**127,600**	**–**	**136,631**
Intragroup financial guarantees	**542,140**	**–**	**–**	**542,140**
	677,722	**127,600**	**–**	**805,322**
As at 31 December 2015				
Trade and other payables	98,607	12,529	–	111,136
Borrowings	7,545	74,971	–	82,516
Corporate guarantee	8,318	–	–	8,318
Intragroup financial guarantees	585,730	–	–	585,730
	700,200	87,500	–	787,700

The table below analyses the derivative financial instruments of the Group for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the 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
As at 31 December 2016				
Net-settled interest rate swap				
- Net cash outflow	–	–	–	–
Gross-settled foreign currency forward contracts				
- Receipts	–	–	–	–
- Payments	–	–	–	–
Gross-settled cross currency swap				
- Receipts	–	–	–	–
- Payments	–	–	–	–

36 Financial risk management objectives and policies (Cont'd)

36.2 Liquidity risk (Cont'd)

The Group	Less than 1 year A$'000	Between 2 and 5 years A$'000	Over 5 years A$'000	Total A$'000
As at 31 December 2015				
Net-settled interest rate swap				
- Net cash outflow	–	2,005	–	2,005
Gross-settled foreign currency forward contracts				
- Receipts	90,779	99,414	–	190,193
- Payments	(122,911)	(134,604)	–	(257,515)
Gross-settled cross currency swap				
- Receipts	–	95,032	–	95,032
- Payments	–	(128,945)	–	(128,945)

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 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 as disclosed in Note 2(a). The Group has the ability to generate additional working capital through financing from financial institutions.

36.3 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.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if USD, RMB and MYR interest rates had been 75 (2015 - 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 2016 A$'000	The Group Profit or loss 2015 A$'000
United States Dollar	- lower 75 basis points (2015 - 75 basis points)	**3,089**	3,406
	- higher 75 basis points (2015 - 75 basis points)	**(3,089)**	(3,406)
Renminbi	- lower 75 basis points (2015 - 75 basis points)	**(17)**	(33)
	- higher 75 basis points (2015 - 75 basis points)	**17**	33
Malaysian Ringgit	- lower 75 basis points (2015 - 75 basis points)	**490**	725
	- higher 75 basis points (2015 - 75 basis points)	**(490)**	(725)

36 Financial risk management objectives and policies (Cont'd)

36.4 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.

		2016		2015	
The Group		**(Loss)/ profit net of tax**	**Equity**	(Loss)/ profit net of tax	Equity
		A$'000	**A$'000**	A$'000	A$'000
United States Dollar	- strengthened 5% (2015 - 5%)	**36,002**	**37,326**	27,199	28,208
	- weakened 5% (2015 - 5%)	**(36,002)**	**(37,326)**	(27,199)	(28,208)
Renminbi	- strengthened 5% (2015 - 5%)	**680**	**679**	1,117	1,114
	- weakened 5% (2015 - 5%)	**(680)**	**(679)**	(1,117)	(1,114)
Malaysian Ringgit	- strengthened 5% (2015 - 5%)	**15,252**	**15,015**	17,298	16,891
	- weakened 5% (2015 - 5%)	**(15,252)**	**(15,015)**	(17,298)	(16,891)

36.5 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.

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$Nil (2015 - A$80,000) 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.

37 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	
	2016	2015	**2016**	2015
	A$'000	A$'000	**A$'000**	A$'000
Borrowings	**86,300**	74,753	**617,631**	570,135
Less: Cash and cash equivalents	**(21)**	(55)	**(20,571)**	(12,711)
	86,279	74,698	**597,060**	557,424
Total equity	**24,205**	41,618	**202,459**	119,663
Gearing ratio	**3.56**	1.79	**2.95**	4.66

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.

38 Financial instrument

38.1 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
31 December 2016					
Financial assets					
Trade and other receivables	15	–	**50,174**	–	**50,174**
Cash and bank balances	16	–	**29,335**	–	**29,335**
		–	**79,509**	–	**79,509**

38 Financial instrument (Cont'd)

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

The Company	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 2016					
Financial assets					
Trade and other receivables	15	–	**128,181**	–	**128,181**
Cash and bank balances	16	–	**21**	–	**21**
		–	**128,202**	–	**128,202**

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 2016					
Financial liabilities					
Borrowings (excluding finance lease liabilities)	21	–	–	**614,643**	**614,643**
Provisions		–	–	**6,069**	**6,069**
Trade and other payables		–	–	**341,654**	**341,654**
		–	–	**962,366**	**962,366**
The Company					
31 December 2016					
Financial liabilities					
Borrowings	21	–	–	**86,300**	**86,300**
Trade and other payables		–	–	**126,551**	**126,551**
		–	–	**212,851**	**212,851**

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 2015					
Financial assets					
Available-for-sale financial assets	9	–	–	798	798
Trade and other receivables	15	–	54,018	–	54,018
Cash and bank balances	16	–	23,913	–	23,913
		–	77,931	798	78,729
The Company					
31 December 2015					
Financial assets					
Available-for-sale financial assets	9	–	–	798	798
Trade and other receivables	15	–	125,955	–	125,955
Cash and bank balances	16	–	55	–	55
		–	126,010	798	126,808

38 Financial instrument (Cont'd)

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

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 2015					
Financial liabilities					
Borrowings (excluding finance lease liabilities)	21	–	–	567,794	567,794
Derivative financial instruments	14	–	103,925	–	103,925
Trade and other payables		–	–	290,225	290,225
Land use rights obligation	20	–	–	6,110	6,110
Corporate guarantee	22	–	–	8,318	8,318
		–	103,925	872,447	976,372

The Company	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 2015					
Financial liabilities					
Borrowings	21	–	–	74,753	74,753
Trade and other payables		–	–	109,423	109,423
Corporate guarantee	22	–	–	8,318	8,318
		–	–	192,494	192,494

39 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.

39.1 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.

39 Fair value measurement (Cont'd)

39.1 Fair value measurement of financial instruments (Cont'd)

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 2016 and 31 December 2015:

The Group	Note	Level 1 A$'000	Level 2 A$'000	Level 3 A$'000	Total A$'000
At 31 December 2016					
Financial assets					
Available-for-sale financial assets	(a)	–	–	–	–
At 31 December 2015					
Financial assets					
Available-for-sale financial assets	(a)	798	–	–	798
Financial liabilities					
Derivatives used for hedging:					
Interest rate swaps	(b)	–	1,406	–	1,406
Cross currency swaps	(b)	–	37,501	–	37,501
Forward foreign exchange contracts	(b)	–	65,018	–	65,018
		–	103,925	–	103,925

The Company	Note	Level 1 A$'000	Level 2 A$'000	Level 3 A$'000	Total A$'000
As at 31 December 2016					
Financial assets					
Available-for-sale financial assets	(a)	–	–	–	–
As at 31 December 2015					
Financial assets					
Available-for-sale financial assets	(a)	798	–	–	798

There were no transfers between Level 1 and Level 2 in 2016 or 2015.

(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.

39 Fair value measurement (Cont'd)

39.1 Fair value measurement of financial instruments (Cont'd)

Measurement of fair value of financial instruments

The Group's finance team performs valuations of financial items for financial reporting purposes, 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 bank valuations. These 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.

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 3rd Edition*. The ASX Listing Rules require the Company to report on the extent to which it has followed those principles and recommendations during its 2016 financial year.

This statement outlines the main corporate governance practices in place during the 2016 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.

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.

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 so as 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 the 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 comprises of a majority of independent Directors has been formed so that it has an effective composition, size and commitment to adequately discharge it 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 ensures that each Director and senior executive enters into a written agreement with the OMH Group which sets out the terms of their appointment.

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.

While the Board strongly believes that boards need to exercise independence of judgment, it also recognises (as noted in Recommendation 2 of the *ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition*) 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 Chief Executive Officer, 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.

Notwithstanding Recommendation 2.5 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations 3rd Edition* (being the requirement for the Chairman of the Company to be an independent director and for the position of Chairman to not be fulfilled by the same person who fulfils the position of Chief Executive Officer), 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. The Board believes that there are sufficient internal controls in place to ensure adequate accountability, transparency and effective oversight by the Board such that an appropriate balance of power and authority is exercisable by the Board for objective decision-making in the best interests of the OMH Group. The Board is therefore of the view that given Mr Low's 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 current position and that it is currently necessary to effect a separation of the role of Executive Chairman from that of Chief Executive Officer to facilitate the Company's decision-making and implementation process.

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 includes 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 operations 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 work 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, in accordance with the requirements of the law, remove himself/herself from the Boardroom when discussion in relation to or concerning 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 (who is also the acting Chief Executive Officer), in conjunction with the Company Secretary[1], sets the agenda for each meeting of the Board. 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.

The number of meetings of the Directors held in the period each Director held office during the 2016 financial year and the number of meetings attended by each Director were:

Director	**Board of Directors' Meetings**	
	Held	*Attended*
Low Ngee Tong	4	4
Julie Wolseley [(i)]	4	0
Tan Peng Chin	4	4
Thomas Teo	4	4
Zainul Abidin Rasheed	4	4
Peter Church	4	3
Ivo Philipps	4	3

(i) Due to personal circumstances, Ms Wolseley was unable to attend meetings of the Board held during 2016. 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.

During the financial year there were four general Directors' meetings for which a formal notice of meeting was given.

1 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.

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 2016, the Audit Committee held 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.

A copy of the Remuneration Charter is on the Company's website.

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 and will continually review and assess the remuneration structure in place to achieve this in accordance with the Remuneration Charter.

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 2016, the Remuneration Committee held 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.

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
- in relation to the 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 of the *ASX Corporate Governance Council's Principles and Recommendations 3rd Edition*. 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 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 those women employees holding senior executive positions and those women employees on the Board is as follows:

	Number of Women	%
Board of Directors	1	16.7%
Senior Executives [2]	9	0.7%
Total OMH Group employees	232	17.6%

As at 31 December 2016, 7.7% 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.

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 of the *ASX Corporate Governance Council's Principles and Recommendations 3rd Edition*. 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 and has adopted a Shareholder Communications Strategy which sets out the OMH Group's commitment to effectively communicating with shareholders. A copy of the Shareholder Communications Strategy is available on the Company's website. 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.

2 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.

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 ensures 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 Executive 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 2016 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 OMH 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 the 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.

The Board confirms that such a report was provided by the Chief Executive Officer and Group Financial Controller for the 2016 financial year.

7.5 Role of External Auditor

The OMH Group's practice is to invite the external 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 2016 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 each such 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 2016 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); and
- variable annual reward (related to the Company's and/or individual performance dictated by benchmark criteria).

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 an 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 2016.

		Primary		Post Employment	
	Base Remuneration	Directors Fees	Performance Bonus	Defined Contributions	Total
Director	**A$'000**	**A$'000**	**A$'000**	**A$'000**	**A$'000**
Low Ngee Tong(i)	877	–	122	9	1,008
Zainul Abidin Rasheed(ii)	–	120	–	–	120
Julie Wolseley(iii)	–	80	–	–	80
Tan Peng Chin(iv)	–	80	–	–	80
Thomas Teo(v)	–	80	–	–	80
Peter Church OAM(vi)	–	80	–	–	80
Ivo Phillipps(vii)	–	–	–	–	–
	877	**440**	**122**	**9**	**1,448**

(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 Zainul Abidin Rasheed was first appointed as a Director on 3 October 2011;
(iii) Ms Julie Wolseley was first appointed as a Director on 24 February 2005;
(iv) Mr Tan Peng Chin was first appointed as a Director on 14 September 2007;
(v) Mr Thomas Teo Liang Huat was first appointed as a Director on 17 July 2008;
(vi) Mr Peter Church was first appointed as a Director on 12 December 2011; and
(vii) Mr Ivo Philipps resigned as director on 26 August 2016.

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 2016, 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 and should not be the same person as the Chief Executive Officer	The Company's current Chairman and acting Chief Executive Officer, 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 both Executive Chairman and acting CEO is appropriate given his world-wide experience and specialised understanding of the global manganese industry. Further, 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.

Recommendation Reference	Notification of Departure	Explanation for Departure
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.
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	The Company does not currently have an equity-based remuneration scheme and this recommendation is therefore not applicable.

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.

Pursuant to the listing requirements of the Australian Securities Exchange ("ASX"), the shareholder information set out below was applicable as at 19 April 2017.

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	271	84,821	0.01
1,001 – 5,000	283	815,194	0.11
5,001 – 10,000	174	1,416,746	0.19
10,001 – 100,000	279	9,906,490	1.35
More than 100,000	107	721,200,086	98.33
Totals	**1,114**	**733,423,337**	**100.00**

There were 510 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	Listed Ordinary Shares Percentage Quoted
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	367,443,041	50.10%
CITICORP NOMINEES PTY LIMITED	63,473,331	8.65%
STRATFORD SUN LIMITED	58,731,393	8.01%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	50,052,215	6.82%
NEWTIMES MARINE CO LTD	40,300,000	5.49%
HANWA CO LTD	32,500,000	4.43%
BNP PARIBAS NOMS PTY LTD <DRP>	17,514,253	2.39%
DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT>	17,168,526	2.34%
LAI SHUN HOLDINGS LTD	8,550,000	1.17%
NATIONAL NOMINEES LIMITED <DB A/C>	6,523,374	0.89%
MS JULIE ANNE WOLSELEY	5,562,002	0.76%
J P MORGAN NOMINEES AUSTRALIA LIMITED	3,351,628	0.46%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,690,618	0.37%
RHB SECURITIES SINGAPORE PTE LTD <CLIENTS A/C>	2,641,639	0.36%
BNP PARIBAS NOMS PTY LTD <UOB KH P/L AC UOB KH DRP>	2,101,370	0.29%
MRS DEBORAH ANNE MAHDAVI ARDABILI	2,000,000	0.27%
MR KAVEH MAHDAVI ARDABILI	2,000,000	0.27%
MR SIAVOSH MAHDAVI ARDABILI	2,000,000	0.27%
CHAO FAN HUANG	1,686,291	0.23%
BNP PARIBAS NOMINEED PTY LTD HUB24 CUSTODIAL SERV LTD DRP	1,610,328	0.22%
TOTAL HELD BY 20 LARGEST SHAREHOLDERS	**687,900,009**	**93.79%**
OTHERS	**45,523,328**	**6.21%**
TOTAL	**733,423,337**	**100.00%**

ASX Additional Information

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 share	Percentage of share
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.