



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



Communing with nature at Bootu Creek.

EXPLORATION **MINING** MANUFACTURING **MARKETING**

ANNUAL REPORT 2009



Constituent of the S&P/ASX 200



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CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT

The global financial crisis that gripped the world in 2009 reaffirmed OMH's position as a quality Group. Throughout the economic downturn the Group kept its people, firmly maintained its growth strategy and continued to develop its existing and newly acquired assets and it is pleasing to report to Shareholders the success achieved on all these fronts.

LOW NGEE TONG
Executive Chairman

PETER IVAN TOTH
Chief Executive Officer

2009 has been an extraordinarily important year in the development of OMH. Not only has the Group successfully managed its way through the largest financial crisis of recent history but it has also made significant progress in terms of optimising the operating performance of its mine and smelter, and laid strong foundations for its strategic growth in the form of making several strategic investments and forming pivotal strategic partnerships.

The Group's financial performance for 2009 is briefly summarised as follows:

Consolidated net profit after tax and minority interests of A\$27 million for the year. Strong contribution of A\$16 million during the second half of 2009 driven by improving demand fundamentals, production and sales tonnes together with increased ore and alloy prices.

Consolidated cash flows from operations of A\$32 million (before interest and tax) were generated in 2009. All operating business units made a positive contribution during the year despite challenging production and market environments.

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Driven by both internal and external influences for change and continuous improvement during 2009 both the mine and the smelter have undergone comprehensive reviews and subsequent operational changes to implement a fully optimised mining and smelting strategy capable of delivering long term maximum revenue and profit contribution to the Group.

Final dividend of A\$0.02 per share declared in line with the Company's dividend policy.

Manganese ore published benchmark prices during 2009 ranged from US\$3.50/dmtu to US\$6.50/dmtu.

OPTIMISATION OF OUR OPERATING STRATEGIES AT OMM (EXPLORATION AND MINING), OMQ (SINTERING AND SMELTING) AND OMS (MARKETING AND TRADING)

EBIT margin and Return On Capital Employed of 10.2% and 10.4% respectively.

2009 sales revenue of A\$280.3 million, 51% lower than the previous year, due to lower prices of ores and alloys, lower sales volumes of manganese alloys offset by higher sales volumes of manganese product traded.

Cash reserves of A\$89.1 million as at 31 December 2009. The Group incurred foreign exchange losses to the tune of A\$14.9 million during the year which were attributable to hedge losses incurred by OMM in the first half of 2009.

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OMM produced 648,140 tonnes of 38.9% Mn product during 2009 and recorded an operating profit after tax of A\$4.4 million.

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Just about every moving part of the Bootu Creek mining operation was analysed, reviewed and improved during the year. Significant changes were made to the mine's safety systems and processes to ensure a major improvement to LTIFR (lost time injury frequency rate) performance. The new production strategy was successfully implemented with a focus on the production of 38% Mn grade product and during June and July the mine posted monthly production records with over 70,000 tonnes

of product produced. The new production strategy successfully tested the Group's mining and processing flexibility as it enabled lower grade stockpiles and mining by-products to be processed into a middle grade product, which could then be further processed through the sinter ore facility into a high grade premium product. While the mine's cost performance did not reach the budgeted level during the year, processes were put in place to seek to achieve a long

term targeted C1 operating cost performance of A\$3.50/dmtu. A new environmental management plan was prepared and successfully audited and approved. The NRW mining contract was seamlessly transitioned into the operation and above budget mining volumes were achieved for the year. The mine's Western Limb was opened up to pre-stripping and a new haul road was constructed and production from the Tourag pits commenced. The processing plant



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Operationally, the Group has continued to strengthen its capability across the entire value chain - maximum exploration outcomes from a minimal 2009 budget, new optimised mining and processing strategies at Bootu Creek, new sintering and optimised smelting strategies at Qinzhou supported by a new marketing strategy extracting maximum value by perfectly connecting our operating units with a dynamic marketplace.

achieved record high mechanical availability rates, the new Darwin logistics office was opened where all of the mine's logistics, local government and indigenous affairs activities are now coordinated. A new 1mpta capacity rail contract was successfully negotiated during the year, increasing the mine's rail capacity by 30% from 2010. A new road haulage contract achieved significant cost savings while a new Muckaty rail siding was commissioned on time and on budget. The largest and most significant project at Bootu Creek was the design, construction and commissioning of the Secondary Processing Plant which was built on time and internally funded from operating cashflows. During the planning phase the decision was made to increase the plant's capacity from the original 150ktpa

to 250ktpa at an additional capital cost of A\$2 million. Once finally optimised the plant will have the capability to upgrade the mine's reject stockpile into a 35% Mn sinter feed product for the Group's newly constructed sinter plant at the Qinzhou smelter.

OMQ produced 32,679 tonnes of HCFeMn product during 2009 and achieved an operating profit after tax of A\$4.2 million.

The Qinzhou smelter has undergone similar performance improvement and production optimisation processes. The smelter's largest and most significant project during 2009 was the design, construction and commissioning of the 300ktpa capacity sinter plant—on time and internally funded on budget.

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The smelter has made significant improvements in its safety performance, power consumption, production process design (in order to link the two furnaces in with the sinter plant) and the design and implementation of a performance based bonus system during the year. The smelter has remained cash positive throughout the year despite the very challenging demand and pricing environment, especially during the first half of the year.

OMS achieved an operating profit after tax of A\$12.8 million during 2009.

To optimally support the operating activities, the Group's marketing strategy has significantly evolved during the year to become even more end-customer focused, strengthen the Group's technical marketing capability to support the sales of a high value-in-use 38% Mn grade product, reduce reliance on traders and intermediaries, lead the evolution of the Chinese seaborne manganese ore pricing frequency to a monthly basis, optimise our Qinzhou based domestic distribution capability and network, lay the foundations for the

expansion of the Group's marketing and distribution capability into the northern part of China and establish a domestic RMB-based retail sales capability in addition to the traditional USD and letter-of-credit based sales channels. OMS continued to successfully execute its third party trading strategy during the year in a challenging market environment – complimenting our own equity product suite and/or our customers' steelmaking raw material requirements. This was an important milestone as OMH demonstrated it has the operating capability and market understanding in a timely and responsive manner to be attuned to ultimate customer requirements.

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ESTABLISHING OUR GROWTH PLATFORM THROUGH STRATEGIC INVESTMENTS AND PARTNERSHIPS

The Group has made significant strategic steps during the year in terms of its inorganic growth and diversification strategies through (1) establishing its externally driven manganese growth platform and (2) advancing its commodity and geographical diversification strategies.

The main strategic activity of the year revolving around our inorganic manganese growth ambitions focused on the Tshipi manganese project in South Africa. The initial proposed transaction involved the issue of 140 million new OMH shares for the purchase of 49.9% of the project from the Pallinghurst co-investors and a 20% cash investment in the project's Black Economic Empowerment partner and 50.1% owner, Ntsimbintle Mining, however it evolved into a transaction involving a 26% cash investment in Ntsimbintle for A\$64 million together with the formation of a marketing joint venture between OMH and Ntsimbintle focusing on the sales and marketing of Tshipi's production.

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OMH is continuing discussions with the Pallinghurst co-investors with respect to its 49.9% stake in the project. OMH acknowledges the recently announced transaction between the Pallinghurst co-investors and Jupiter Mines Limited involving the sale of the Pallinghurst co-investor's share of the Tshipi project undoubtedly changes the landscape surrounding this potential transaction, the partners of the Tshipi project remain totally and unconditionally committed to the timely and effective development of the project in the shortest possible time.

As mentioned at the Ntsimbintle investment signing ceremony held in March 2010, OMH's investment in Ntsimbintle provides several strategic benefits to OMH, namely:

- Creating an excellent platform for OMH's entry into the South African manganese industry through a world-class project, in line with OMH's growth and geographical diversification objectives;
- Creating a unique and robust equity and marketing relationship with a first-class

South African Black Economic Empowerment company with a long-term commitment to the manganese industry, further industry consolidation and the development of the Tshipi project; and

- Facilitating the execution of OMH's further organic sintering and smelting growth ambitions and capabilities.

Other strategic investments made during 2009 to advance OMH's greenfield exploration pipeline included a 12.6% stake in Western Australian and Gabonese manganese explorer Shaw River Resources Limited, and farm-in agreements with Monax Mining Limited and Archer Exploration Limited focusing on manganese exploration in South Australia.

During early 2010 OMH has made a significant 15% strategic investment in the ASX-listed, Norwegian iron ore producer Northern Iron Limited. This investment was driven by our commodity and geographical diversification strategy focusing on niche businesses in steelmaking raw materials with world-class reserves, favorable cost structures, marketable

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product grades, and where OMH's skills and expertise can make a meaningful operational, commercial and/or marketing contribution.

OMH'S STRATEGIC FRAMEWORK FOR 2010 AND BEYOND

The Company's strategic framework supporting its ambitious growth strategy going into 2010 and beyond continues to revolve around four major pillars, namely:

- **Operating assets and organic growth** – focusing on extracting maximum value and cash flow generation from our optimised operating strategies at Bootu Creek and Qinzhou, and executing further organic growth opportunities such

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2009 has served to highlight the importance of a strong balance sheet, a strong operating cash flow, and stringent working capital monitoring. In all of these financial parameters, OMH has excelled and has maintained its reputation as a well managed, financially secure and fiscally prudent S&P/ASX 200 listed company.

as the exploration of Helen Springs and Renner Springs tenements at Bootu Creek and the construction of the next 300kt phase of sintering capacity at Qinzhou. This segment of our strategy also focuses on the feasibility study of a new South East Asian sintering and smelting project supported by low cost and stable supply of power together with favorable logistics considerations.

- **Continuing to populate our Greenfield exploration pipeline** – further identification, analysis and execution of exploration asset acquisitions, the execution of minority or majority exploration investments, exploration joint ventures and/or farm-in agreements. Along the lines of this strategy OMH has participated in the recently listed IPO of Scandinavian Resources Limited, to the tune of 19.6%, focusing on the company's iron ore exploration opportunities in Sweden.

- **Execution of OMH's inorganic manganese growth strategy** – focusing predominantly on the timely development of the Tshipi project in order to build a world-class mine on this world-class deposit, together with the continued focus on OMH's on-going participation in further industry consolidation opportunities involving low cost and high-quality manganese assets.

- **Continued pursuit of commodity and geographical diversification opportunities** – focusing on acquisition and/or investment opportunities in steelmaking raw materials where OMH's exploration, mining, processing, beneficiation and/or marketing capabilities can meaningfully add value and contribute to the generation of additional long term shareholder value.

Supplemented by the above, OMH continually assesses and enhances its risk management processes particularly given the ongoing commodity diversification as well as the operations expanding globally. The Board also strives to adhere to best practice corporate governance systems and procedures which are critical to delivering solid performance and implementing the various growth strategies.

The external environment during 2009 has been challenging, to say the least. We entered 2009 following a quarter without any shipments and a collapsed ore market price. The first quarter saw the recovery of shipments to normal levels while prices began to stabilise, recovery and subsequently strengthening during the following quarters. The underlying fundamental demand strength of the Chinese steel industry supported by the Chinese Government's stimulus measures has underpinned the industry's and OMH's operational and financial

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performance. Total crude steel production of 620 million tonnes during 2009 has surprised most industry commentators; however, it demonstrated that the fundamental underlying drivers of urbanisation, industrialisation, domestic consumption and supporting infrastructure projects are robust enough to withstand even major economic shocks – albeit with the close help and careful monetary and fiscal guidance of the central government.

Global steel production is forecast to grow by 9% to 1.2 billion tonnes during 2010, recovering to 2008 levels. China is expected to continue to represent close to 50% of global steel output. China crude steel selling price has been increasing by up to 8% and crude steel consumption is expected to grow by up to 10% compared with 2009. As such, demand for high-grade seaborne siliceous manganese ore and HCFeMn is expected to continue to strengthen to support the increase in China steel production as well as to substitute depleting low grade domestic ore.

So OMH expects 2010 to continue to benefit from the strong demand environment of the Chinese steel industry together with a slow but steady recovery of the global steel industry, supported by several positive manganese ore supply side influences such as the completion of the re-instatement of shut-down high-grade ore capacity, the completion of the Chinese port seaborne high-grade ore de-stocking process, the general lack of additional new latent capacity capable of quickly entering the seaborne market, and the steady decline of the total quantity and average grade of Chinese domestic manganese ores.

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The operating cash flow in 2009 remained strong despite internally funding the secondary processing



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plant at Bootu Creek and the sinter ore facility in China. The gearing at year end was negligible however OMH has since balance date procured sufficient financing to ensure its growth strategies can be adequately implemented and funded whilst not constraining the existing operations and also ensuring the ongoing dividend policy can be maintained.

OMH now has adequate facilities in place to support the internal cash generation of its businesses and to cover the projected capital requirements through 2010 and a balance sheet strength, which can support further borrowings as required to maintain organic and inorganic growth as well as ongoing commodity diversification.

OMH remains committed to extracting maximum value and cash from its operating assets, rewarding its Shareholders for their support through its dividend policy and continuing to build the foundations of an independent leading integrated world-class manganese producer together with a supporting strategy of meaningful diversification into other steelmaking raw materials businesses.

OMH's performance and success has been the result of the efforts of all our people, working together safely and efficiently to deliver significant benefits to Shareholders, stakeholders and the global jurisdictions in which OMH operates. On behalf of the Board, we sincerely thank them for their efforts, for their strong engagement and for their commitment to OMH to ensure that OMH remains an independent world class leader in the carbon steel materials business, whilst making OMH a safe and productive place to work.

LOW NGEE TONG
Executive Chairman

PETER IVAN TOTH
Chief Executive Officer

主席和首席执行官报告

在金融危机席卷全球的2009年度里，OMH再次证明了自身是一家非常出色的集团公司。在全球经济衰退期间，集团确保了人员的稳定性、坚定地执行增长战略并持续扩充现存及新收购的资产。在此，我们非常高兴地向股东们报告所取得的上述成绩。

2009年对OMH的发展是至关重要的一年。集团不仅顺利渡过了近几十年来最大规模的金融危机，同时在矿石和冶炼业务的经营优化方面取得了显著的进步，并为战略性投资的发展和关键性战略伙伴的确定奠定了坚实的基础。

2009年集团的财务业绩可以简要归纳为以下几点：

2009年度合并税后净利润和少数股东权益为2700万澳元。2009年下半年1600万澳元利润的强劲贡献主要来自于矿产品需求基本面的改善、生产和销售数量的提高以及矿石和铁合金市场的上升。

2009年的合并营运现金流为3200万澳元（未扣除利息及税项）。尽管面临严峻的生产和销售环境，所有业务经营单位在一年中都作出了积极及正面的贡献。

息税前利润率和资本利润率分别为10.2%和10.4%。

2009年销售收入为2.83亿澳元，比上一年度下降了51%。这主要归咎于矿石和合金价格的下降。在且较高销量的锰产品贸易所带来的销售贡献被低迷的锰合金销量所低销。

每股0.02澳元的红利派发符合了集团股利政策声明。

2009年期间锰矿的基准价格介于3.5美元/干吨度到6.5美元/干吨度之间。

针对OMM（勘探与采掘），OMQ（烧结和冶炼），OMS（市场营销与贸易）的经营战略优化

在内外变革和可持续增长的驱动下，2009年矿山和冶炼厂对业务进行了全面回顾及改进，实施了一个能为集团带来最大收入和利润贡献的优化采矿和冶炼战略。

OMM在2009年的产量为648140吨（含锰38.9%），实现了税后营运利润440万澳元的纪录

2009年期间，Bootu Creek矿山所有的采矿作业流程都经过了分析、审查和改善。为了降低LTIFR（长期时间内事故发生频率），矿山的安全系统和流程都经过了大量的调整。并且集中生产含锰38%矿石的新生产战略也得以成功实施，而在6月和7月打破了70000吨成品的月生产纪录。新的生产战略也成功地测试了采矿和加工技术的灵活性，它使低品位矿和副产矿加工后成为中品位的产品，之后可进一步通过烧结设备加工成高品位的优质产品。矿山的单位成本低于今年的预算水平，选矿流程也确保了长期C1成本3.50澳元/干吨度。一个新的环境管理计划已经在经过审计后获得批准。NRW采矿合同无缝地融入到营运之中，同时也超额实现了全年预算开采量。矿

山的西部边缘已准备预剥离，一条新的运输道路已修妥，Tourag矿点已开始采掘。选矿厂实现了创纪录的机械作业率。位于Darwin的新物流办公室也已经启用，统一协调所有与开采相关的物流、当地政府以及当地土著居民事务。一份运输量为100万吨的铁路运输合同谈判已经成功结束，从2010年起矿山铁路的运能可进一步提高30%。一份新的可显著降低成本的公路运输合同已达成，同时一条新的Muckaty铁路编组侧线也在计划预算内按时进行了试运营。按时完工的次级处理工厂项目的设计、建造和试生产是在Bootu Creek矿山最庞大和最重要的工程。随后决定将该次级处理工厂的年产能从原先的15万吨提升到25万吨。经过最终的优化调整，工厂将有能力从废矿中提取出品位35%的锰矿，作为位于中国钦州新建烧结厂的原料。

OMQ在2009年共生产了32679吨高碳锰铁合金产品，实现了420万澳元的税后利润。

钦州冶炼厂采取了同样的生产改进和流程优化。该冶炼厂在2009年的最重大项目也在成本预算内按时完成30万吨钦州烧结厂的设计、建造和试生产。该冶炼厂在这一年中使其安全生产、能耗、设备改造（和烧结厂配套的三台电炉）得以完善并设计、实施了绩效奖金制度。尽管全年尤其是上半年在富有挑战的

主席和首席执行官报告

市场需求和定价环境下，该冶炼厂还是保持全年正现金流。

OMS在2009年实现了1280万澳元的税后利润。

为了最好地支持经营活动，集团的营销策略在2009年发生了重大改变，以最终用户为中心，强化了集团技术营销能力，以支持销售含锰38%高价值的产品，减少对于交易商和中介机构的依赖，引导中国海运锰矿价格制定出月度定价模式，也优化了我们以钦州为中心的国内分销网络，为集团进入中国北部的市场推广和分销的奠定了基础，同时也在国内建立了以传统美元信用证方式外的人民币零售渠道。归功于我们的产品以及客户对炼钢原料的需求，2009年OMS在充满挑战的市场环境中成功持续执行了第三方贸易战略。这对于OMH来说是一个重要的里程碑，也表明我们具备经营能力，了解市场，能切合实际为最终客户的需求及时做出反应。在业务上，集团继续强化了整个价值链，诸如在2009年以最低的预算实现最大的勘探结果，Bootu Creek矿山采用全新优化调整的采矿和选矿处理技术，钦州冶炼厂采用优化的烧结技术，在新的市场战略支持下，通过各个业务单元的密切，在动态市场中实现公司的价值最大化。

通过战略投资和商业伙伴关系建立我们的发展平台

2009年集团在企业外延增长和多元化战略方面取得了重大的战略成果，主要通过：（1）建立基于外部驱动发展的锰矿生产平台。（2）进一步深入贯彻商品和地域多元化战略。

今年主要的战略活动是锰矿项目增长，重点在于落实位于南非Tshipi的锰矿业务。初步提案计划包括：发行1.4亿OMH新股用于从Pallinghurst co-investors手中收购该项目的49.9%的股权；对项目合作方南非Black Economic Empowerment项目伙伴及Tshipi 50.1% 股权所有者Ntsimbintle Mining的20%现金投资；然而该方案最后演变为对拥有项目50.1%股权的Ntsimbintle Mining进行价值6400万澳元的26%股权现金投资，同时OMH和Ntsimbintle成立了致力于销售和营销Tshipi矿石的合资公司。

OMH仍在继续与Pallinghurst co-investors探讨合适的途径用于可以收购其在Tshipi项目中49.9%的股权。近日公布的Pallinghurst co-investors和Jupiter Mines Limited涉及到Tshipi项目的交易无疑会改变收购的前景，Tshipi的项目伙伴目前承诺该项目能及时有效地在最短的时间内进行。

在2010年3月Ntsimbintle投资签约仪式中提到，投资Ntsimbintle对于OMH带来的战略意义有以下几点：

- 通过这个世界级的项目，为OMH进入南非的锰矿市场创造了一个良好的平台，也符合OMH当初设立的地域和增长多元化发展的目标；
- 和南非Black Economic Empowerment一流公司打造出独特及充满活力的资产并建立市场营销合作伙伴关系，长期专注锰矿市场，进一步整合产业以及Tshipi项目的发展；
- 提升OMH矿产烧结和冶炼的能力。

其他在2009年增进初步勘探的战略投资，包括获得位于西澳和加蓬的锰矿勘探公司Shaw River Resources Limited 12.6%的股权以及与Monax Mining Limited和Archer Exploration Limited签订了就致力于南澳锰矿勘探业务的转入协议。

2010年初OMH对在澳大利亚证券交易所上市的一家挪威铁矿石生产商Northern Iron Limited的进行了重大战略投资。该投资驱动于我们的产品和地域多元化的战略，诸如将重心放在勘探世界级储备的炼钢资源策略、优化成本结构、调整适合市场的产品品位，与此同时OMH的专业知识和技能可在操作性、商业性、市场性得以发挥。

OMH的2010年及长远战略规划

公司的战略框架将始终围绕以下这四个核心点以支持2010年及长远的高速增长，分别是：

- 资产运作及内延增长——重点在于从Bootu Creek矿山和钦州工厂的优化经营战略中挖掘最大价值和现金流，以及在对Bootu Creek矿山的Helen Springs和Renner Springs矿进行勘探和在钦州二期30万吨烧结项目的建设寻求增长的机会。同时致力于对在东南亚建立一个低成本，供电稳定，并具良好物流环境的烧结和冶炼项目进行可行性研究。
- 继续整合我们初步勘探项目——对相关勘探资产的收购进一步甄别、分析、执行，同时包含小宗或者大宗投资，合资或者转让协议的执行。为贯彻这一战略，OMH目前已参与了勘探公司Scandinavian Resource Limited的上市并收购了19.6%的股权，以获得在瑞典的铁矿勘探机会。

主席和首席执行官报告

- OMH在锰矿外延发展战略的执行——确保Tshipi项目按进度发展，以期在世界级矿区中建立世界级矿井，同时把握产业进一步整合的机会来获取低成本高品质的锰矿资产。

- 继续寻求产品和区域多样化——专注于寻找在炼钢原料领域的收购、合资机会。通过OMH的勘探、采掘、加工、选矿及市场营销对产品加以增值，并对股东的长远价值作出贡献。

对于以上几个战略的补充，OMH始终在评估和改进其针对产品多样化以及全球化营运的风险管理方法。董事会坚持采用最佳公司治理来维持稳定的业绩和实现多样化的增长战略。

2009年市场外部环境极具挑战性。伴随我们进入2009年的是一个季度的零出货量和矿石市场价格的崩溃的局面。第一季度的出货量恢复到正常水平同时矿石的市场价格也趋于平稳，并且在接下来的季度中逐步恢复和稳固。中国钢铁工业的基本需求量在受到中国政府的刺激措施后的增强也同样带动了行业和OMH的业务和财务表现。2009年中国粗钢总产量达到6.2亿吨使大部分行业评论员感到惊讶，虽然这是在中央政府的大力支持和金融财政政策的引导下实现的，但也表明城市化、工业化、消费需求和基础设施建设项目的强势足以抵御大的经济冲击。

预计2010年的全球钢铁产量将恢复到2008年的水平，增长9%至12亿吨。2010年中国粗钢的产量有望达到6.2亿吨，占到全球总产量的近50%。中国的粗钢销售价格已经上升了近8%，同时预计粗钢的消费量也将比2009年增加10%。因此为了满足钢铁产量的不断增加并替代国内的低品位矿石，中国对高品位硅酸锰矿石和高碳锰铁合金的需求将继续增大。

2010年OMH预计将继续受益于中国钢铁强劲的需求与全球钢铁业缓慢但稳定的复苏，诸如一些已关闭的高品质矿已全部达产，中国港口进口高品质矿库存量下降，缺乏可快速进入海运市场的潜在竞争者，以及中国国内锰矿总储量特别是平均品位的持续降低等情况，将使我们在锰矿供应方面获得积极影响。

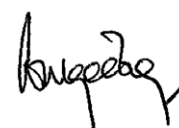
集团2009年业绩概要中突出了良好的资产负债表，良好的营运现金流以及严格的资金监管机制。OMH在这些财务指标方面卓越的表现，成功维护了集团作为一家澳大利亚证券交易所上市公司在管理、资金安全及财务稳健方面的良好声誉。

尽管位于Bootu Creek矿山的次加工工厂和位于中国的烧结工厂的项目花费了大量资金，但集团在2009年结余的营运现金流十分充足。截至年底，OMH负债极低，集团已获取足够资金以确保不会限制其现有业务的发展，也确保目前的股息政策维持不变，这样集团的增长战略才能够得到充分的贯彻。

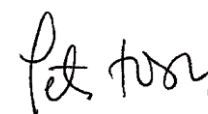
OMH目前已拥有足够的工厂设施去支持其2010年预计的业务需求及现金增长，良好的资产负债表也支撑了未来所需维持外延和内延增长以及商品多样化战略的借贷。

OMH会尽全力经营以释放资产的最大价值，并依照股息政策回馈给股东，集团始终致力成为世界领先的锰矿石生产商，同时也制定了进入其他炼钢原材料市场的多元化战略。

OMH取得成功的业绩都是我们全体员工在安全高效的工作下共同努力的结果，以此我们为股东、其他利益相关者和全球经营范围的市场带来了可观的回报。在此我们代表董事会对所有员工的努力、忠诚和贡献表示衷心的感谢，这些确保了OMH在全球碳钢原料行业中的领先地位，同时使OMH成为一个安全高效的企业。



执行主席
刘义东



执行主席
刘义东

DIRECTORS



LOW NGEETONG
Executive Chairman

Mr Low is a qualified Mechanical Engineer, having graduated from the National University of Singapore. He has over 30 years 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 OM Holdings Ltd 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 OM Holdings Ltd to successfully establish its profitable operations based in Singapore and extending to China and Australia.



PETER IVAN TOTH
Chief Executive Officer

Mr Toth holds a Bachelor of Business degree from Monash University in International Business and Japanese, a Graduate Certificate in Management from Deakin University and a Master of International Business from the University of Melbourne. He has undertaken executive development programs at INSEAD and Stanford University. Mr Toth has worked and studied in Japan and held various junior management roles with BHP Steel and BHP Manganese in Australia. He subsequently joined Billiton's Samancor Manganese business in 1998 and held senior marketing roles in Australia and The Netherlands. Following the BHP and Billiton merger in 2001, he moved to Singapore as Vice President for Manganese Marketing and later Vice President for Iron Ore Marketing. In 2006, he took responsibility in managing the total marketing and logistics activities of BHP Billiton's Carbon Steel Materials group as Marketing Director. Mr Toth joined the Board on 3 September 2008.



ONG BENG CHONG
Chief Financial Officer

Mr Ong is a Fellow Certified Public Accountant of the Institute of Certified Public Accountants of Singapore. He possesses more than 20 years of professional corporate experience with specialised knowledge of finance and accounting principles and practice. This experience was gained primarily in Singapore through Mr Ong's work with various multinational companies. He has served various financial and accounting roles in the past, mainly at a managerial level, with multinational corporations and manufacturers of electronic components and chemicals. Prior to joining the OMH Group, he was the Director of Finance and Corporate Services, South East Asia, for one of the world's largest chemical manufacturing corporations. Mr Ong holds a Bachelor of Commerce (Accountancy) degree from Nanyang University, Singapore. Mr Ong became an Executive Director on 1 August 2008.



JULIE ANNE WOLSELEY
Non-Executive Director and
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 18 years 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 modeling 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. Ms Wolseley is a member of the Audit and Remuneration Committees.

DIRECTORS



TAN PENG CHIN
Independent Non-Executive Director

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



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 Certified Public Accountants of Singapore. 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. His 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 is a member of the Remuneration Committee.



WONG FONG FUI
Independent Non-Executive Director

Mr Wong has a Bachelor of Engineering degree in Chemical Engineering from the University of New South Wales. He commenced his career as a chemical engineer in the oil and gas industries and subsequently co-founded a number of engineering and construction companies. At present, he is the Chairman and Group Chief Executive Officer of Boustead Singapore Limited ("Boustead"), a position he has held since 1996. Boustead is a highly successful and progressive specialised global engineering services and geo-spatial technology group listed on the Singapore Exchange. Prior to joining Boustead, Mr Wong was the Group Managing Director of QAF Limited, a food manufacturing and retail company which he was instrumental in the start-up, privatisation of Myanmar International Airways, and presently jointly holds a minority interest in Jetstar Asia. Mr Wong joined the Board on 5 June 2008.

KEY MANAGEMENT

PAUL THOMAS

Chief Development Officer, OMH

Mr Thomas is responsible for evaluating and managing new growth opportunities relevant to expanding the Group's manganese and other businesses and investments. He is a qualified metallurgist with extensive mining development and operational experience. Mr Thomas holds regulatory and technical qualifications in mining, processing and management and has over 10 years experience as Manager of various mining operations in Australia.

HENG SIOW KWEE

Group Human Resources Director and Managing Director, OMS

Ms Heng is a qualified Accountant and a Business Administration graduate of the National University of Singapore and has completed a fellowship of the Australian Insurance Institute at Deakin University in Victoria, Australia. In the period from 1986 to 1992, she was involved in areas of marketing, administration and training within the insurance industry. Ms Heng was involved in the establishment of OMH in 1993 and is responsible for the Group's Human Resources. Recently, Ms Heng was appointed Managing Director of OMS.

FANIE VAN JAARSVELD

Managing Director, OMM

Mr Van Jaarsveld is the Managing Director of the Australian operating subsidiary of the Company. He has had over 25 years of manganese experience primarily in senior management and operational roles with BHP Billiton in South Africa. Mr Van Jaarsveld is responsible for all operational aspects of the Bootu Creek project.

YANG LI ZHONG

General Manager, OMQ

Mr Yang joined the Group in December 2000 and has been a Director and the General Manager of OMQ since October 2004. Prior to joining the Group in 2000, Mr Yang has worked mainly in managerial roles in a number of trading companies in the PRC. Mr Yang studied at Shenyang specialising in machine welding.

GOH PING CHOON

General Manager (Trades), OMS

Mr Goh joined the Group in June 2007. He is the General Manager of Trades of OMS. Prior to joining the Group, he gained 15 years of experience in sales, international trade and related payment as well as documentation activities. Mr Goh has extensive knowledge of steel mills and of the steel-related products industry through working in a number of trading companies in Singapore and Myanmar. Mr Goh holds a Bachelor of Business Administration degree from the National University of Singapore.

FRANK BOTICA

Financial Controller, OMM

Mr Botica is the Financial Controller of the Australian operating subsidiary of the Company. Prior to joining the Group, he performed financial and managerial accounting responsibility for various mining operations in Australia where he was involved in budgeting, business planning, financial evaluation of strategic initiatives, acquisitions and investments, and development of financial models and evaluation processes.

BRENT DAVID MURDOCH

General Manager, OMM

Mr Murdoch is the General Manager of the Australian operating subsidiary and has held various mine development, operational and administration positions in Australia, Indonesia, Ghana and New Zealand for over 20 years. Mr Murdoch has specialised industry experience in various aspects of mining, processing and safety and in particular mine commissioning, technical and economic analysis of mine operations. Mr Murdoch holds a Masters Degree in Business Administration as well as various accredited mine certifications.

CRAIG THOMAS REDDELL

Geology Manager, OMM

Mr Reddell is the Geology Manager of the Australian operating subsidiary of the Company. He has extensive nickel and gold experience in exploration and mine geology management (underground and open cut) at mining operations throughout Australia and has responsibility for team leadership, exploration strategy and implementation, systems development, financial planning, team safety, recruitment and development, statutory compliance and tenement management.

YOUNG WOO HWA EDWARD

General Manager, (Corporate Development), OMS

Mr Young joined the Group in January 2005 and is the General Manager of Corporate Development of OMS. Prior to joining the Group in January 2005, Mr Young held managerial positions in a number of metal trading companies in Singapore and was in charge of managing various trade developments and the implementation of contracts.

TAN MENG KHONG

Deputy General Manager Trades & Development, OMS

Mr Tan joined the Group in November 2004. Prior to joining the Group, Mr Tan had over three years of experience performing auditing in various industries such as trading, manufacturing, cosmetics, engineering services, contract work and investment holdings, including public-listed companies.

CORPORATE DIRECTORY

DIRECTORS

Low Ngee Tong (Executive Chairman)
Peter Ivan Toth (Chief Executive Officer)
Ong Beng Chong (Chief Financial Officer)
Julie Anne Wolseley
Tan Peng Chin
Wong Fong Fui
Thomas Teo Liang Huat

COMPANY SECRETARIES

Heng Siow Kwee
Julie Anne Wolseley
I.S. Outerbridge
Lo Chin Man

ADDRESS OF COMPANY AND REGISTRIES

The address of the
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Singapore 449269
Telephone : (65) 6346 5515
Facsimile : (65) 6342 2242
Email : om@ommaterials.com

The address of the
Bermuda Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

The address of the Company's
Principal Share Registry in Bermuda:
Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

The address of the Company's Branch share
registry in Australia:
Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
Perth, Western Australia 6000
Telephone : (618) 9323 2000
Facsimile : (618) 9323 2033
Website : www.computershare.com

NAME OF BANKERS

Standard Chartered Bank
National Australia Bank Ltd
Australia and New Zealand Banking
Group Limited
Bank of China
Bank of Communication
Bank of Construction
Fortis Bank
Oversea-Chinese Banking
Corporation Limited
The Royal Bank of Scotland
KBC Bank NV
Malayan Banking Berhad
DBS Bank
Rabo Bank Int'l

NAME AND ADDRESS OF AUDITORS

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Certified Public Accountants
47 Hill Street #05-01
Singapore Chinese Chamber of
Commerce & Industry Building
Singapore 179365

NAME AND ADDRESS OF APPOINTED AUSTRALIAN AGENT

OM Holdings (Australia) Pty Ltd
c/o 102 Angelo Street
South Perth WA 6151
Telephone : (618) 9481 0955
Facsimile : (618) 9481 0966

NAME OF BERMUDA RESIDENT REPRESENTATIVE

John C.R. Collis

NAME OF BERMUDA DEPUTY RESIDENT REPRESENTATIVE

Anthony D. Whaley

WEBSITE: www.omholdingsltd.com

ASX CODE:

OMH



CORPORATE STRUCTURE



FINANCIAL HIGHLIGHTS

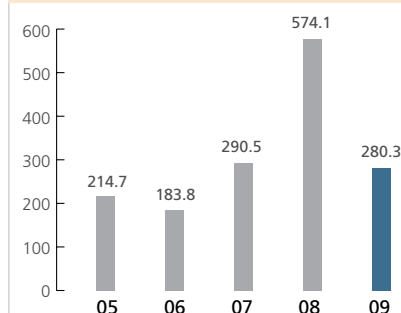
5 Year Group Financial Highlights

Financial years ended 31 December	2009	2008	2007	2006	2005
	A\$'million	A\$'million	A\$'million	A\$'million	A\$'million
Revenue	280.3	574.1	290.5	183.8	214.7
Profit/(Loss) before taxation	28.3	133.5	61.8	(31.6)	6.4
Profit/(Loss) attributable to shareholders	26.9	115.6	56.9	(32.5)	5.0
Total assets	323.3	331.9	219.0	148.4	140.8
Shareholders' funds	265.7	250.7	166.2	71.5	90.4
Net tangible assets	263.1	246.0	162.2	69.3	88.2
	A\$cents	A\$cents	A\$cents	A\$cents	A\$cents
Net tangible assets per share	53.60	51.51	35.61	24.10	32.35
Basic earning/(Loss)					
per share	5.59	24.81	14.30	(11.59)	2.32
Dividend per share	2.0	6.5	6.0	Nil	0.75
	2009	2008	2007	2006	2005
Gross Profit (A\$ million)	95.0	261.5	109.9	19.1	32.7
Gross Profit Margin (%)	33.9	45.6	37.8	10.4	15.3

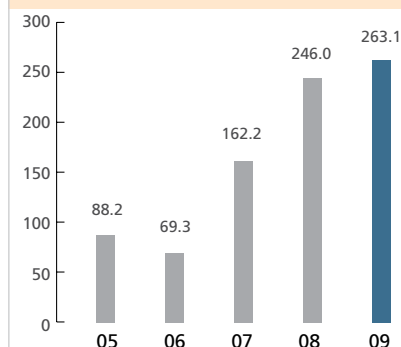
Comparison sales to International Regions were as follows:

Region	2009	2008	2007	2006	2005
	%	%	%	%	%
South Korea/Japan	4.2	12.4	4.4	4.6	33.4
China	91.6	68.0	85.6	80.3	60.2
Others	4.2	19.6	10.0	15.1	6.4
Total	100.0	100.0	100.0	100.0	100.0

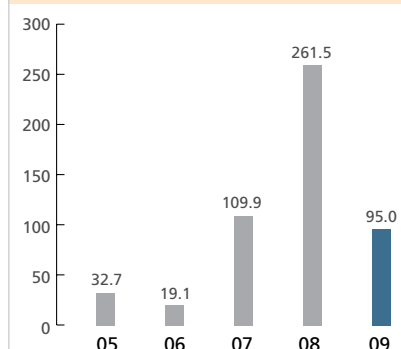
REVENUE (A\$'million)



NET TANGIBLE ASSETS (A\$'million)



GROSS PROFIT / (LOSS) (A\$'million)



MINING OPERATIONS REVIEW



Figure 1. Bootu Creek Manganese Minesite Location

HIGHLIGHTS

- Manganese production of 648,140 tonnes at 38.9% Mn
- Successful implementation of new production strategy
- New Secondary Processing Plant constructed and commissioned
- New rail siding at Muckaty increases rail capacity to 1 million tonnes per annum
- Mineral Resources (including Ore Reserves) increased by 2.4 million tonnes to 32.9 million tonnes at 23.1% Mn.
- Mineral Resources support a 13-year life-of-mine plan based on an expanded mining and processing rate of 2.5 million tonnes of ore per annum supporting an expanded production rate of 1.0 million tonnes of manganese product per annum

OVERVIEW

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

The exploration and 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.

MINING OPERATIONS REVIEW

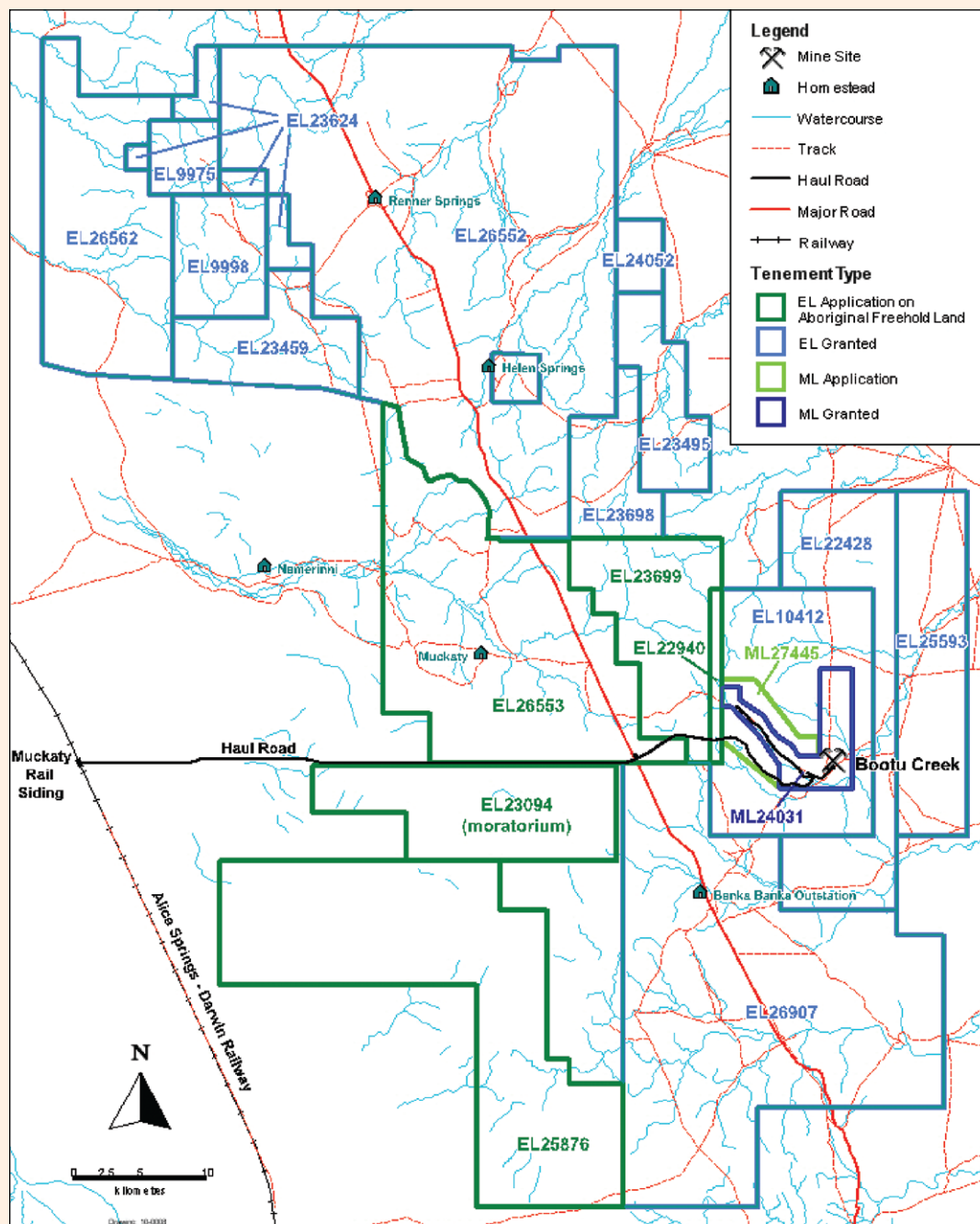


Figure 2. Bootu Creek Manganese Project Tenement Holdings

MINING OPERATIONS REVIEW

The main tenement leases are located in the Bootu Creek area on Pastoral Leases, where the mining and processing operations are based and currently defined resources and 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 including the abandoned Muckaty mine, worked from shallow open pits between 1955 and 1963. 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 60 km 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 by northern extension of the Bootu and Attack Creek formations, which host the Bootu Creek Project manganese deposits.

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

The processing plant utilises two-stage crushing, scrubbing and heavy media cyclone and drum plants to produce lump and fines product. The plant was initially designed at a nominal design rate of 550,000 product tonnes per year and is currently operating at above design capacity processing at an annualised rate of approximately 2.5 million tonnes of mined ore to produce 750,000 tonnes of Mn product.

During the year, OMM successfully constructed and commissioned a new Secondary Processing Plant ("SPP") that will contribute approximately 250,000 of product per year and bring the total combined production annual output of the Bootu Creek facility to 1 million tonnes of manganese product.

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

Further lay down of manganese product is done at the rail head at the Port of Darwin and the product is transported to the port ship loader and loaded onto vessels for shipping to overseas markets.

MINING OPERATIONS REVIEW

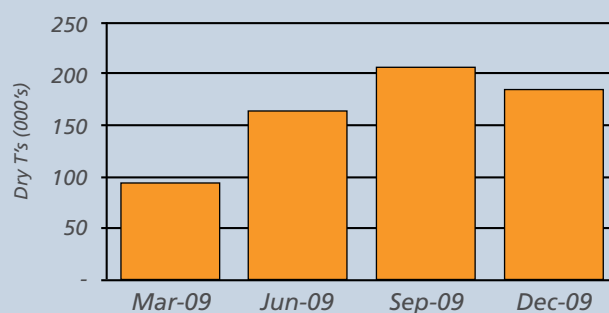
	Unit	FY 2009	FY 2008	FY 2007
Mining				
Total Material Mined	BCM	11,389,400	9,146,673	4,422,273
Ore Mined - tonnes	dt	1,824,489	2,018,023	1,391,083
Ore Mined - Mn grade	%	23.08	24.44	24.92
Production				
Lumps - tonnes	dt	502,002	509,502	383,855
Lumps - Mn grade	%	38.03	41.77	42.01
Fines - tonnes	dt	128,740	163,078	132,593
Fines - Mn grade	%	42.32	42.25	42.71
SPP Fines - tonnes	dt	17,398	-	-
SPP Fines - Mn grade	%	36.86	-	-
Total Production - tonnes	dt	648,140	672,580	516,448
Total Production - Mn grade	%	38.85	41.89	42.19
Sales				
Lumps - tonnes	dt	598,271	396,692	376,577
Lumps - Mn grade	%	39.15	42.14	42.37
Fines - tonnes	dt	148,792	124,753	136,884
Fines - Mn grade	%	42.68	42.23	43.34
Total Sales - tonnes	dt	747,063	521,445	513,462
Total Sales - Mn grade	%	39.85	42.17	42.563

Table 1. Bootu Creek Operations - Production

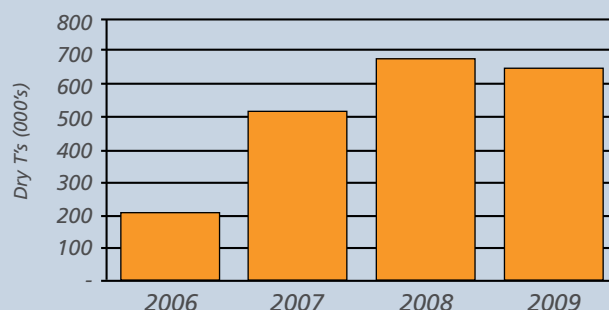
MINING OPERATIONS REVIEW

Total shipping by OMM for the 2009 calendar year was a record 782,869 wet tonnes (and 747,063 dry tonnes) and domestic sales totalled 16,127 wet tonnes (15,394 dry tonnes).

Quarterly Manganese Production



Annual Manganese Production



OPERATIONS

Systematic improvements to various aspects of the mining, processing and logistics operations and a change to the production strategy were carried out over the 2009 calendar year, which contributed to a solid production result of 648,140 tonnes at an average grade of 38.85% Mn for 2009.

The process plant performance throughout the year, particularly in the second half of the year, demonstrated that an annualised production rate of over 750,000 tonnes is achievable (excluding the benefit from the newly constructed SPP).

MINING OPERATIONS REVIEW

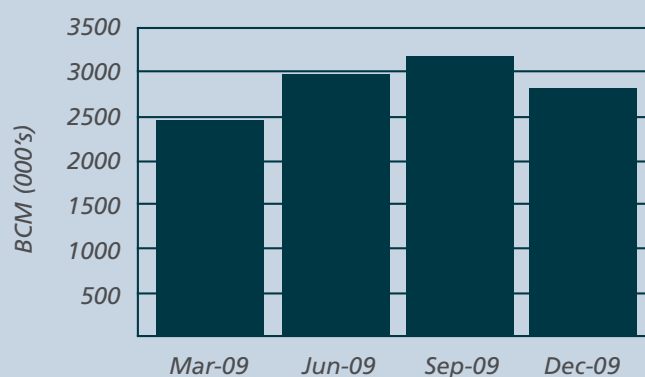
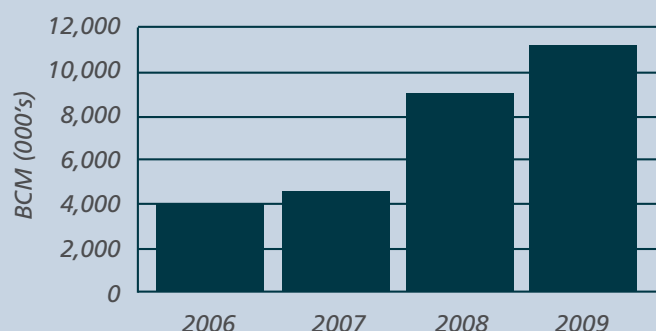
Mining

Mining activities during the year focused on advancing the Chugga South and Chugga North Pits, finalising the Xhosa Pit and commencing development on the Tourag Starter Pit.

In line with increased production targets, mining activity also increased in 2009 with 11.4 million bank cubic metres ("bcm") material movement for the calendar year.

In late 2008, OMM awarded a new mining contract to a wholly-owned subsidiary of NRW Holdings Limited ("NRW"). NRW mobilised a new mining fleet to site during the end of the December 2008 Quarter and early 2009 and by the first quarter of 2009 were moving volumes in line with contract expectations. The transition to the new contractor has been smooth and operational efficiency improvements are evident.

A revised 2009/2010 Mine Plan and Life of Mine Plan were completed in the second quarter of the year following the optimisation of the substantially extended Geological Model and increases in the Mineral Resource inventory following the highly successful 2008 exploration program. The focus of the new mine plan centred on cost reduction, run of mine ("ROM") ore stockpile increases and mine optimisation centred around grade, yield and recovery.

Quarterly Mining Production*Annual Mining Production*

MINING OPERATIONS REVIEW

Processing

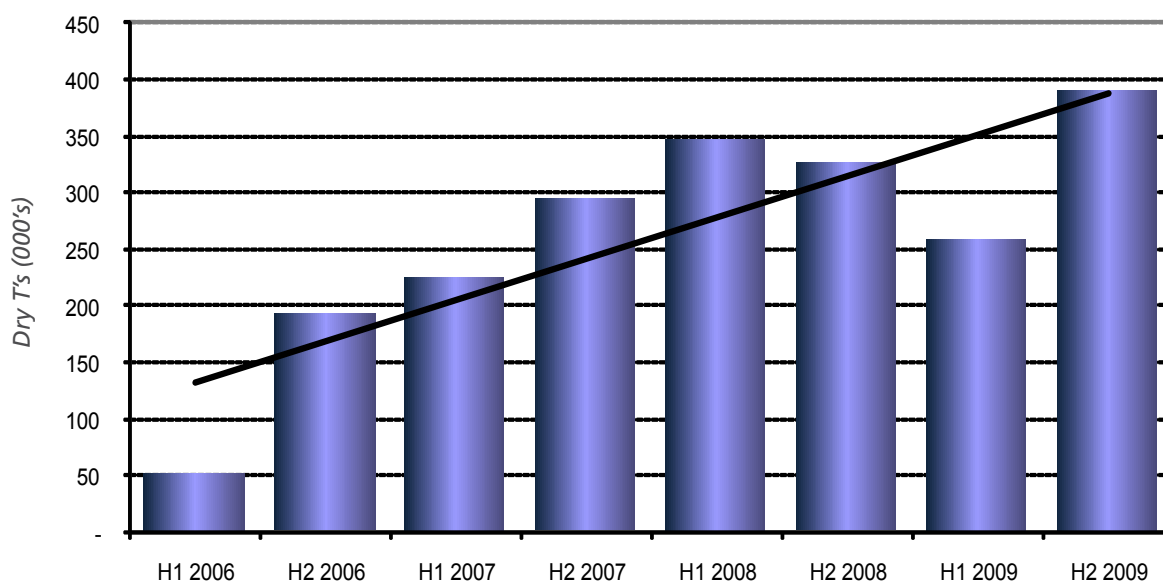
Systematic improvements to various aspects of the processing operations carried out over the 2009 calendar year contributed to a solid production result of 648,140 tonnes at 38.85% Mn for the year, being the second highest production achieved on record.

Annual production of 648,140 tonnes in 2009 was marginally lower than that achieved in the previous year. The impact of the Global Financial Crisis on market conditions in late 2008 prompted a reduction in the scheduled production rate resulting in lower production in the later part of the December 2008 Quarter and more significantly in the March 2009 Quarter whilst OMM trialled new processing parameters, ultimately

allowing the company to change its production strategy during the June 2009 Quarter.

In the June 2009 Quarter, OMM successfully implemented a new production strategy that enables the mine to extract maximum value from Bootu Creek's inherent production flexibility to align with the prevailing market demand and attractive product value-in-use characteristics. The strategy includes the production of a range of manganese grade products with a product suite from 35 to 42% Mn with specific silica and iron contents. The flexible production output aims to maximise product yield and metal recovery performance from each variation in ore grade and quality while maintaining a high value-in-use product for customers.

Half Year Manganese Production



MINING OPERATIONS REVIEW

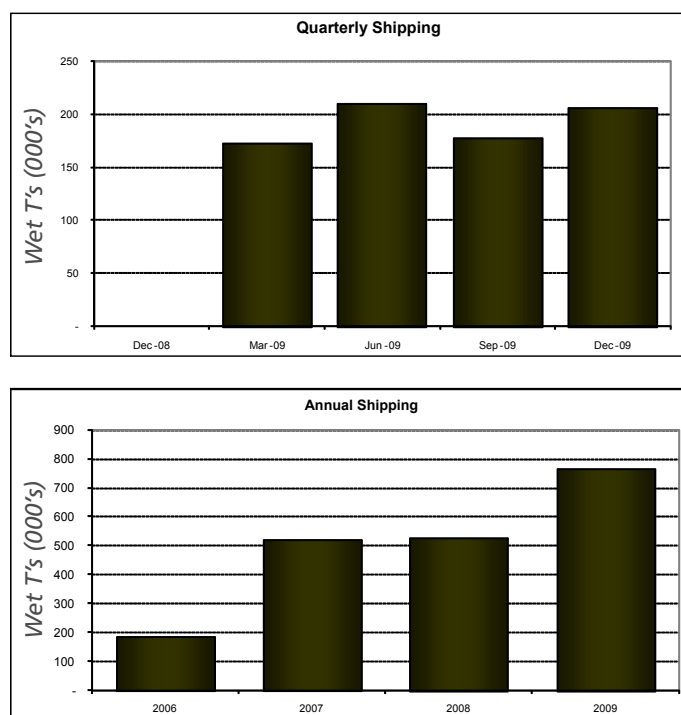
The improvement in market conditions aligned with the new production strategy and a continued systematic improvement of mining and processing operations throughout the year saw the second half production for 2009 increase significantly to a record 390,000 tonnes with several months producing in excess of 77,000 tonnes per month. This is in line with the continued increase in production from the Bootu Creek operation and has demonstrated that an annualised production rate in excess of 750,000 tonnes is possible with the existing processing facility excluding the production benefit from the newly constructed Secondary Process Plant.

Logistics and Sales

Suspension of manganese product shipments was made during the December 2008 Quarter in response to weak market conditions and in order to minimise the Group's exposure to provisional pricing and unnecessary counterparty and credit risks. Shipping resumed during the March 2009 Quarter.

Total shipping by OMM for the 2009 calendar year was a record 782,869 wet tonnes (and 747,063 dry tonnes) and domestic sales totalled 16,127 wet tonnes (15,394 dry tonnes).

Extension work to the rail siding at the Muckaty rail siding was completed during the December 2009 Quarter streamlining the rail loading process. This coupled with the implementation of a third locomotive has increased logistic capacity to 1 million tonnes per annum, in line with the anticipated increase in production for 2010.



MINING OPERATIONS REVIEW

Operations Objectives for 2010

OMM's operating strategy for 2010 is focused on ensuring maximum production flexibility and optionality in line with the new production strategy.

The additional production capability from the newly commissioned Secondary Processing Plant is expected to enable production to reach an annualised rate of 1 million tonnes in 2010.

OMM also considers it can significantly value add to its production in 2010 by implementing a number of further operational objectives. These measures include efficient management of its mining contractor, optimising mine planning including prioritising processing of high grade ore, accelerated pre-strip activities, introducing further improvements to the processing plant and implementing further operating cost reduction strategies.

AWARDS AND RECOGNITION

For the second year in a row, OMM won the Emerging Exporter winner in the 2009 Chief Minister's Northern Territory Export and Industry Awards which recognise the Northern Territory's leading exporters. Companies are assessed on their success in innovation and excellence in marketing strategies and techniques, export sales, export markets as well as contribution and involvement in their local community.

Legal Proceedings

During 2009, legal proceedings continued against the consulting engineers responsible for the design of the original processing plant. The trial date has been set for 3rd May 2010 with damages being sought to compensate for the losses attributable to poor design and delays.

EXPLORATION

Following a highly successful and extensive resource delineation and exploration program during 2008 in which Mineral Resources (including Ore Reserves) increased by 12.8 million tonnes or 72% to 30.6 million tonnes, exploration activity in 2009 was restricted to a limited delineation drill program and conducting aerial photography and geological mapping at both regional and detailed project scales over areas including the Renner Springs and Helen Springs projects. The mapping was aimed at improving the overall structural understanding of the outlying project areas and to assist with future drill targets.

The 2009 Bootu Creek Mineral Resource delineation drill program was confined to incremental resource extensions down dip of Shekuma and south along strike at the Yaka deposit. New Mineral Resource models were estimated for both Shekuma and Yaka based on the 2009 infill and extension RC drill program of 7,920 metres (103 holes).

MINING OPERATIONS REVIEW

31 December 2009 – Mineral Resource Update

The 31 December 2009 Mineral Resource replaced the 2.4 million tonnes mined in 2009 and added an additional 2.4 million tonnes to increase the total Mineral Resource (including Ore Reserves) to 32.9 million tonnes at 23.1% Mn and supports a 13-year life-of-mine plan based on an expanded mining and processing rate of 2.5 million tonnes of ore per annum (in order to support the announced expanded production rate of 1.0 million tonnes of manganese product per annum).

The Mineral Resource was calculated using more conservative bulk density factors and at a cut-off grade of 15% Mn (from the 18% Mn cut-off used previously) to reflect current mining practice. The Mineral Resource also included 2.5 million tonnes of inventories at 19.7% Mn available for processing through the newly commissioned Secondary Processing Plant.

The ore body dips average around 30° (range between 15° and 45°) to the west on the eastern fold limb deposits and to the northeast on the western fold limb deposits. All Mineral Resources are located on Mineral Lease 24031.

Deposit:	Measured		Indicated		Inferred		Combined*	
	Mt	%Mn	Mt	%Mn	Mt	%Mn	Mt	%Mn
Chugga North	1.2	24.2	2.9	22.6	0.2	21.7	4.3	23.0
Chugga South	1.1	23.6	1.2	22.8	0.2	23.4	2.5	23.2
Gogo	0.3	25.3	1.3	25.7	0.2	26.7	1.8	25.8
Masai	2.2	22.8	3.9	22.8	0.8	22.5	6.9	22.8
Shekuma	0.6	25.7	3.4	25.1	0.3	24.1	4.4	25.1
Tourag	0.8	23.8	3.3	23.3	0.6	22.2	4.7	23.2
Yaka	0.9	22.8	2.5	22.4	0.1	22.3	3.6	22.6
Zulu	0.8	22.6	1.2	22.2	0.3	22.5	2.2	22.4
Insitu Resource*	7.9	23.5	19.8	23.4	2.7	22.9	30.4	23.4
ROM Stocks	0.7	16.0	-	-	-	-	0.7	16.0
SPP Stocks	1.8	21.2	-	-	-	-	1.8	21.2
Total Resource	10.4	22.6	19.8	23.4	2.7	22.9	32.9	23.1

* Rounding may give rise to unit discrepancies in this table

Table 2. Bootu Creek Manganese Project - Mineral Resources Summary as at 31 December 2009
(Table 2 of Mineral Resources is inclusive of Ore Reserves further disclosed in Table 3)

MINING OPERATIONS REVIEW

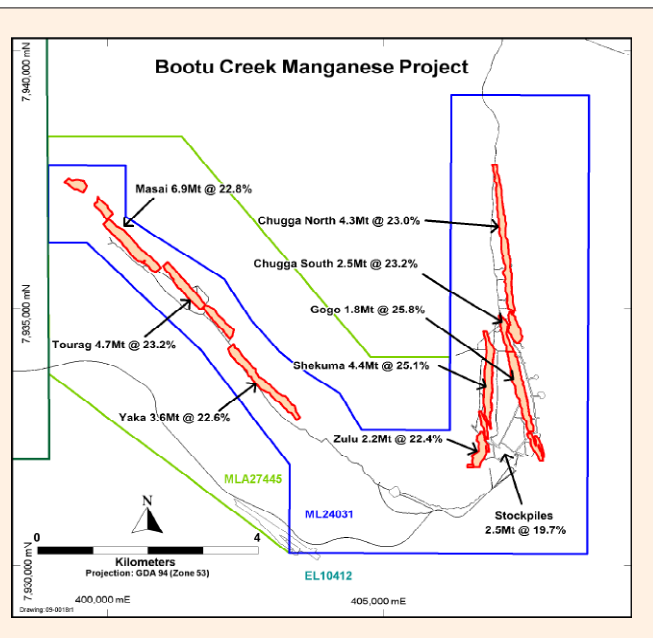


Figure 3. Location of Bootu Creek Manganese Project - Mineral Resources

Both the previous and current Mineral Resources were constrained by the optimised pit shells for each deposit based on a long term-price assumption (FOB Darwin) of US\$7.00/dmtu (A\$10.77/dmtu assuming an AUD/USD exchange rate of 0.65).

31 December 2009 – Ore Reserve Update

The 31 December 2009 Ore Reserve estimate contracted by 1.9 million tonnes to 20.5 million tonnes at 21.4% Mn after adjusting for mining depletion during 2009 of 2.4 million tonnes, the application of more conservative bulk density and mine recovery factors, and by applying revised exchange rate, cost and product yield parameters used in the optimisation process to constrain Ore Reserve pit shells.

Deposit:	Proved		Probable		Combined*	
	Mt	%Mn	Mt	%Mn	Mt	%Mn
Chugga North	0.9	22.2	1.7	20.7	2.6	21.2
Chugga South	0.8	21.5	0.9	20.4	1.7	20.9
Gogo	0.2	22.5	0.8	22.7	1.0	22.7
Masai	1.5	21.0	2.6	21.0	4.1	21.0
Shekuma	0.5	23.3	2.6	23.0	3.1	23.0
Tourag	0.7	21.8	2.0	21.6	2.7	21.7
Yaka	0.4	22.1	0.9	22.0	1.3	22.0
Zulu	0.7	20.4	0.8	20.1	1.5	20.2
Insitu Reserve*	5.7	21.6	12.3	21.6	18.0	21.6
ROM Stocks	0.7	16.0	-	-	0.7	16.0
SPP Stocks	1.8	21.2	-	-	1.8	21.2
Total Reserve	8.2	21.1	12.3	21.6	20.5	21.4

* Rounding may give rise to unit discrepancies in this table

Table 3. Bootu Creek Manganese Project - Ore Reserve Summary as at 31 December 2009

MINING OPERATIONS REVIEW

The Bootu Creek 31 December 2009 Ore Reserve estimate was based on the optimised base case pit shells for Measured and Indicated Mineral Resources. The base case was set on a revised price modelled at US\$5.40 per Mn unit (A\$6.00/dmtu at AUD:USD 0.90 exchange rate) FOB Darwin, a revenue reduction of close to 24% driven by the sharp increase in the AUD:USD foreign exchange rate (up from 0.70 factor used in the 31 December 2008 model).

The Ore Reserve process included a 95% tonnes recovery factor (97.5% previously) and a 90% grade dilution factor (unchanged) as derived from the reconciliation

of December 2008 Mineral Resource models against the survey adjusted mine production and mine claim grade for ROM ore delivered to the crusher during 2009.

Exploration Objectives for 2010

It is anticipated that a more expansive regional program will take place during 2010, primarily at the prospective Renner and Helen Springs Project areas with targets identified from the assessment of the detailed structural and geological mapping carried out during 2009. An initial budget of A\$4 million has been allocated for 2010 and will be varied according to the success of the program.

	31 December 2009		31 December 2009		Change
	M tonnes	% Mn	M tonnes	% Mn	M tonnes
Mineral Resources	32.9	23.1	30.5	24.1	+ 2.4
Ore Reserves	20.5	21.4	22.4	22.1	- 1.9

Table 4. Bootu Creek Manganese Project - Comparison of 31 December 2009 Mineral Resources and Ore Reserve position with 31 December 2008

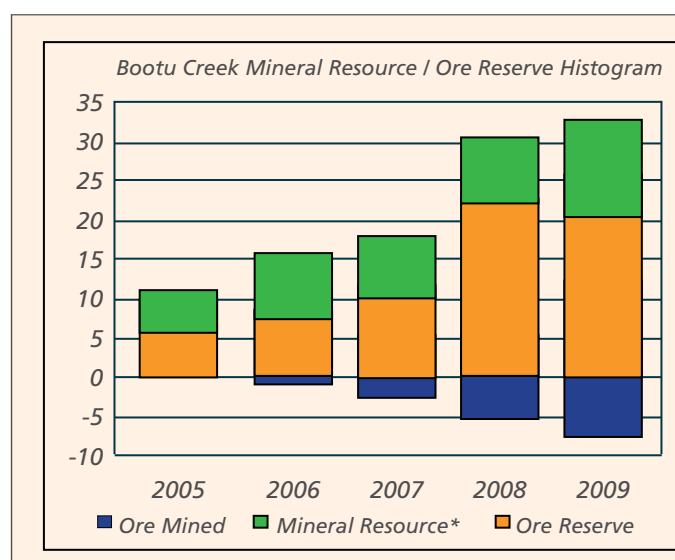


Table 5. Histogram of Mineral Resources and Ore Reserves growth since commencement of mine production in 2006

MINING OPERATIONS REVIEW

For the second year in a row, OMM won the Emerging Exporter winner in the 2009 Chief Minister's Northern Territory Export and Industry Awards which recognise the Northern Territory's leading exporters.

MINERAL RESOURCE ESTIMATION DETAILS

New Mineral Resource estimates for Shekuma and Yaka deposits were completed by resource consultants Hellman and Schofield Pty Ltd based on data and a geological interpretation supplied by OM (Manganese) Ltd ("OMM"). Existing Mineral Resource model outlines for other deposits were depleted for mine production during 2009, updated using revised bulk density regressions and constrained by re-optimising the extent of Mineral Resources and Ore Reserve models.

Grades were modelled using a 3D Ordinary Kriging approach with searches aligned parallel to the strike and dip of the mineralisation. Bulk density was calculated by regression based on analysis of 366 waxed or waxed equivalent diamond drill core intervals.

The location, quantity and distribution of the current data were sufficient to allow the classification of Measured, Indicated and Inferred Mineral Resources. Search distances are consistent with previous work by consultants to OMM. Tonnes were rounded to the nearest 100,000 tonnes and grade to the nearest 0.1% Mn.

The information in this report, which relates to resources and reserves, is based on information compiled by Mr Craig Reddell and Mark Laing, both full-time employees of OM (Manganese) Ltd and who are Members of the Australasian Institute of Mining and Metallurgy, and modelling by Mr Robert Spiers a full-time employee of Hellman and Schofield Pty Ltd, who is also a Member of the Australian Institute of Geoscientists. Mr Reddell, Mr Laing and Mr Spiers have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person, as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Reddell, Mr Laing and Mr Spiers consent to the reporting of this information in the form and context in which it appears.

DIRECTORS' REPORT

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

Principal Activities

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

Results and Appropriation

The results of the Group for the year ended 31 December 2009 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 39 to 87.

Share Capital

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

Reserves

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

Property, Plant and Equipment

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

Interest in Subsidiaries

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

Names of Directors

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

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

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

DIRECTORS' REPORT

Directors' Interest in Share Capital

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

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

Note:

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

DIRECTORS' REPORT

Unissued Shares under Option

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

OM Holdings Limited Unlisted Options (in '000)							Period exercisable
Date options granted	Balance at 1.1.2009	Granted/ (expired) during the year	Exercised during the year	Balance at 31.12.2009	A\$ Exercise price per option	No. of options holders at 31.12.2009	
07.11.2006	48	-	(48)	-	0.30	-	07.11.2007 - 31.12.2009
07.11.2006	48	-	(48)	-	0.36	-	07.11.2007 - 30.06.2010
01.06.2007	6,000	-	(6,000)	-	0.28	-	31.05.2008 - 31.05.2012
01.06.2007	1,000	-	(1,000)	-	0.14	-	12.03.2008 - 12.03.2012
01.06.2007	750	-	(200)	550	0.30	2	31.05.2008 - 31.05.2010
01.06.2007	2,980	(50)	(2,060)	870	0.30	5	31.05.2008 - 31.05.2011
02.08.2007	750	-	-	750	0.365	1	02.07.2007 - 30.06.2010
24.09.2007	2,000	-	(2,000)	-	0.365	-	24.09.2007 - 30.06.2010
24.09.2007	2,000	-	(2,000)	-	0.365	-	01.07.2008 - 30.06.2010
20.05.2008	500	-	-	500	0.72	1	20.05.2008 - 31.03.2011
20.05.2008	500	-	-	500	0.72	1	14.03.2009 - 31.03.2011
17.10.2008	4,000	-	-	4,000	1.405	1	17.10.2008 - 30.09.2010
17.10.2008	4,000	-	-	4,000	1.52	1	03.09.2009 - 03.09.2011
17.10.2008	4,000	-	-	4,000	1.64	1	03.09.2010 - 03.09.2012
17.10.2008	4,000	-	-	4,000	1.755	1	03.09.2011 - 03.09.2013
17.10.2008	4,000	-	-	4,000	1.87	1	03.09.2012 - 03.09.2014
17.10.2008	4,000	-	-	4,000	2.49	1	17.10.2008 - 31.10.2010
17.10.2008	2,000	-	-	2,000	2.49	1	01.01.2009 - 01.01.2011
17.10.2008	2,000	-	-	2,000	2.49	1	01.01.2010 - 01.01.2012
17.10.2008	2,000	-	-	2,000	2.49	1	01.01.2011 - 01.01.2013
17.10.2008	2,000	-	-	2,000	2.49	1	01.01.2012 - 01.01.2014
17.10.2008	2,000	-	-	2,000	2.49	1	01.01.2013 - 01.01.2015
17.10.2008	4,325	(625)	-	3,700	2.49	25	01.01.2010 - 01.01.2012
17.10.2008	4,325	(625)	-	3,700	2.49	25	01.01.2011 - 01.01.2013
17.10.2008	3,000	-	-	3,000	1.405	1	17.10.2008 - 01.08.2010
17.10.2008	3,000	-	-	3,000	1.52	1	01.08.2009 - 01.08.2011
17.10.2008	2,000	-	-	2,000	1.64	1	01.08.2010 - 01.08.2012
17.10.2008	2,000	-	-	2,000	1.755	1	01.08.2011 - 01.08.2013
17.10.2008	2,000	-	-	2,000	1.87	1	01.08.2012 - 01.08.2014
17.10.2008	1,000	-	-	1,000	2.58	1	17.10.2008 - 31.08.2011
	72,226	(1,300)	(13,356)	57,570			

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

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

DIRECTORS' REPORT

Audit Committee

The audit committee comprises the following members:

Thomas Teo Liang Huat (Chairman)
Julie Anne Wolseley

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

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

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

Independent auditor

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

On behalf of the Directors



PETER IVAN TOTH



ONG BENG CHONG

Dated: 26 March 2010

STATEMENT BY DIRECTORS

For the financial year ended 31 December 2009

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

On behalf of the Directors



PETER IVAN TOTH



ONG BENG CHONG

Dated: 26 March 2010

INDEPENDENT AUDITOR'S REPORT

To the members of OM Holdings Limited

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

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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



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

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

Singapore, 26 March 2010

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2009

		The Company		The Group	
		31 December	31 December	31 December	31 December
		2009	2008	2009	2008
		A\$'000	A\$'000	A\$'000	A\$'000
	Notes				
Assets	资产				
Non-Current	非流动资产				
Goodwill	商誉	4	-	2,065	2,190
Property, plant and equipment	地产, 工厂及配备	5	-	90,469	69,733
Prepaid lease payments on land use rights	土地使用权	6	-	1,092	1,577
Long-term prepayments	长期预付款	7	-	603	818
Exploration and evaluation costs	开发成本	8	-	-	-
Mine development costs	矿山发展成本	9	-	20,746	20,384
Financial assets available for sale	可出售金融资产	10	10,457	4,443	10,457
Interest in subsidiaries	子公司的权益	11	109,491	71,664	-
Deferred tax assets	递延所得税资产	12	-	-	313
			119,948	76,107	125,432
					99,458
Current	流动资产				
Inventories	库存	13	-	-	84,423
Trade and other receivables	贸易应收帐款	14	18,339	32,023	22,265
Prepayments	预付款		226	-	2,061
Cash collateral	当抵押品的银行结存	15	-	-	9,392
Cash and cash equivalents	现金及银行结存	15	46,582	70,813	79,708
			65,147	102,836	197,849
					232,453
Total assets	总资产		185,095	178,943	323,281
					331,911
Equity	权益				
Capital and Reserves	股票资本及储备金				
Share capital	股票资本	16	24,547	23,879	24,547
Treasury shares	库存股	17	(1,006)	(1,006)	(1,006)
Reserves	储备金	18	160,709	152,826	241,656
			184,250	175,699	265,197
					248,178
Minority interests	少数股东权益		-	-	498
					2,552
Total equity	总权益		184,250	175,699	265,695
					250,730
Liabilities	负债				
Non-Current	非流动负债				
Borrowings	借贷	19	-	-	411
Provisions	准备金	20	-	-	3,459
Deferred tax liabilities	递延所得税负债	12	-	-	4,212
			-	-	8,082
					657
Current	流动负债				
Borrowings	短期借贷	19	-	-	912
Trade and other payables	贸易应付帐款	21	845	3,244	46,856
Derivative financial liabilities	衍生金融负债	22	-	-	-
Current tax payable	流动课税		-	-	1,736
			845	3,244	49,504
					80,524
Total equity and liabilities	总权益及负债		185,095	178,943	323,281
					331,911

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2009

		Notes	Year ended 31 December 2009 A\$'000	Year ended 31 December 2008 A\$'000
Revenue	销售总额	3	280,335	574,065
Cost of sales	销售成本		(185,372)	(312,542)
Gross profit	毛盈利		94,963	261,523
Other income	其他收入	23	21,199	12,710
Distribution costs	分销开支		(26,604)	(38,842)
Administrative expenses	行政开支		(10,765)	(24,289)
Other operating expenses	其他营运开支		(50,091)	(76,666)
Finance costs	财务费用		(405)	(973)
Profit before taxation	税前盈利	24	28,297	133,463
Taxation	课税	25	(1,267)	(17,529)
Profit after taxation	税后盈利		27,030	115,934
Other comprehensive income after tax:	其他全面收益 (经除税)			
Fair value reserve	公允价值储备金		12,882	(45,949)
Translation differences on consolidation	外币报表换算差额		(23,660)	20,759
Other comprehensive income for the year, net of tax	年内其他全面收益 (经除税)		(10,778)	(25,190)
Total comprehensive income for the year	年内全面收益总额		16,252	90,744
Profit attributable to:	盈利分配:			
Owners of the parent	公司股东权益		26,933	115,632
Minority interests	少数股东权益		97	302
			27,030	115,934
Total comprehensive income attributable to:	全面收益总额分配:			
Owners of the parent	公司股东权益		16,155	90,442
Minority interests	少数股东权益		97	302
			16,252	90,744
Earnings per share	每股盈利		Cents	Cents
- Basic	基本	26	5.59	24.81
- Diluted	摊簿	26	5.32	23.55

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 2009

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2009

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2009

Note:

A. Disposal of a subsidiary

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

1 General information

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

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

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

2(a) Basis of preparation

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

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

Significant accounting estimates and judgements

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

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

Critical assumptions used and accounting estimates in applying accounting policies

Property, plant and equipment and depreciation

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

Income tax

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

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

Impairment tests for cash-generating units containing goodwill

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

	2009 A\$'000	2008 A\$'000
Ores	2,065	2,190

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

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

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

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

Impairment of mining and exploration assets

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

Impairment in investment in subsidiaries

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

Allowance for bad and doubtful debts

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

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

Valuation of share options

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

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

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

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

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

2(c) New or revised accounting standards and interpretations

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

2(d) Summary of significant accounting policies

Consolidation

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

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

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

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

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

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

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

Intangible assets

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

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

Goodwill

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

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

Property, plant and equipment and depreciation

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

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

No depreciation is provided on assets under construction.

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

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

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

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

Land use rights

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

Long term prepayments

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

Exploration and evaluation costs

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

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

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

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

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

Mine development and mine properties costs

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

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

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

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

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

Financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

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

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

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

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

Loans and receivables

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

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

Available-for-sale financial assets

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

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

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

Determination of fair value

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

Derivative financial instruments and hedging activities

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

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

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

Fair value hedge

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

Cash flow hedge

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

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

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

Net investment hedge

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

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

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

Subsidiaries

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

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

Inventories

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

Share capital, share premium and treasury shares

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

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

Dividends

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

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

Financial liabilities

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

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

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

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

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

Financial guarantees

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

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

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

Provisions

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

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

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

Leases

Finance leases

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

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

Operating leases

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

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

Income taxes

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

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

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

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

Deferred income tax is measured:

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

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

Employee benefits

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

Pension obligations

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

Employee leave entitlements

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

Employee Share Option Plan and Other Options Issued Following Shareholder Approval

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

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

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

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

Key management personnel

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

Related parties

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

Impairment of non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

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

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

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

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

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

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

With the exception of goodwill,

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

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

Revenue recognition

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

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

Functional and presentation currencies

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

Conversion of foreign currencies

Transactions and balances

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

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

Group entities

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

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

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

Operating segments

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

3 Principal activities and revenue

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

4 Goodwill

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

5 Property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

5 Property, plant and equipment (cont'd)

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

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

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

6 Prepaid lease payments on land use rights

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

7 Long term prepayments

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

8 Exploration and evaluation costs

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

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

9 Mine development costs

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

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

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

10 Available-for-sale financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

11 Interests in subsidiaries

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

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

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Percentage of equity held		Principal activities
		2009	2008	
<u>Held by the Company</u>				
OM Holdings (B.V.I.) Ltd (“OMBVI”) ⁽¹⁾	The British Virgin Islands	100%	100%	Investing holding
OM (Manganese) Ltd (“OMM”) ⁽²⁾	Australia	100%	100%	Operation of manganese mine
OM Holdings Investment Limited (“OMHI”) ⁽¹⁾	The British Virgin Islands	100%	100%	Investment holding
<u>Held by OMHI</u>				
Capricorn Enterprises Madagascar (“CEM”) ⁽¹⁾	Madagascar	88%	88%	Exploration and evaluation activities
<u>Held by OMBVI</u>				
OM Resources (HK) Ltd (“OMR”) ⁽³⁾ (previously known as OM manufacturing (China) Ltd)	Hong Kong	100%	100%	Investment holding
<u>Held by OMR</u>				
Liaoyang International Boronalloy Co. Ltd (“LFB”) ⁽⁴⁾	PRC	-	51%	Sales and processing of ferroboron
OM Materials (S) Pte Ltd (“OMS”) ⁽⁵⁾	Singapore	100%	100%	Investment holding and trading of metals and ferroalloy products

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

11 Interests in subsidiaries (cont')

Name	Country of incorporation/ principal place of business	Percentage of equity held		Principal activities
		2009	2008	
<u>Held by OMS</u>				
OM Materials (Tianjin) Ltd (“OMT”) ⁽⁶⁾	PRC	100%	100%	Trading of metals and fabricated metals
OM Materials (Qinzhou) Co Ltd (“OMQ”) ⁽⁷⁾	PRC	100%	100%	Sales and processing of ferroalloy and ores
OM Materials (PNG) Limited ⁽⁸⁾	Papua New Guinea	100%	100%	Exploration and evaluation activities
OM Hujin Science & Trade (Shanghai) Co. Ltd (“OMA”) # ⁽⁹⁾	PRC	50%	-	Trading of metals and ferroalloy products

(1) no audit required in the country of incorporation

(2) audited by WHK, Horwath

(3) audited by Lam & Chui CPA Limited

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

(5) audited by Foo Kon Tan Grant Thornton

(6) audited by Tianjin Zhenze Certified Public Accountants

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

(8) audited by HLB Niugini Certified Public Accountants

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

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

12 Deferred taxation

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

12 Deferred taxation (cont'd)

The balance comprises tax on the following temporary differences:

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

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

13 Inventories

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

14 Trade and other receivables

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

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

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

Trade and other receivables are denominated in the following currencies:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

14 Trade and other receivables (cont'd)

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

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

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

15 Cash and cash equivalents

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

Notes:

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

15 Cash and cash equivalents (cont'd)

Cash and bank balances are denominated in the following currencies:

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

16 Share capital

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

Notes:

- At the Company's Annual General Meeting, held on 30 May 2008, shareholders approved the subdivision of the Company's issued capital on the basis that every one ordinary share was subdivided into two ordinary shares. Unlisted options on issue were also adjusted in accordance with the ASX Listing Rules.
- During the year 13,356,000 (2008 - 22,634,000) ordinary share were issued following the exercise of unlisted options. As at 31 December 2009, the Company had 57,570,000 (2008 - 72,226,000) unlisted options on issue at various exercise prices and expiry dates. The newly issued shares rank pari passu in all respects with the previously issued shares.
- 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

17 Treasury shares

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

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

18 Reserves

(a)

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

Notes

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

18 Reserves (cont'd)

- (iii) During 2009, the Board exercised its discretion under the OM Holdings Limited Employee Share Option Plan and where relevant shareholders of the Company approved the grant of Nil (2008 - 56,650,000) unlisted options of the Company to certain Directors and employees of the Company and its subsidiaries.
- (iv) The fair value reserve of the Company represents the fair value loss on financial assets available-for-sale and forward exchange contracts.
- (v) The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued for acquisition of the subsidiaries and the aggregate net asset value of the subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

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

Notes:

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

19 Borrowings

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

19.1 Bank loans

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

Note:

(a) The unsecured loan is repayable on demand. Interest is charged at 2.73% (2008 – Nil) per annum.

(b) The loans were secured by:
- charge over certain bank deposits as disclosed in Note 15; and
- pledge of certain property, plant and equipment as disclosed in Note 5.

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

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

19.2 Obligations under finance leases

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

19 Borrowings (cont'd)

19.3 Currency risk

Total borrowings are denominated in the following currencies:

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

19.4 Effective interest rates

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

	2009	2008
The Group		
Bank loans	2.7%	7.7%
Obligations under finance leases	-	6.8%

19.5 Carrying amounts and fair values

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

20 Provisions

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

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

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

21 Trade and other payables

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

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

Trade and other payables denominated in the following currencies:

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

22 Derivative financial instruments

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

23 Other Income

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

24 Profit before taxation

	Note	2009	2008
		A\$'000	A\$'000
The Group			
Profit before tax is arrived at after charging/(crediting):			
Amortisation of prepaid lease payment on land use rights	6	28	33
Amortisation of long term prepayments	7	33	9
Amortisation of mine development cost	9	1,620	1,694
Cost of inventories recognised as expenses #		185,372	312,542
Depreciation of property, plant and equipment	5	7,998	7,017
Directors' fees - Directors of the Company		545	478
Equity-settled share-based payment *		11,423	13,756
Exchange losses		14,871	19,778
Exploration and evaluation costs written off	8	3,084	11,917
Interest expenses			
- bank loans		405	963
- finance leases		-	10
Loss on disposal of property, plant and equipment		93	968
Loss on disposal of financial assets available for sale		39	58
Operating lease charges in respect of land and buildings		143	203
Provision for restoration	20	3,521	324
Provision for employee long service leave	20	45	35

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

24 Profit before taxation (cont'd)

	Note	2009 A\$'000	2008 A\$'000
The Group			
<u>Staff costs</u>			
Directors' remuneration other than fees			
- Directors of the Company		2,026	10,375
- Directors of the subsidiaries		1,682	1,620
- Defined contribution plans		102	31
Key management personnel (other than Directors)			
- Salaries, wages and other related costs		1,470	2,252
- Defined contributions plans		93	157
Other than key management personnel			
- Salaries, wages and other related costs		8,755	8,632
- Defined contribution plans		598	522
		14,726	23,589
Write down of inventories to net realisable value *		-	3,511

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

* Included in other operating expenses.

25 Taxation

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

25 Taxation (cont'd)

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

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

26 Earnings per share

The Group

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

27 Dividends

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

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

28 Employee benefits

The Company

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

28 Employee benefits (cont'd)

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

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

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

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

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

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

Post employment benefit plans

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

29 Directors' remuneration

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

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

30 Related party transactions

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

31 Commitments

31.1 Capital commitments

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

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

31.2 Operating lease commitments (non-cancellable)

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

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

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

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

31.3 Mineral Tenements

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

	2009	2008
	A\$'000	A\$'000
Mineral covenant commitments	912	1,246

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

31 Commitments (cont'd)

31.4 Operating commitments

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

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

31.5 Other commitments

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

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

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

31.6 Environmental bonds

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

32 Contingent liabilities

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

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

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

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

33 Operating segments

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

33 Operating segments (cont'd)

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

33 Operating segments (cont'd)

33.1 Geographical segments

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

	2009 A\$'000	2008 A\$'000
Revenue		
PRC	256,791	414,127
Korea	11,688	61,504
Australian	9,684	17,705
Others	2,172	80,729
	280,335	574,065
Non-current assets		
PRC	22,685	15,299
Korea	52	185
Australian	90,158	77,088
Others	12,537	6,886
	125,432	99,458

Others include Iran, Bermuda and Madagascar.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

34 Financial risk management objectives and policies

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

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

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

34.1 Credit risk

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

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

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

Exposure to credit risk

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

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

34.2 Liquidity risk

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

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

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

	Less than 1 year A\$'000	Between 2 and 5 years A\$'000	Over 5 years A\$'000	Total A\$'000
The Group				
At 31 December 2009				
Trade and other payables	46,856	4,212	-	51,068
Provisions	-	-	3,459	3,459
Loans and borrowings	912	411	-	1,323
	47,768	4,623	3,459	55,850

At 31 December 2008				
Trade and other payables	63,641	-	-	63,641
Provisions	-	-	657	657
Loans and borrowings	2,170	-	-	2,170
	65,811	-	657	66,468

The Company				
At 31 December 2009				
Trade and other payables	845	-	-	845

At 31 December 2008				
Trade and other payables	3,244	-	-	3,244

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

34.3 Interest rate risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

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

34.4 Foreign currency risk

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

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

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

Sensitivity analysis for foreign currency risk

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

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

34.5 Market price risk

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

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

Market price sensitivity

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

35 Capital management

The Group's objectives when managing capital are

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

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

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

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

36 Financial instruments

Fair values

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

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

Fair value hierarchy

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2009

37 Comparative figures

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

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

38 Significant events after the reporting period

The Company and The Group

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of OM Holdings Limited ("OMH" or "the Company") is responsible for its corporate governance, that is, the system by which OM Holdings Limited and its subsidiaries ("OMH Group") is 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 Directors 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 the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task 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 regulatory body. The Board has the final responsibility for the successful operations of the OMH Group.

To assist the Board to carry out its functions, it has developed a Code of Conduct to guide the Directors and key executives in the performance of their roles. The Code of Conduct is available on the Company's website at www.omholdingsltd.com

The Board represents shareholders' interests in relation to optimising its manganese mining operation, metals trading business, ferro alloy smelter operation and managing its strategic investments in the carbon steel materials business. This fully integrated strategy seeks to achieve medium to long-term financial gains for shareholders. By adopting this approach the Board believes that this will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

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

The Board is responsible for evaluating and setting the strategic directions for 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.

The Board has sole responsibility for the following:

- Appointing and removing the Chief Executive Officer and any other executive director and approving their remuneration;
- Appointing and removing the Company Secretary and approving their remuneration;
- Determining the strategic direction of the OMH Group and measuring performance of management against approved strategies;
- Reviewing the adequacy of resources for management to properly carry out approved strategies and business plans;
- Adopting operating (including production), capital and development expenditure budgets at the commencement of each financial year and monitoring the progress by 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 organisations;
- 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 legislative requirements;
- Authorising the issue of shares, options, equity instruments or other securities;

CORPORATE GOVERNANCE STATEMENT

- Authorising borrowings, other than in the ordinary course of business, and the granting of any security over the undertaking 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 on all matters.

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 operational business of the OMH Group (in accordance with the requirements of his Executive Service Agreement) under delegated authority from the Board and to implement 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 has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The names of the Directors and their qualifications and experience are disclosed in the Directors section of the Annual Report. Directors are appointed based on the specific governance skills required by the OMH Group and on the independence of their decision-making and judgment.

The OMH Group recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Mr Tan Peng Chin, Mr Wong Fong Fui and Mr Thomas Teo Liang Huat are Non-Executive Directors who are considered to be independent. 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. However the value of the services provided are not viewed as being a material supplier to the Company.

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 Chairman, Mr Low is considered by the Board to not be independent in terms of the ASX Corporate Governance Council's definition of independent director.

The Board considers that Mr Low's position as Executive Chairman is appropriate given his world wide experience and specialised understanding of the global manganese industry. However the Board believes that Mr Low has the range of skills, knowledge, and experience necessary to effectively govern the Company and 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.

Mr Peter Ivan Toth is the OMH Group Chief Executive Officer Executive who is a full-time employee of the Company and who has the specialised experience and expertise considered of benefit to the OMH Group and its activities.

CORPORATE GOVERNANCE STATEMENT

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the OMH Group's scope of activities, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next Annual General Meeting. Under the OM Holdings Limited Bye-laws the tenure of Directors (other than Chief Executive Officer) is subject to re-appointment by shareholders not later than the third anniversary following his/her last appointment. 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 any 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 of the OMH Group.

Without intending to limit this general 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 that reflect the values of the OMH Group and guide the conduct of the Board, management and employees.
2. Strategy Formulation - working with senior management to set and review the overall strategy and goals for the OMH Group and ensuring that there are policies in place to govern the operation of the OMH Group.
3. Overseeing Planning Activities - overseeing the development of the OMH Group's strategic plans (including operating, capital, exploration and development programmes and initiatives) and approving such plans as well as the annual budget.
4. Shareholder Liaison - ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
5. Monitoring, Compliance and Risk Management - overseeing the OMH Group's risk management, compliance, control and accountability systems and monitoring and directing the operational and financial performance of the OMH Group.
6. OMH Group Finances - approving expenses in excess of those approved in the annual budget and approving and monitoring acquisitions, divestments and financial and other reporting.
7. Human Resources - appointing, and where appropriate, removing the Chief Executive Officer as well as reviewing the performance of the Chief Executive Officer and monitoring the performance of senior management in their implementation of the OMH Group's strategy.
8. Ensuring the Health, Safety and Well-Being of Employees - in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the OMH Group's occupational health and safety systems to ensure the well-being of all employees.
9. Delegation of Authority - delegating appropriate powers to the Chief Executive Officer to ensure the effective day-to-day management of the OMH Group and establishing and determining the powers and functions of the 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.

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1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities 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 any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per law, absent himself/herself from the room when discussion 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 OMH Group.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, 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 has the right to seek independent legal, accounting or other independent professional advice at the OMH Group's expense, up to specified limits, to assist them to carry out their 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 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 *Bermuda Companies Act* or the *Corporations Act* or any other relevant laws from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.5 Board Meetings

The Executive Chairman, in conjunction with the Chief Executive Officer and Company Secretary, sets the agenda for each meeting. Any Director may request matters 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 Chief Financial Officer's Report;

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- 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 Company's Directors held in the period each Director held office during the financial year and the number of meetings attended by each Director were:

Director	Board of Directors' Meetings		Short Notice Meetings	
	<i>Held</i>	<i>Attended</i>	<i>Held</i>	<i>Attended</i>
Low Ngee Tong	4	4	4	4
Peter Ivan Toth	4	4	4	4
Ong Beng Chong	4	4	4	4
Julie Wolseley	4	4	4	4
Tan Peng Chin	4	4	4	4
Wong Fong Fui	4	4	4	4
Thomas Teo	4	4	4	4
John Raubenheimer ⁽ⁱ⁾	2	2	3	3

(i) Mr Raubenheimer resigned on 20 August 2009.

During the financial year there were four general Directors' meetings for which formal notice of meeting was given. In addition, there were four Directors' meetings called for specific purposes.

2. BOARD COMMITTEES

Save for the Committees mentioned in sections 2.1 and 2.2 below, the Board considers that the OMH Group's affairs are not complex to justify the formation of numerous special 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 full Board currently 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 appointment of separate or special committee's will be reviewed by the Board 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. The Audit Committee comprises Mr Thomas Teo Liang Huat (chairman of the Audit Committee) and Ms Julie Wolseley. Mr John Raubenheimer who was also an independent non-executive director up until his resignation on 20 August 2009 was also a member of the Audit Committee. Audit Committee members have extensive financial expertise to discharge the Audit Committee's mandate.

During the year ended 31 December 2009 the audit committee met twice and all Audit Committee members were in attendance.

The Audit Committee is responsible for reviewing the audited annual accounts and the half-yearly financial statements and any reports which accompany published financial statements.

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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 their resignation or dismissal. The Board is also responsible for establishing 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, internal control structure, risk management procedures and the external audit function.

Key activities undertaken by the Audit Committee include:

- approval of the scope, plan and fees for the external audit;
- review of the independence and performance of the external auditor;
- review of significant accounting policies and practices;
- appointment of the internal auditor and approving the scope, plan and fees for the internal auditor; and
- review and recommendation to the Board for the adoption of the 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 OMH 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), Ms Julie Wolseley and Mr Thomas Teo Liang Huat.

The role of the Remuneration Committee is to assist the Board in establishing 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.

During the year ended 31 December 2009 the Remuneration Committee met twice and all remuneration committee members were in attendance.

The OMH Group is committed to remunerating its senior executives in a manner that is market competitive and consistent with best practice as well as supporting the interests of shareholders. The Board also administers the OM Holdings Limited Employee Share Option Plan approved by shareholders on 25 May 2007.

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 amount of remuneration paid to Non-Executive Directors was last approved by shareholders on 30 May 2008 and is currently A\$750,000.

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2.3 Nomination Committee

The OMH Group does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the OMH Group on specific issues.

The responsibilities of the Board in its entirety 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 business that it operates, the OMH Group aims at all times to have at least one Director with experience in the metals trading and mining industries, appropriate to the OMH Group's market. In addition, Directors should have the relevant blend of personal experience in:

- accounting and financial management;
- legal skills;
- technical skills; and
- Chief Executive Officer - business experience and acumen.

3. ETHICAL STANDARDS

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all Directors and employees of the OMH Group.

3.1 Code of Conduct for Directors and Key Executives

The Board has adopted a Code of Conduct for Directors and key executives to promote ethical and responsible decision-making as per Recommendation 3.1. This code outlines how OMH expects its Directors and employees and its related bodies corporate 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 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

The OMH Group has implemented a Code of Ethics and Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability 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 real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the OMH Group's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;

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- perform their duties in ways that minimise environmental impacts and maximise 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 designed 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 it from uses other than those for which it was provided.

Conflicts of Interest

Employees and Directors must avoid conflicts as well as the appearance 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 imposed for violating the Code.

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4. DIRECTORS DEALINGS IN COMPANY SHARES

The Company has a formal trading policy as required by Recommendation 3.2 titled: Policy for Trading in Company Securities. This policy applies to Directors and employees of OM Holdings Limited.

The Company's policy imposes basic trading restrictions on all employees of the Company with 'inside information', and additional trading restrictions on the Directors of the Company. A summary of the Company's Share Trading Policy is available on the Company's website.

The policy stipulates that the only appropriate time for a Director or employee to deal in the company's securities is when they are not in possession of price sensitive information that is not generally available to the market. A Director wishing to deal in the Company's securities may only do so after first having advised the Executive Chairman of his or her intention. A key executive wishing to deal must first notify the Chief Executive Officer.

In addition to the above, Directors must notify the Company Secretary as soon as is practicable, but not later than 5 business days, after they have bought or sold the Company's securities or exercised options. In accordance with the provisions of the *ASX Listing Rules*, the Company on behalf of the Directors must advise the ASX of any transactions conducted by them in the securities of the Company.

Breaches of this policy will be subject to disciplinary action, which may include termination of directorship.

OMH's Policy for Trading in Company Securities applies to all Directors and employees. This policy provides a brief summary of the law on insider trading and other relevant laws, sets out the restrictions on dealing in securities by people who work for, or are associated with, OMH and is intended to assist in maintaining market confidence in the integrity of dealings in the Company's securities.

It is a condition of the Policy for Trading in Company Securities that Directors and executives participating in an equity based incentive plan, are prohibited from entering into any transaction which would have the effect of hedging or otherwise transferring to any person the risk of any fluctuation in the value of any unvested entitlement in OMH securities. This prohibition is also contained in the terms of the OM Holdings Limited Employee Share Option Plan.

5. DISCLOSURE OF INFORMATION

5.1 Continuous Disclosure to ASX

The Company has a formal Continuous Disclosure and Information Policy as required by Recommendation 5.1. This policy was introduced to ensure that OMH achieves best practice in complying with its continuous disclosure obligations under the *ASX Listing Rules* and ensuring the Company and individual officers do not contravene the *ASX Listing Rules*.

OMH is committed to ensuring that shareholders and the market are provided with full and timely information and that all stakeholders have equal opportunities to receive externally available information issued by OMH.

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.

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5.2 Communication with Shareholders

The Company places considerable importance on effective communications with shareholders. Directors recognise that shareholders, as the ultimate owners of the company, are entitled to receive timely and relevant high quality information about their investment. Similarly, prospective new investors are entitled to be able to make informed investment decisions when considering the purchase of shares.

The Company aims to communicate with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the OMH Group. The strategy provides for the use of systems that ensure a regular and timely release of information about the OMH Group is provided to shareholders.

OMH Group's Continuous Disclosure and Market Communications Policy encourages effective communication with its shareholders by requiring:

- the disclosure of full and timely information about the OMH Group's activities in accordance with the disclosure requirements contained in the *ASX Listing Rules*;
- all information released to the market to be placed on the OMH website following release;
- the Company's market announcements to 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 the Annual General Meeting to ensure a high level of accountability and understanding of the OMH Group's strategy and goals. Copies of the addresses by the Chairman and CEO are disclosed to the market and posted to the Company's website.

The Company's external auditor attends the Company's AGM 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 OMH's website. Presentation material from significant briefings or management speeches is also lodged with ASX and posted to the website.

6. RISK MANAGEMENT

6.1 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 OMH:

- identifies, assesses, monitors and manages business 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.

6.2 Risk Management Roles and Responsibilities

The Board is responsible for reviewing and approving OMH risk management strategy, policy and key risk parameters, including determining the Group's appetite for country risk and major investment decisions.

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The Board is also responsible for satisfying itself that management has developed and implemented a sound system of risk management and internal control. 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.

Management is responsible for designing, implementing, reviewing and providing assurance as to the effectiveness of the policy. This responsibility includes developing business risk identification, implementing appropriate risk treatment 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 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 and Chief Financial Officer having ultimate responsibility to the Board for the risk management and control framework.

6.3 Internal Audit

During 2009 the Audit Committee following a tender process approved the engagement of BDO Raffles Consultants Pte Ltd to provide internal audit services to the OMH Group.

The internal audit function is independent of both business management and of the activities it reviews. Internal audit provides assurance that the design and operation of the OMH Group's risk management and internal control system is effective. A risk-based audit approach is used to ensure that the higher risk activities in each business unit are targeted by the internal audit program. All audits are conducted in a manner that conforms to international auditing standards. The assigned internal audit team has all the necessary access to OMH Group management and information.

The Audit Committee oversees and monitors the internal auditor's activities. It approves the annual audit program and receives reports from internal auditor concerning the effectiveness of internal control and risk management. The Audit Committee members have access to the internal auditors without the presence of other management. The internal auditor has unfettered access to the audit committee and its chairman.

Internal audit and external audit are separate and independent of each other.

6.4 Integrity of Financial Reporting

The OMH Group's Chief Executive Officer and Chief Financial Officer 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.

6.5 Role of External Auditor

The OMH Group's practice is to invite the auditor to attend the 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 its independence and the provision of any non-audit services by the external auditor is appropriate.

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The services considered not appropriate for provision by the external auditor may 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 the external audit partner be rotated at least every five years and the re-engagement of a previous audit partner in the audit service is allowed only after two years following the rotation.

7. 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. 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 Chairman's performance is reviewed by the other Board members.

The Company has established firm guidelines to identify the measurable and qualitative indicators of the Director's performance during the course of the year. Those guidelines include:

- attendance at all Board meetings. Missing more than three consecutive meetings without reasonable excuse will result in that Director's position being reviewed; and
- attendance at the Company's Shareholder Meetings. Non-attendance without reasonable excuse will result in that Director's position being reviewed.

The performance of each Director retiring at the next Annual General Meeting is taken into account by the Board in determining whether or not the Board should support the re-election of the Director. Board support for a Director's re-election is not automatic and is subject to satisfactory Director performance.

Arrangements put in place by the Board to monitor the performance of the OMH Group's Executive Directors and senior executives include:

- a review by the Board of the OMH Group's financial performance;
- annual performance appraisal meetings incorporating analysis of key performance indicators with each individual; and
- regular reporting from the Chief Executive Officer which monitors the performance of the Company's executives to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the OMH Group.

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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.

Executive Remuneration Policy

The OMH Group's remuneration policy aims to reward executives fairly and responsibly in accordance with the international market and ensure that OMH:

- 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 comparator groups;
- aligns executive incentive rewards with the creation of value for shareholders; and
- complies with applicable legal requirements and appropriate standards of governance.

Executive remuneration is reviewed annually having regard to individual and business performance (compared against agreed financial and non-financial performance measures set at the start of the year), relevant comparative information and expert advice from both internal and independent external sources.

Remuneration consists of the following key elements:

- Fixed remuneration (which includes base salary, superannuation contributions or equivalents and other allowances such as motor vehicle and health insurance);
- Variable annual reward (related to OMH and/or individual performance dictated by benchmark criteria); and
- Issuance of unlisted options

The operational targets for the Executive Directors and Senior Executives consist of a number of key performance indicators including safety, production, operating expenditure, return to shareholders' funds, enhancing corporate credibility and creation of value for shareholders.

At the end of the calendar year the Board assesses the actual performance of the consolidated entity and individual against the key performance indicators previously set. Any cash incentives and/or options granted require Board approval. Options proposed to be granted to any Directors also require shareholder approval.

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 details of all Directors of the Company and the nature and amount of the elements of their remuneration for the year ended 31 December 2009.

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	Primary			Post Employment	Equity Compensation	
	Base Remuneration /Fees	Exgratia Payment	Performance Bonus	CPF Contributions	Options	Total
Director	A\$	A\$	A\$	A\$	A\$	A\$
Low Ngee Tong	546,976	-	400,000	4,067	-	951,043
Peter Ivan Toth	623,553	-	-	-	5,040,000	5,663,553
Ong Beng Chong	455,817	-	-	5,174	3,780,000	4,240,991
Julie Wolseley	80,000	-	-	-	-	80,000
John Raubenheimer ⁽ⁱ⁾	100,000	125,000	-	-	-	225,000
Tan Peng Chin	80,000	-	-	-	567,500	647,500
Wong Fong Fui	80,000	-	-	-	-	80,000
Thomas Teo	80,000	-	-	-	-	80,000
	2,046,346	125,000	400,000	9,241	9,387,500	11,968,087

⁽ⁱ⁾ Mr Raubenheimer resigned on 20 August 2009.

8. 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.

Subject to the exceptions outlined below the Company has adopted the ASX Corporate Governance Council's Principles and Recommendations.

Recommendation Reference	Notification of Departure	Explanation for Departure
2.1	A majority of the Board should be independent directors	<p>The Board at present is made up of seven Directors of which four are Non-Executive Directors including three which are independent. Refer Section 1.2 of the Corporate Governance Statement.</p> <p>While the Board strongly endorses the position that boards need to exercise independence of judgment, it also recognises (as does ASX Corporate Governance Council Principle 2) that the need for independence is to be balanced with the need for skills, commitment and a workable board size. The Board believes it has recruited members with the skills, experience and character to discharge its duties and that any greater emphasis on independence would be at the expense of the Board's effectiveness.</p>

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2.1	A majority of the Board should be independent directors	<p>Messrs Low, Toth and Ong are all Executive Directors whilst Messrs Tan, Wong and Teo are all Independent Non-Executive Directors within the ASX Corporate Governance Council's guidelines. Ms Wolseley is a Non-Executive Director who is not viewed to be independent as she provides company secretarial services to the Company. However the value of the services provided are not viewed as being a material supplier to the Company.</p> <p>In particular Mr Low is an initial founding Director of the Company and was a major force in the Company's evolution and success and the technical, commercial and financial experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain in his position.</p> <p>At present the Company believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board Meeting before commencement of discussion on the topic.</p>
2.2	The chair should be an independent director	<p>The Company's current Chairman, Mr Low is considered by the Board to not be independent in terms of the ASX Corporate Governance Council's definition of independent director. Refer Section 1.2 of the Corporate Governance Statement.</p> <p>The Board considers that Mr Low's position as Executive Chairman is appropriate given his world wide experience and specialised understanding of the global manganese industry. However the Board believes that Mr Low has the range of skills, knowledge, and experience necessary to effectively govern the Company and 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.</p>
2.4	A separate Nomination Committee has not been formed.	<p>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 or attributes required in new Directors. Where appropriate independent consultants are engaged to identify possible new candidates for the Board.</p>

As the Company's activities increase in size, scope and/or nature the Company's corporate governance principles will continue to be reviewed by the Board and amended as appropriate.

ASX ADDITIONAL INFORMATION

Pursuant to the listing requirements of the Australian Securities Exchange ("ASX"), the shareholder information set out below was applicable as at 16 April 2010.

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	420	222,531	0.04
1,001 – 5,000	770	2,276,899	0.46
5,001 – 10,000	371	2,950,064	0.59
10,001 – 100,000	548	18,756,321	3.77
More than 100,000	158	473,304,335	95.14
Totals	2,267	497,510,150	100.00

There were 108 holders holding less than a marketable parcel of ordinary shares.

B. Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are listed below:

Shareholder Name	Listed Ordinary Shares	
	Number	Percentage Quoted
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	64,879,180	13.04%
STRATFORD SUN LIMITED	57,231,393	11.50%
DINO COMPANY LIMITED	47,132,130	9.47%
RAMLEY INTERNATIONAL LTD	36,395,000	7.32%
NEWTIMES MARINE CO LTD	31,000,000	6.23%
NATIONAL NOMINEES LIMITED	30,735,320	6.18%
J P MORGAN NOMINEES AUSTRALIA LIMITED	30,135,469	6.06%
ZERO NOMINEES PTY LTD	26,315,009	5.29%
LAI SHUN HOLDINGS LTD	19,000,000	3.82%
CITICORP NOMINEES PTY LIMITED	15,442,170	3.10%
MR LOW NGEE TONG	13,000,000	2.61%
ANZ NOMINEES LIMITED <CASH INCOME A/C>	9,822,640	1.97%
DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	8,469,073	1.70%
CITICORP NOMINEES PTY LIMITED <CFS FUTURE LEADERS AC>	5,770,122	1.16%
MS JULIE ANNE WOLSELEY	5,562,002	1.12%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	5,430,567	1.09%
COGENT NOMINEES PTY LIMITED	4,014,320	0.81%
MR ONG BENG CHONG	3,000,000	0.60%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – GSCO ECA	2,749,972	0.55%
CITICORP NOMINEES PTY LIMITED <CFSIL CFS WS SMALL COMP A/C>	2,423,444	0.49%
TOTAL HELD BY 20 LARGEST SHAREHOLDERS	418,507,811	84.11%
OTHERS	79,002,339	15.89%
TOTAL	497,510,150	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 Shares	Percentage of Shares
Stratford Sun Limited	57,231,393	11.50%
Huang Gang and Newtimes Marine Co Ltd	53,577,088	10.77%
Low Ngee Tong and Ramley International Ltd	50,145,000	10.08%
Heng Siow Kwee and Dino Company Limited	47,732,130	9.59%

D. Unquoted Options

The Company has on issue the following unlisted options to subscribe for shares

Number of Unlisted Options	Exercise Price	Expiry Date	Number of optionholders
750,000	A\$0.365	30 June 2010	1
4,000,000	A\$1.405	30 September 2010	1
4,000,000	A\$2.49	31 October 2010	1
2,000,000	A\$2.49	1 January 2011	1
1,000,000	A\$0.72	31 March 2011	1
4,000,000	A\$1.52	3 September 2011	1
845,000	A\$0.30	31 May 2011	5
1,000,000	A\$2.58	31 August 2011	1
5,675,000	A\$2.49	1 January 2012	25
2,000,000	A\$1.64	1 August 2012	1
4,000,000	A\$1.64	3 September 2012	1
5,675,000	A\$2.49	1 January 2013	25
2,000,000	A\$1.755	1 August 2013	1
4,000,000	A\$1.755	3 September 2013	1
2,000,000	A\$2.49	1 January 2014	1
2,000,000	A\$1.87	1 August 2014	1
4,000,000	A\$1.87	3 September 2014	1
2,000,000	A\$2.49	1 January 2015	1
50,945,000			

E. 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.

ASX ADDITIONAL INFORMATION

2. TAXATION

The Company was incorporated in Bermuda and is not taxed as a company in Australia.

3. INVESTOR INFORMATION

(a) Stock Exchange Listing

OM Holdings Limited shares are listed on the ASX Limited (ASX).
The Company's ASX code is OMH.

(b) Company Information Contact

For further information about OM Holdings Limited please contact the Singapore head office:

OM Holdings Limited
#08 – 08 Parkway Parade
80 Marine Parade Road
Singapore 449269

Telephone: (65) 6346 5515
Facsimile: (65) 6342 2242
Email: om@ommaterials.com
Website: www.omholdingsltd.com

(c) Share Registry Enquiries

Shareholders who require information about their shareholdings, dividend payments or related administrative matters should contact the Company's share registry:

Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA 600

Postal Address:
GPO Box D182
PERTH WA 6840

Telephone: (within Australia) 1300 850 505
Telephone: (outside Australia) (61) 3 9415 4000
Facsimile: (61) 3 9473 2500
Website: www.computershare.com

Each enquiry should refer to the shareholder number which is shown on the issuer sponsored holding statements and dividend statements.



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