

Realising<sup>our</sup>  
**Potential**

**Annual Report**  
**2012**

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







## Contents

---

Chairman and Chief Executive Officer's Report	<b>01</b>
Directors	<b>10</b>
Key Management	<b>12</b>
Corporate Directory	<b>13</b>
Corporate Structure	<b>14</b>
Financial Highlights	<b>15</b>
OMH Group Overview	<b>16</b>
Mining Operations Review	<b>18</b>
Processing Operations Review	<b>27</b>
Marketing and Trading Operations Review	<b>28</b>
Construction and Development Review	<b>29</b>
Tshipi é Ntle Manganese Mining (Pty) Ltd (Tshipi)	<b>31</b>
Directors' Report	<b>33</b>
Statement by Directors	<b>36</b>
Independent Auditors' Report	<b>37</b>
Statement of Financial Position	<b>38</b>
Consolidated Statement of Comprehensive Income	<b>39</b>
Consolidated Statement of Changes in Equity	<b>40</b>
Consolidated Statement of Cash Flows	<b>41</b>
Notes to the Financial Statements	<b>43</b>
Corporate Governance	<b>98</b>
ASX Additional Information	<b>112</b>



2012 has been a relatively stable year in the manganese industry, especially when considering the external shocks and difficulties faced by the global economy and the global steel industry.

Although at a relatively low base, 2012 has been a stable year in the manganese industry, especially when considering the external shocks and difficulties faced by the global economy and the global steel industry.

The three 'super-trends' of the manganese industry continued to revolve around the

- on-going growth and dominance of China as the key market for manganese unit demand,
- the continued emergence of greenfield South African manganese ore capacity, and
- the global alloy industry restructuring process gaining momentum - with the continued consolidation of Chinese smelting capacity, the divestment of smelters by major Western producers and the emergence of greenfield smelting projects driven by the availability of low cost power and location advantages.

The global economy continued to take body-hits from a synchronized slow-down of the US, European and Chinese economies. The global steel industry reversed the gains of 2011 and in the face of over-capacity margins continued to decline. The combination of demand and supply side factors resulted in the collapse and subsequent recovery of both the iron ore and metallurgical coal markets. The manganese ore market has remained stable during the year as seaborne supply remained constant, Chinese imports have continued strong and port stocks declined to nearly 30 month lows.

We remain a firm believer in the continued and sustainable growth of the Chinese economy and the structural strength of underlying Chinese crude steel production and demand driven by industrialization, urbanization and infrastructure development. While prevailing political and economic forces will continue to fine-tune the speed of the Chinese growth model, the state of the global steel industry and the steelmaking raw material markets will continue to be driven by what (and when and how) happens in China.

## **The Manganese Market**

According to Worldsteel, world crude steel production reached 1.55 billion tonnes for the year 2012, an increase of 1.2% compared to 2011. Despite the difficult external conditions, this represents a new record for



## Chairman and Chief Executive Officer's Report

**Driving the operating businesses for optimum performance by extracting maximum value from the Group's existing assets and investments.**



global crude steel production. China's 2012 crude steel production reached 716.5 million tonnes, representing a 3.1% increase year-on-year.

According to the International Manganese Institute, Chinese manganese ore port stocks as at December 2012 were ~2.5 million tonnes versus ~3.8 million tonnes in December 2011. The ratio of Chinese manganese ore port stocks to imports fell to 2.2 months toward the end of 2012, the lowest since mid-2010, at which time the 44%Mn benchmark stood at US\$ 8.70/dmtu CIF China.

The average manganese ore benchmark price in 2012 was US\$5.07/dmtu CIF China, compared to US\$5.62/dmtu CIF China in 2011, representing

a 10% decline. It is, however, encouraging to see that the prevailing market conditions have resulted in the ore spot price increasing to US\$5.95/dmtu CIF China for May 2013 shipments.

The manganese ore market pricing methodology is slowly but surely shifting from a monthly to shorter term pricing periods, increasingly making use of published index prices. This process, once matured, will allow spot prices to accurately reflect the prevailing market trends and underlying supply/demand fundamentals. We expect this trend to continue strongly during 2013, eventually leading to the manganese ore commodity to be majority index price driven.

### **Review of strategic progress during 2012**

This time last year we set ourselves several key strategic deliverables. These included the implementation of a robust low-cost mining and smelting operating strategy, strengthening the Company's balance sheet, commissioning of the Tshipi mine in South Africa, and the funding of the execution of our world-class OM Sarawak (Malaysia) project.

We are pleased to report that significant progress has been made on all these fronts during the year.

**Mining strategy:** The Bootu Creek Manganese Mine's operating strategy for 2012 centered on a low cost, low

## Chairman and Chief Executive Officer's Report



strip ratio mining operation, focusing on accessing previously pre-stripped high grade ore deposits. The move to an Owner Operator mining fleet during the year was made to improve efficiency and reduce the unit mining cost of the mine, while also adding significant additional operational production flexibility.

**Balance Sheet:** During the year the Company completed a placement of 75 million shares raising A\$26 million. The share placement was made to Boustead Singapore Limited and other smaller Asian institutional shareholders.

The Company also completed the issue of securities (25,000,000 ordinary shares and 25,000,000 convertible

notes) to Hanwa Co., Ltd, which raised a further A\$29.8 million.

During the September quarter the Company completed a 3-for-10 non-renounceable rights issue raising gross proceeds of A\$28 million.

Furthermore, the Company has restructured its term loan facilities with Standard Chartered Bank during early 2012, which has improved the Group's debt maturity profile and provided increased financial flexibility to execute the Group's operating strategy. As part of this process, the Group has made lump-sum loan repayments of US\$30 million during June and July 2012. Regular debt servicing continued to occur via operating cash flows during the year.

Despite the above successes, we remain deeply disappointed with the outcome of the Northern Iron Limited's (NFE) strategic review process and the Company's inability to monetize its investment in NFE during 2012 and the need for a A\$53 million non-cash re-valuation impairment charge needing to be made against the Company's investments in 2012.

**Tshipi:** The mine accessed its first ore on 10 October 2012, approximately eleven months after commencing with a 70 meter pre-strip. Tshipi loaded its first train on 18 November 2012, with product being offloaded at the bulk manganese terminal at Port Elizabeth. The first ore shipment from Tshipi was successfully shipped from Port Elizabeth on 19 December 2012. These



## Chairman and Chief Executive Officer's Report



**The Group's strong operating result was achieved in a challenging market environment impacted by a slow-down in the growth rate of the Chinese economy, a persistently strong Australian dollar and weak manganese ore spot prices.**

significant milestones mark Tshipi's move into operations and sustained cash flow generation.

**Funding of Sarawak:** During December 2012 OM Sarawak has secured funding commitments from a syndicate of leading international and regional lenders for approximately US\$315 million (US\$215 million and MYR 310 million) of senior project finance debt and approximately US\$40 million (MYR 126 million) of performance and payment securities. The Commitment Letter has been entered into with a syndicate of leading local and international lenders, including Export-Import Bank of Malaysia Berhad, RHB Bank Berhad, Standard Chartered Bank Malaysia Berhad, and Malayan Banking Berhad. The Project Financing, together with committed equity from OM Sarawak's shareholders, OMH and Cahya Mata Sarawak Berhad, is sufficient to

finance the construction of Phase 1 of the Project.

### **Operating highlights and objectives**

The Group's strong operating result was achieved in a challenging market environment impacted by a slow-down in the growth rate of the Chinese economy, a persistently strong Australian dollar and weak manganese ore spot prices.

Production and shipments of Bootu Creek ore in 2012 were lower than the previous year, impacted by rail service disruptions caused by a freight rail derailment during H1 2012 and the transition to an Owner Miner operating model during H2 2012. Despite lower production volumes, Bootu Creek's cash operating costs have declined by 6% during the year.



# Chairman and Chief Executive Officer's Report



OMQ had delivered an outstanding operating performance in 2012, achieving all-time production records for both HCFeMn alloy and manganese sinter ores. OMQ's cash and profit contribution improved significantly during the year with continued focus on costs, production optimization and customer support.

The trading and marketing group continued to deliver strong results during the year with a 14% increase in revenue. The increase was due to the higher volumes of third party manganese ores, alloys and iron ores traded in 2012. The marketing and trading group continues to extract substantial value from the sales and marketing of our equity production as well as our third party trading book utilising its deep market understanding, customer relationships, technical marketing, trade financing and distribution capabilities.

## Progress with OM Sarawak

During the year the Company has made significant progress with regards to the development of the OM Sarawak project. The Project continues to represent an outstanding investment opportunity on the basis of strong underlying demand fundamentals for silicon based ferro alloys, changing industry supply dynamics, and the competitiveness and favourable location of Sarawak as an alloy production center. The Project continues to benefit from a combination of unique competitive advantages, including but not limited to a competitively priced and reliable power supply, geographic proximity to raw materials and customers, tax incentives, lack of import and export duties and existing and under-development infrastructure.

In order to assist with the most effective and efficient funding and execution of the Project, the Company has made a decision to execute the Project in two phases while meeting its power offtake commitments. Phase 1 will expedite Project cash flows by fast-tracking higher margin ferrosilicon production, allowing additional construction and ramp-up flexibility while providing additional time for further technical and commercial optimisation of Phase 2.

OM Sarawak has appointed Sinohydro Corporation as its lump-sum turn-key EPC contractor, and Sinosteel Jilin as a nominated sub-contractor. This combination leverages Sinohydro's significant large-scale project management experience, including its longstanding EPC experience in Sarawak, and draws upon Sinosteel Jilin's specialist equipment and control system experience and capability.



## An exciting 2013 ahead

The Company's vision remains clear and focused - to build a world class manganese ore mining and silicon based ferro alloy smelting company.

We remain laser focused on ensuring that the Company's operating strategy continues to be able to effectively and efficiently respond to changing market conditions, while continuing to execute the Company's growth strategy with specific focus on the execution of the OM Sarawak project in Malaysia and the successful development of Tshipi's market share in the Chinese and global seaborne manganese ore market.

The Bootu Creek Mine will continue to focus on optimizing its resource, delivering a solid operating performance in the current price environment, extracting the full operating and cost benefits of the owner-miner operating model and preparing for the future integration of the mine into the supply chain of the OM Sarawak smelter's manganese alloy production process.

The Qinzhou alloy smelter will continue to focus on maximizing its contribution to the Group through operating and marketing excellence.

The marketing and trading group will continue to focus on extracting maximum value from the Group's equity ore, alloy and sinter production, market development, sales and marketing of Tshipi's manganese ore production from South Africa and raw material sourcing for and market development of the Group's future Ferro Silicon production at OM Sarawak in Malaysia, as well as continuing to work with NFE for the sales of the company's iron ore products into the Chinese market.

The execution of the OM Sarawak project will take center stage of the Group's strategic growth activities, with the conclusion of the project financing process, the completion of the EPC contract and the beginning of project construction with the target of production commencement

during the second quarter of 2014 and full commissioning 12 months later, during the second quarter of 2015. The successful execution of this project will not only transform the Group's production and financial profile but will also become a platform for significant shareholder value creation and future strategic development opportunities.



**LOW NGEETONG**  
*Executive Chairman*



**PETER IVAN TOTH**  
*Chief Executive Officer*





2012年对于锰行业来说是相对低迷的一年，但同时也是比较稳定的一年，尤其是在这一年中，全球的经济和国际钢铁工业都遭遇到了各种外部冲击和困难。

2012年对于锰行业来说是相对低迷的一年，但同时也是比较稳定的一年，尤其是在这一年中，全球的经济和国际钢铁工业都遭遇到了各种外部冲击和困难。

锰行业的“重点发展趋势”继续围绕以下三个方面：

- 中国作为锰矿需求的主要市场持续发展，并逐渐占据主导地位，
- 南非在未开发的地区不断发现新的锰矿储备，
- 全球合金工业的结构调整与发展—中国冶炼产能稳固发展；西方主要的合金生产商关停（部分）冶炼电炉，冶炼项目转向低电力成本和具有地理位置优势的新区域发展。

美国、欧洲和中国经济增长同步放缓，导致全球经济持续吃紧。全球钢铁行业一反2011年的收益盈余，面临产能过剩，导致利润不断下滑。供需方面的因素导致了铁矿石和冶金煤市场的崩溃。锰矿市场本年度基本保持稳定，这归功于国际锰矿市场供应保值稳定，中国进口持续强劲和港口库存下降到30个月来的新低。

我们坚信中国经济可将持续增长，在工业化、城市化和基础设施建设的推动下，中国未来的粗钢产需具有巨大的结构优势。尽管政治经济力量将继续影响中国经济增长模式的发展，但全球钢铁行业和炼钢原材料市场的状况还是取决于中国的具体情况（以及这些情况发生的时间和原因）。

### 锰市场

据国际钢铁协会数据显示，2012年世界粗钢产量达到了15.5亿吨，较2011年增长了1.2%。考虑到艰巨的外部条件，这一结果对世界粗钢生产来说意味着一个新的记录。中国2012年的粗钢产量达到了7.165亿吨，同比增长3.1%。

据国际锰协会称，中国2012年12月的港口锰矿库存约为250万吨，而2011年12月为380万吨左右。到2012年底中国锰矿港口库存与（每月）进口量对比下降到2.2个月，是自2010年中以来的最低水平，当时含量44%的锰矿平均基准价格是每吨度8.70美元（中国港口到岸价）。

2012年度的锰矿平均基准价格为每吨度5.07美元（中国港口到岸价），比2011年度的每吨度5.62美元（中国港口到岸价）下跌了10%。不过，目前的市场情况是2013年5月装船的锰矿现货价格涨到了每千吨度5.95美元（中国港口到岸价），这一点十分令人鼓舞。

锰矿市场的定价方法正稳步从月周期转向更短的周期，锰矿价格指数也逐步形成。这过程一旦成熟，现货价格将可准确地反映市场主导趋势和潜在的供需基本面。我们预计这一趋势在2013年将进一步发展，并最终促使锰矿定价由价格指数主导。

### 2012年战略进展回顾

去年这个时候，我们为自己设立了几个重要的战略发展目标。其中包括贯彻实施一套健全的低成本采矿与冶炼生产经营策略，优化公司的资产负债表，运行南非的Tshipi锰矿项目和为世界级的OM 砂拉越（马来西亚）项目筹措启动资金。

我们很高兴的告诉大家，在过去的一年中上述几个方面我们都取得了巨大的成功。

**采矿策略：**Bootu Creek锰矿2012年的经营策略主要是围绕降低成本、低剥离比的运作方式，重点放在开采之前预剥离的高品位矿床。2012年公司采用了自有的矿山队伍，直接运行矿山开采的模式，以提高开采效率，降低锰矿单位采矿成本，同时大幅提高生产运营的灵活性。

**资产负债表：**公司2012年完成了7500万支股票的配置，筹措资金2600万澳元。股票主要配售给Boustead Singapore Limited 及一些小型的亚洲投资机构。

公司还向Hanwa Co., Ltd发行了有价证券（25,000,000普通股，25,000,000可转换票据），筹措了2980万澳元。公司第三季度发行了3对10的不可放弃增发，筹措了2800万澳元。

此外，公司在2012年初调整了在渣打银行的定期贷款，延迟了公司的债务到期日，为贯彻落实公司的经营策略提供了更多的财务便利。在此过程中，公司于2012年6月至7月间一次性还贷3000万美元。同年，公司也通过营运盈余进行定期还贷。



# 执行主席和首席执行官报告

尽管我们取得了上述成就，但公司对Northern Iron Limited (NFE)的策略性审查结果感到失望，公司2012年也未能在NFE项目上得到投资回报，这更让公司出现了5300万澳元的非现金减损支出。

**Tshipi:** 2012年10月10日，在70米范围矿床预剥离后的11个月，该矿井采到了第一批矿。2012年11月18日Tshipi第一次装运了锰矿，并将锰矿卸在伊丽莎白港的散装锰矿终端。2012年12月19日，从Tshipi装运的第一锰矿批成功售出并运离了伊丽莎白港。这重要的里程碑标志着Tshipi正式投入营运生产及有能力产生营运资金。

**砂拉越项目融资:** 2012年12月，OM砂拉越项目从国际和地域贷款财团成功融资近3亿1500万美元（包括2亿1500万美元和3亿1000万令吉），以及近4000万美元（1亿2600万令吉）的履约保函。公

司与国际和区域贷款财团签署了义务承担书，这些贷款财团包括马来西亚进出口银行、兴业银行、马来西亚渣打银行和马来亚银行。项目的融资，加上OM砂拉越项目的控股公司-OMH和Cahaya Mata Sarawak Berhad的资金注入，足够支撑项目的第一阶段。

## 经营重点和目标

在中国经济增速放缓，澳元持续强劲和锰矿现货价格疲软的市场环境下，OM集团还是取得了强劲的营运增长。

2012年Bootu Creek锰矿的生产和供货量较上一年有所下滑，原因是2012上半年运矿铁路受损影响了铁路运输服务和公司在下半年采用公司自行运作矿山采矿模式转换的影响。尽管产量有所下降，但Bootu Creek 的现金营运成本在这一年中下降了6%。

东方资源（钦州）有限公司在2012年的表现十分出色，高碳锰铁和烧结锰矿的产量均创历史新高。由于一如既往地致力于降低成本、优化生产和服务顾客，OMQ这一年的现金和利润贡献都有了显著增加。

2012年中，贸易和销售团队表现仍然优异，由于第三方锰矿石、合金和铁矿石的交易数量增加带动了收益增长了14%。贸易和销售团队凭借对市场的深入理解、庞大的客户关系网、技术性销售、贸易融资和强大的配送能力继续为公司从贸易和销售中获取大副的利润。

## OM 砂拉越项目的进展

2012年间，公司的砂拉越项目取得了显著成果。硅铁合金的基本需求量大，行业供应不断变化，砂拉越作为合金生产





中心具有较强的竞争力和优越的地理位置，因此，砂拉越项目仍然是一个绝佳的投资机会。该项目不断受益于各种特有的竞争优势，其中包括但不限于优惠可靠的电力供应，地理位置上接近原材料产地和消费者市场，税收优惠，无进出口税，以及完善的基础设施。

为了有效率促进该项目的融资和执行，公司决定将项目分为两个阶段进行，同时履行其电力购买承诺。第一阶段将通过建设和生产毛利率较高的硅铁合金，加速项目资金流入，为额外建设和增强灵活性提供条件，同时也为第二阶段进一步的技术和商业优化提供额外的时间。

OM砂拉越项目已委托中国水利水电建设集团国际工程有限公司为工程的成套项目统包商，中钢集团吉林机电设备有限公司为分包商。这样一来，既能利用中国水利水电建设集团国际有限公司大型项目管理的丰富经验，包括其在砂拉越的长期工程承包经验，又能利用中钢集团吉林机电设备有限公司的专业设备和控制系统方面的经验和能力。

### 令人振奋2013年

公司的目标仍然清晰，即打造成世界级的锰矿开采和硅铁合金冶炼公司。

我们高度重视公司的经营策略能够继续有效应对市场环境的变化，同时继续贯彻落实公司的发展战略，特别关注公司在马来西亚砂拉越项目的进展，并确保Tshipi锰矿石在中国乃至世界锰矿市场占有率的份额不断增加。

Bootu Creek将继续致力于优化资源，并在现行价格环境下建立一个可靠的运营平台和在自组采矿平台下获得最大经营和成本收益，为将来融入OM砂拉越锰合金冶炼生产供应链中做准备。

钦州冶炼厂将继续努力凭借其经营和营销优势加大对集团的贡献。

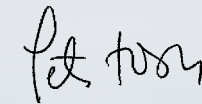
营销和贸易团队将继续优化以下各方面的利润：公司的Bootu Creek矿石、高碳锰铁和烧结锰矿，Tshipi锰矿石的贸易和营销，公司在马来西亚砂拉越项目

未来的硅铁生产的原材料获取和市场开发。公司还将继续和NFE合作，将铁矿石产品销往中国市场。

OM砂拉越项目的开展将在公司的战略性发展中占据中心地位。我们要完成项目的融资过程，完善工程总承包合同，开始工程建设，争取在2014年第二季度投入生产，并在12个月后就2015年第二季度开始全面运营。该项目的成功开展不仅将改变公司的生产和融资历史，还将为股东创造巨大价值和为未来提供战略性发展机遇的平台。



**刘义东**  
执行主席



**PETER IVAN TOTH**  
首席执行官





## Directors



**Low Ngee Tong**  
Executive Chairman

**Mr Low** is a qualified Mechanical Engineer, having graduated from the National University of Singapore. He has over 33 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 OMH since its incorporation and subsequent listing in 1998. In October 2008, Mr Low became the Executive Chairman of OMH. Mr Low's business relationships and reputation with several large multinational corporations in Asia have enabled OMH to successfully establish its profitable operations based in Singapore and extending to China and Australia.



**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. Mr Toth is the current chairman of the International Manganese Institute.



**Zainul Abidin Rasheed**  
Independent Deputy Chairman

**Mr Zainul** graduated with a Bachelor of Arts (Honours) in Economics and Malay Studies from the University of Singapore in 1971. Prior to becoming a Member of Parliament in 1997 (the last held office was Senior Minister of State for Foreign Affairs), Mr Zainul had an extensive career in journalism, including as Editor of Berita Harian, The Singapore Business, The Sunday Times and Associate Editor of The Straits Times. He served numerous government agencies, councils and civic/community organizations including as Executive Secretary of the Singapore Port Workers' Union, President of the Singapore Islamic Religious Council (MUIS), Chairman of the Malay Heritage Foundation, Chief Executive Officer of the Council for the Development of the Malay/Muslim Community (MENDAKI), the National University of Singapore Council as well as being the Patron of the Singapore Rugby Union. Mr Zainul is a current member of the New York-based Asia Society Global Council. He is also currently the Non-Resident Ambassador to the State of Kuwait and the Foreign Minister's Special Envoy. Mr Zainul joined the Board on 3 October 2011. Mr Zainul is a member of the Audit and Remuneration Committees. In his role as independent Deputy Chairman he will also assume the role of lead Independent Non-Executive Director.



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

**Ms Wolseley** holds a Bachelor of Commerce degree and is a Chartered Accountant. She is the Principal of a corporate advisory company and has over 21 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.





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

**Mr Tan** is a lawyer and Senior 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 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. Mr Teo's executive responsibilities extend to the financial management and implementation of investment strategies 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 Audit Committee.



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

**Mr Church**, an Australian commercial lawyer and corporate adviser who resides in Singapore and has had a career spanning more than 30 years which has encompassed significant experience throughout South East Asia and India, including foreign investment and corporate advisory experience with respect to many regional projects and a number of which relate to the resources' sector. He is a Fellow of the Australian Institute of Company Directors. In 1994 Mr Church was awarded the Medal of the Order of Australia (OAM) by the Australian Government for his promotion of business between Australia and South East Asia. Presently, Mr Church's roles include being chairman of AFG Venture Group, Special Counsel to the English law firm of Stephenson Harwood, a non-executive director of the Singapore International Chamber of Commerce and a non-executive director of The George Institute for International Health. Mr Church joined the Board on 12 December 2011. Mr Church is viewed as having substantial legal, corporate and business experience enabling him to make a strong strategic contribution to the Company.



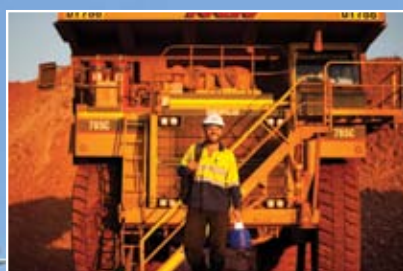
**Wong Yu Loon**  
Non-Executive Director

**Mr Wong** acts as a nominee Director for strategic investor, Boustead Singapore Limited. Mr Wong's appointment follows from the successful completion of a share placement to Boustead under a Share Subscription, formalizing a strong strategic relationship with one of South East Asia's most successful, progressive and experienced engineering services companies. Mr Wong currently holds the executive position of Director, Group Investments with Boustead, having joined the Boustead Group in 2004. Mr Wong holds a Bachelor of Law (from the University of New South Wales) and a Bachelor of Commerce-Accounting (from the University of New South Wales). Mr Wong joined the Board on 7 August 2012.



## Key Management

Heng Siow Kwee	Group Human Resources Director, Managing Director, OMS
Goh Soo Fung	Chief Financial Officer, OMH
Paul Thomas	Chief Development Officer, OMH
Fanie Van Jaarsveld	Managing Director, OMM
Frank Botica	Chief Financial Officer, OMM
Betty Tan	Managing Director, OM Sarawak
Yang Li Zhong	General Manager, OMQ
Chen Xiao Dong	Deputy General Manager, OMQ
Zheng Yuan Hua	Chairman, OMA
Pu Guo Liang	General Manager, OMA
Lu Rui Lin	General Manager Marketing and Trading China, OMS
Colin Ouwehand	General Manager Marketing and Trading International, OMS
Goh Ping Choon	General Manager Logistics, OMS
Craig Thomas Reddell	Geology Manager, OMM
Young Woo Hwa Edward	General Manager Corporate/Projects, OMH
Tan Meng Khong	General Manager Development, OMH
Don Heng	General Manager Finance, OMH





## Directors

Low Ngee Tong (Executive Chairman)  
Peter Ivan Toth (Chief Executive Officer)  
Zainul Abidin Rasheed (Independent Deputy Chairman)  
Julie Anne Wolseley  
Tan Peng Chin  
Thomas Teo Liang Huat  
Peter Church OAM  
Wong Yu Loon

## Company Secretaries

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

## Address of Company and Registries

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

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

### The address of the Bermuda Registered Office:

Clarendon House  
2 Church Street, Hamilton HM 11  
Bermuda

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

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

### The address of the Company's Branch share registry in Australia:

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

## Name of Bankers

Australia and New Zealand Banking Group Limited  
Bank of China  
Bank of Communication  
Bank of Construction  
BNP Paribas  
CIMB Bank Berhad  
Commonwealth Bank of Australia  
Credit Suisse AG  
Export-Import Bank of Malaysia Berhad  
KBC Bank NV  
Malayan Banking Berhad  
National Australia Bank Ltd  
Oversea-Chinese Banking Corporation Limited  
Rabobank International  
RHB Bank Berhad  
Standard Chartered Bank

## Name and Address of Auditors

Foo Kon Tan Grant Thornton LLP  
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  
Level I, 46 Parliament Place  
West Perth, WA 6005  
Telephone : (618) 9481 0955  
Facsimile : (618) 9481 0966

## Name of Bermuda Resident Representative

Codan Services Limited

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

**ASX Code** : OMH



# Corporate Structure



## OM HOLDINGS LIMITED

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

Listed on ASX on 19 March 1998





## Financial Highlights

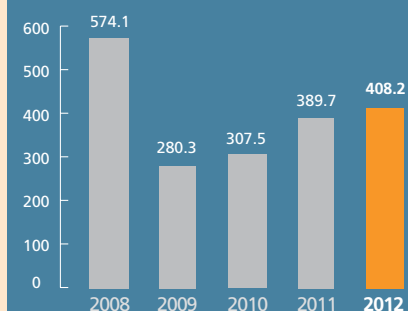
### 5 Year Group Financial Highlights

Financial years ended 31 December	2012	2011	2010	2009	2008
	A\$'million	A\$'million	A\$'million	A\$'million	A\$'million
Revenue	408.2	389.7	307.5	280.3	574.1
Profit/(loss) before taxation	(53.5)	(29.1)	55.3	28.3	133.5
Profit/(loss) attributable to shareholders	(61.1)	(11.5)	47.2	26.9	115.6
Total assets	626.5	553.6	509.3	323.3	331.9
Shareholders' funds	322.4	258.0	325.9	265.7	250.7
Net tangible assets	302.5	250.7	321.3	263.1	246.0
	A\$ cents	A\$ cents	A\$ cents	A\$ cents	A\$ cents
Net tangible assets per share	47.56	50.76	63.87	53.60	51.51
Basic earning/(loss) per share	(10.09)	(2.29)	9.58	5.59	24.81
Dividend per share	Nil	Nil	2.75	3.00	6.50
	2012	2011	2010	2009	2008
Gross profit (A\$ million)	50.6	59.6	117.4	112.8	261.5
Gross profit margin (%)	12.4	15.3	38.2	40.2	45.6

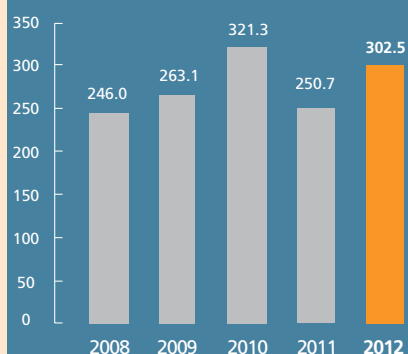
### Comparison sales to International Regions were as follows:

Region	2012	2011	2010	2009	2008
	%	%	%	%	%
South Korea/Japan		-	-	4.2	10.7
China	100.0	100.0	96.2	91.6	72.1
Others		-	3.8	4.2	17.2
Total	100	100	100	100	100

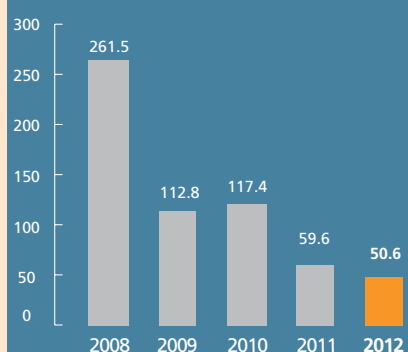
### REVENUE (A\$'million)



### NET TANGIBLE ASSETS (A\$'million)



### GROSS PROFIT (A\$'million)





# OMH Group Overview

OM Holdings Limited (“OMH” or the “Company”) and its subsidiaries (collectively the Group) have a long established history of more than 15 years in exploration, project development, operations and marketing and trading. With integrated operations comprising exploration, mining, processing, smelting, sintering and marketing and trading, the Group is able to capture significant value and margins along the entire value chain.

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

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

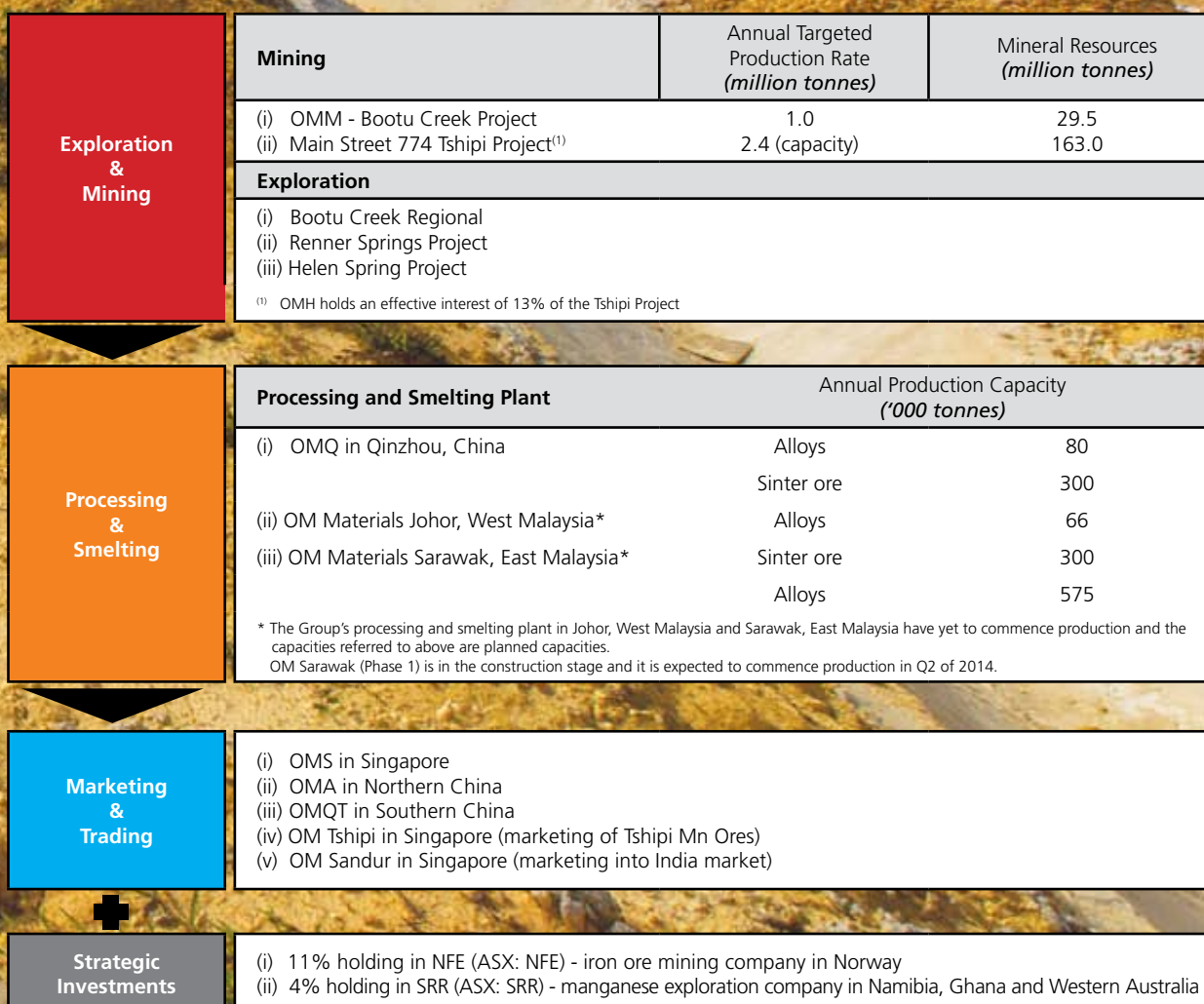
## Key Operating Entities of OM Holdings Group

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

- **OM Manganese Ltd (“OMM”)** – OMM owns the Bootu Creek mine located in the Northern Territory, Australia. The Bootu Creek mine is located ~110km north of Tennant Creek, mining operations commenced in November 2005 and the first ore was processed in April 2006.
- **OM Materials (S) Pte Ltd (“OMS”)** – OMS, a company based in Singapore is the strategic trading hub of the Group. It handles the logistics, marketing and product distribution of the Group. The focus of the OMS business is currently on equity ore sales from Bootu Creek, the marketing of Tshipi’s production and iron ore sales from Northern Iron’s Sydvaranger Project in Norway to China.
- **OM Materials Qinzhou Co Ltd (“OMQ”)** – OMQ owns the Group’s ferroalloy smelter in Qinzhou in Guangxi province, China. The smelter is located ~1km from the Qinzhou port, providing OMQ with a competitive advantage in accessing imported raw materials, in particular manganese ore. OMQ also provides the Group with intangible benefits like market intelligence and insight in smelter economics, particularly in China, where industry information (e.g. cost structures) may not be readily available.
- **OM Hujin Science and Trade (Shanghai) Co Ltd (“OMA”) & OM Materials (Qinzhou) Trading Co Ltd (“OMQT”)** – OMA and OMQT are both the distribution arms of OMS in China. Both companies support the operations of OMS and focus on the Northern and Southern China regions, respectively.
- **OM Materials (Sarawak) Sdn Bhd (“OM Sarawak”)** - The Group is establishing a ferroalloy smelter and manganese ore sinter plant in Sarawak, Malaysia which will have the capability to produce approximately 265,000 tonnes of manganese ferroalloys, and approximately 310,000 tonnes of ferrosilicon alloys for consumption by the growing Asian steel industry.



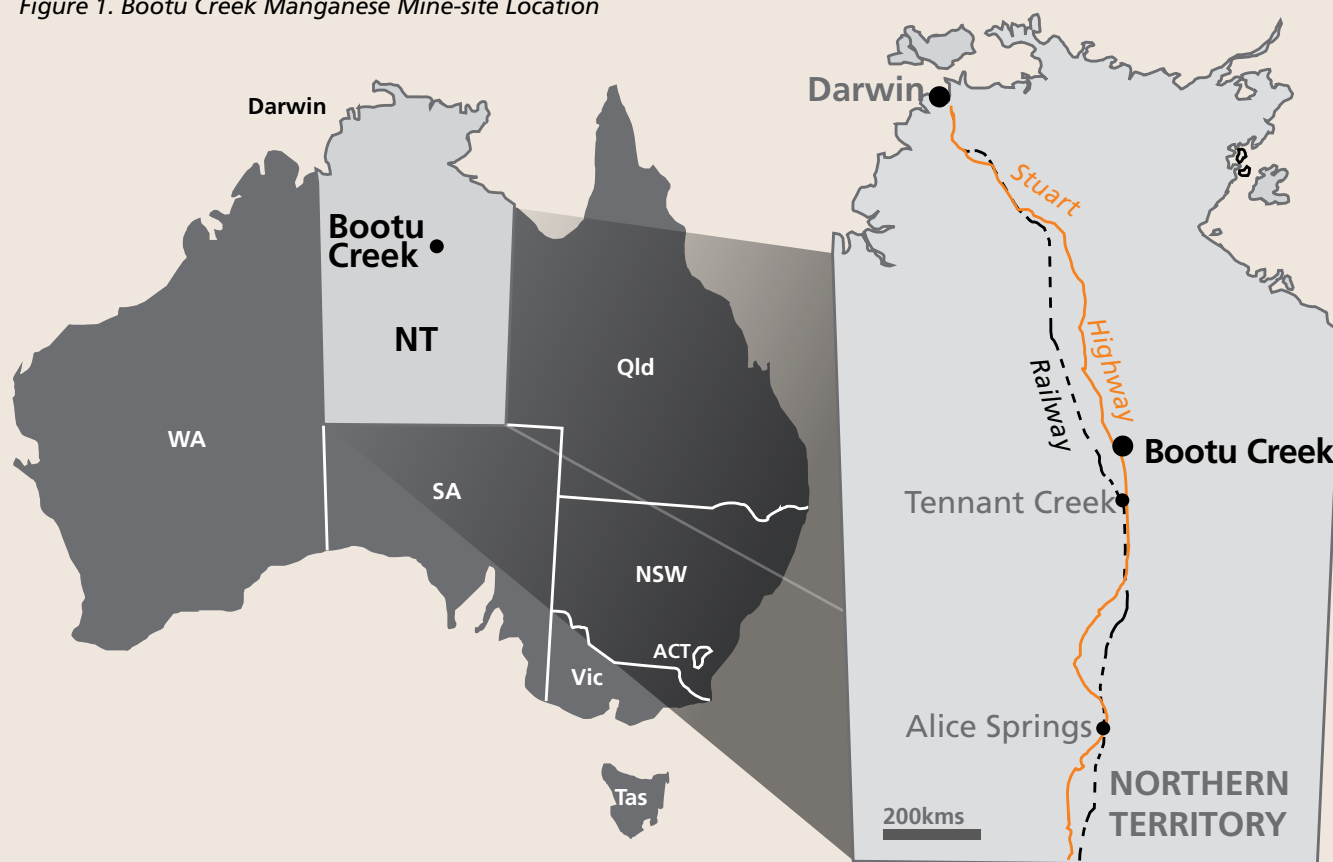






# Mining Operations Review

Figure 1. Bootu Creek Manganese Mine-site Location



## Highlights

- Annual production of 737,766 tonnes grading 36.55% Mn
- Record monthly production of 100,315 tonnes at 37.2% Mn achieved in January 2012
- Full year C1 unit cash costs of A\$3.99/dmtu
- Successful transition to an Owner Miner in the second half of 2012 underpins low cost mining operations
- OMM succeeded in its action against the process plant design engineers for the Bootu Creek Mine, and was awarded damages totalling A\$5.7 million plus interest plus 75% of its costs subject to certain conditions
- Bootu Creek Mineral Resource of 29.5 million tonnes at 22.2% Mn continues to underpin the current processing rate of 2.3 million tonnes of ore per annum, producing up to 1.0 million tonnes of manganese product per annum for export

## Overview

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

are located in Perth, Western Australia and Darwin in the Northern Territory.

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

The main mineral lease is located in the Bootu Creek area on Pastoral Leases,

where the mining and processing operations are based and where the currently defined Mineral Resources and Ore Reserves exist. Two regional exploration project areas are located at Renner Springs and Helen Springs.

The Bootu Creek Project area contains a number of manganese deposits located along the western and eastern limbs of the Bootu syncline. The individual mineralised horizons are

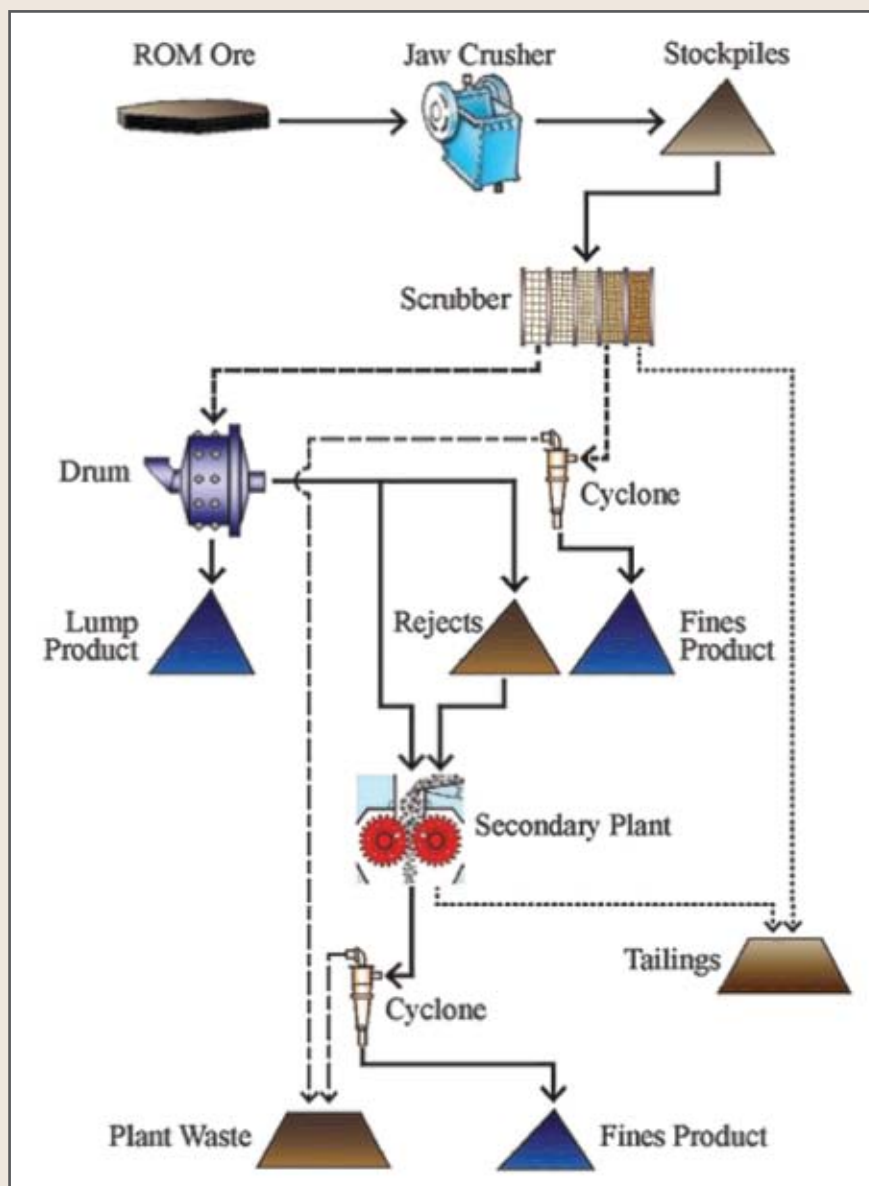
## Mining Operations Review

generally strata-bound in character and can persist over strike lengths of up to 3 km. 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 70 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 processing of manganese ore is described diagrammatically below:

Figure 2. Bootu Creek Manganese Processing Plant Schematic



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

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

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

The PPP was designed to produce a nominal 550,000 tonnes per annum of product, comprising about 420,000 tonnes of lump and about 130,000 tonnes of fines. Numerous capital upgrading and improvements increased its production capacity to approximately 800,000 tonnes of product per annum. With the commissioning of the SPP in 2009, the combined production capacity from the two plants approximates 1 million tonnes per annum.

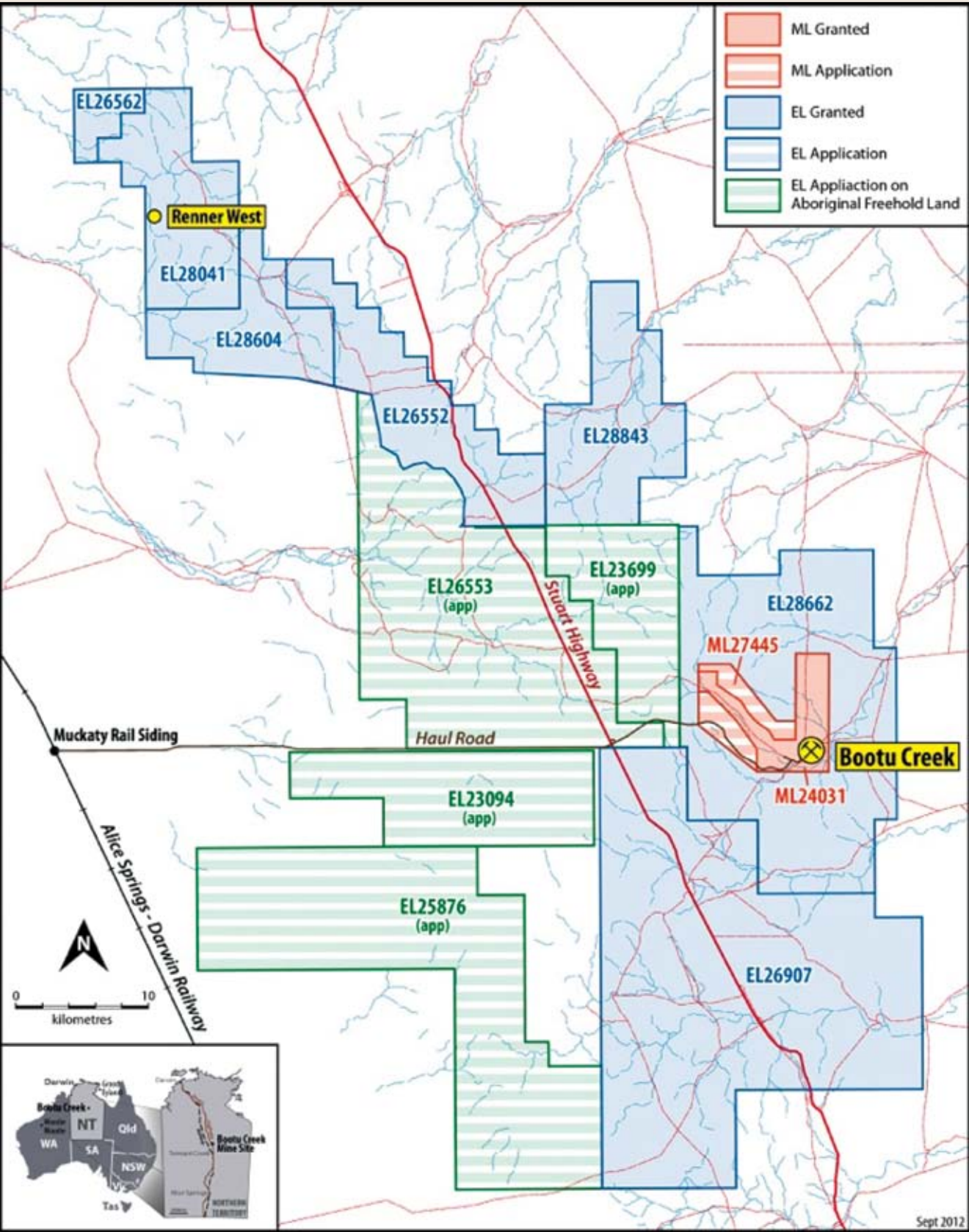
Manganese products are transported 60 km from the mine site to the Muckaty Rail Siding on a sealed private road and then approximately 800 km to the Port of Darwin via the Alice Springs to Darwin rail line.

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



# Mining Operations Review

Figure 3. Bootu Creek Manganese Project Tenement Holdings



# Mining Operations Review

Table 1. Bootu Creek Operations – Production

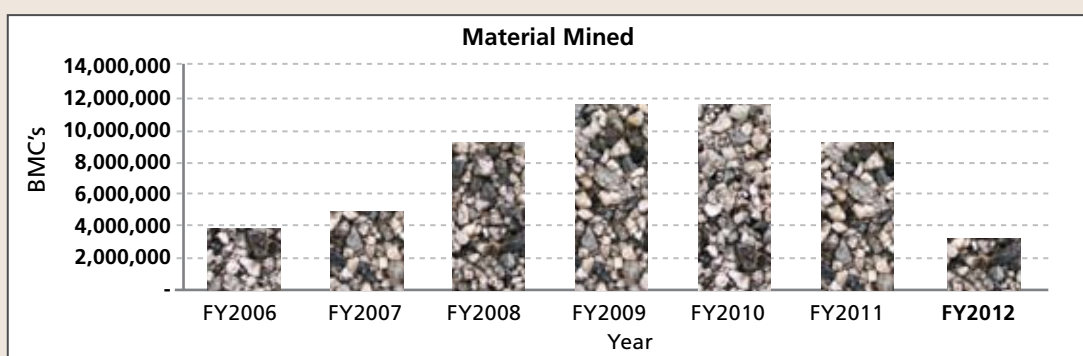
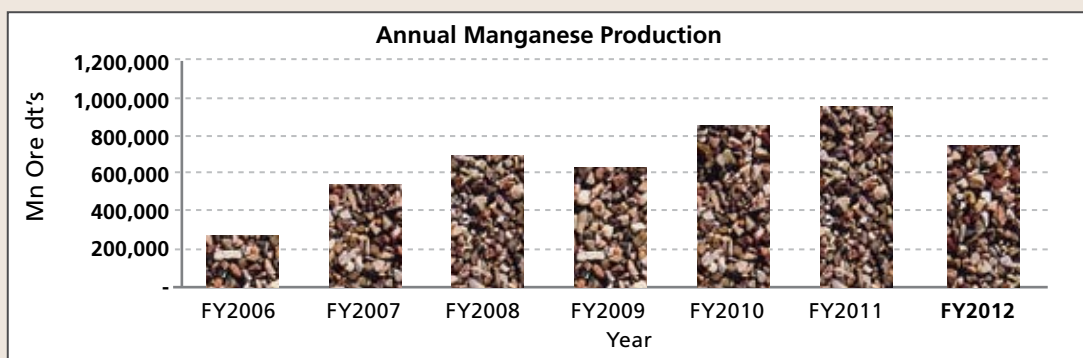
		Years ended 31 December			
		Unit	2012	2011	2010
Mining					
Total Material Mined	bcms	3,260,984	9,677,073	11,645,873	11,389,400
Ore Mined - tonnes	dt's	1,435,874	1,669,757	2,080,168	1,824,489
Ore Mined - Mn grade	%	23.03	22.49	22.48	23.08
Production					
Lump - tonnes	dt's	485,585	595,543	537,759	502,002
Lump - Mn grade	%	36.14	36.31	36.33	38.03
Fines - tonnes	dt's	181,699	173,935	155,817	128,740
Fines - Mn grade	%	37.78	38.03	38.76	42.32
SPP Fines - tonnes	dt's	70,481	132,604	137,785	17,398
SPP Fines - Mn grade	%	36.23	36.74	36.05	36.86
Total Production - Tonnes	dt's	737,766	902,082	831,361	648,140
Total Production - Mn Grade	%	36.55	36.70	36.74	38.85
Sales					
Lump - tonnes	dt's	507,941	663,186	521,374	598,271
Lump - Mn grade	%	36.23	36.19	37.09	39.15
Fines - tonnes	dt's	211,936	253,588	75,513	148,792
Fines - Mn grade	%	38.02	38.37	39.99	42.68
SPP Fines - tonnes	dt's	54,011	44,696	146,590	-
SPP Fines - Mn grade	%	36.56	37.00	37.15	-
Total Sales - Tonnes	dt's	773,888	961,470	743,477	747,063
Total Sales - Mn Grade	%	36.74	36.80	37.40	39.85

## Operations

OMM achieved production of 737,766 tonnes at an average grade of 36.55% Mn for the year ended 31 December 2012 in line with the mine's operating strategy for 2012 which centred around a low-cost, low strip ratio, single mining fleet operations focused on accessing previously pre-stripped high grade ore deposits.

## Mining

Mining activities during 2012 focused on the Tourag and Masai deposits with a total of 3.26 million BCMs moved for the year. The reduction in mining volume in 2012 was in line with the mine's operating strategy for 2012 which centred around a low-cost, low strip ratio, single mining fleet operations.





# Mining Operations Review

Remediation works associated with the Masai sacred site were completed early in the March 2012 Quarter following extensive consultation and liaison with the Northern Land Council, the Aboriginal Areas Protection Authority, Native Title Parties and the Northern Territory Department of Resources. Since the completion of remediation works, OMM has not re-entered the restricted work areas associated with the Masai sacred site to conduct mining activities.

During the second half of 2012, OMM successfully transitioned to an Owner Miner and saw both the incumbent mining contractor and an interim mining contractor demobilised from site late in the September 2012 Quarter. The transition was well planned and executed and the bulk of the mining fleet together with operating, maintenance and technical personnel were commissioned and on site during the December quarter.

The total cost of the Owner Miner fleet including mobilisation costs, critical spares and commissioning costs is estimated to be approximately A\$12 million. The Owner Miner mining fleet is expected to not only

see a significant reduction in the unit mining cost at the Bootu Creek Mine but it will also allow additional operational production flexibility to ramp up mining activities in line with global manganese market conditions.

## Processing

OMM produced 737,766 tonnes grading 36.55% Mn for the year ended 31 December 2012.

Production in the March 2012 Quarter was a record first quarter result of 223,169 tonnes.

During the September and December quarters, OMM operated under a planned low-grade ore feed strategy as the concurrent mobilisation of a new interim mining contractor in replacement of the incumbent mining contractor and OMM's Miner fleet was expected to cause temporary mine schedule adjustments with shared facilities being rearranged for use by the various mining operators during this period.

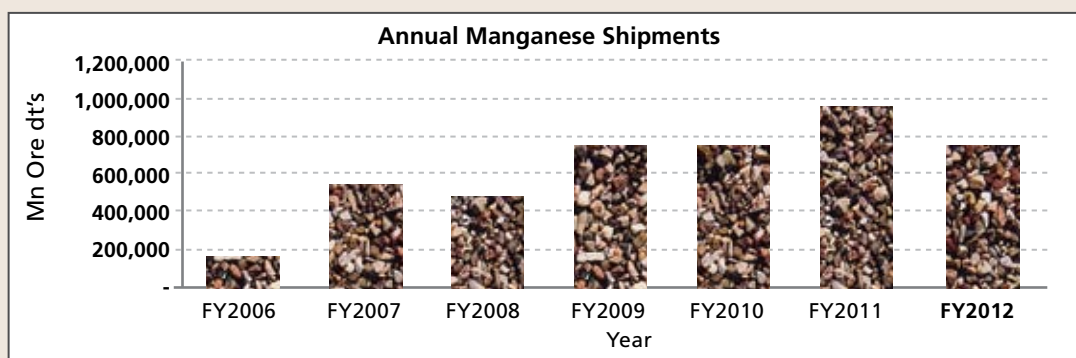
The low-grade ore feed strategy was comprised of a part low-grade and part high-grade ore feed strategy.

Improved plant availability rates allowed for extended periods of plant uptime and operating efficiencies which translated to record monthly scrubber feed rates during the period. Lower production during the June and September quarters resulted from expected lower plant yields from the low-grade feed strategy and steadily improved during the December quarter as a higher proportion of high-grade ore was fed into the plant.

## Logistics and Sales

Rail logistics operations were adversely affected during the first quarter of 2012 due to a Genesee & Wyoming Australia Pty Ltd ("GWA") freight train derailment that occurred on the Edith River Bridge north of Katherine on 27th December 2011 due to adverse wet conditions caused by Cyclone Grant. The freight train was not carrying any of the Company's manganese products from its Bootu Creek Mine at the time of the derailment.

Rail and shipping activities were impacted by the train derailment with only two vessels sailed for the March 2012 Quarter. Rail services continued on reduced axle load restrictions for



## Mining Operations Review

the majority of the year until bridge modifications in August 2012 at which time axle load restrictions were lifted.

Following the resumption of normal rail services, OMM was able to achieve record rail activities for the remainder of the year resulting in an all-time record quarterly shipments of 312,779 wet tonnes (300,780 dry tonnes) achieved for the December 2012 Quarter.

During the 2012 financial year a total of 805,915 wet tonnes (773,888 dry tonnes) was exported through the Port of Darwin.

### Bootu Creek Mineral Resource, Ore Reserve and Exploration Update

The 2012 Bootu Creek exploration program focused on identifying new manganese prospects on Exploration Licences located adjacent to the Bootu Creek mine site, including the Renner Springs and Helen Springs Project areas. The programs were intended to follow up drill testing of IP anomalies identified in 2011 and on additional IP surveys conducted in 2012 at Renner Springs and Looa Bore (north of Bootu Creek mine).

### 31 December 2012 – Mineral Resource

The total Mineral Resource as at 31 December 2012 was 29.5 million tonnes at an average manganese grade of 22.2%, a decrease of 2.8 million tonnes when compared to 31 December 2011. This is a net reduction of 0.4 million tonnes after allowing for the 2.4 million tonnes of ore processed through the Bootu Creek processing plant during 2012.

Significant components contributing to the reduced 31 December 2012 Mineral Resource, other than ores processed during 2012, included

Table 2. Bootu Creek Manganese Mine - Comparison of Mineral Resource and Ore Reserve positions at 31 December 2012 with 31 December 2011

	31 December 2012		31 December 2011		Change
	M	%	M	%	M
	Tonnes	Mn	Tonnes	Mn	Tonnes
Mineral Resource	29.5	22.2	32.3	22.3	-2.8
Ore Reserve	15.7	20.6	17.4	20.7	-1.7

Table 3. Bootu Creek: Mineral Resource Estimate as at 31 December 2012

At 15% Mn cutoff	Measured		Indicated		Inferred		Combined*	
	Mt	%Mn	Mt	%Mn	Mt	%Mn	Mt	%Mn
Deposit:								
Chugg-Gogo	1.9	23.3	5.5	22.6	0.3	24.2	7.6	22.9
Foldnose			0.6	21.1			0.6	21.1
Masai	1.2	22.8	3.2	21.5			4.4	21.9
Shekuma	0.6	25.4	2.9	25.0	0.0	22.3	3.6	25.0
Tourag	0.9	23.5	1.6	21.9			2.5	22.5
Yaka			4.1	22.1			4.1	22.1
Zulu			2.2	21.4	0.4	19.6	2.5	21.1
Zulu South			0.7	20.0			0.7	20.0
Renner West					0.3	22.4	0.3	22.4
<b>Insitu Resource*</b>	<b>4.6</b>	<b>23.5</b>	<b>20.7</b>	<b>22.4</b>	<b>0.9</b>	<b>21.8</b>	<b>26.3</b>	<b>22.6</b>
ROM Stocks	0.9	16.4					0.9	16.4
SPP Stocks	2.4	19.9					2.4	19.9
<b>Total Resource*</b>	<b>7.9</b>	<b>21.6</b>	<b>20.7</b>	<b>22.4</b>	<b>0.9</b>	<b>21.8</b>	<b>29.5</b>	<b>22.2</b>

\* Rounding gives rise to unit discrepancies in this table



## Mining Operations Review

reductions in the long-term FOB Darwin Price to AUD8.50/dmtu from AUD9.00/dmtu previously due to the higher Australian dollar foreign exchange rates and reductions in manganese plant recovery factors.

Gogo, Chugga South and Chugga North sharing the same ore structure were combined into a single "Chugga-Gogo" deposit model for the 31 December 2012 Mineral Resource to assist with pit optimisation and life of mine planning. Incremental resource model extensions were added to the northwest of Foldnose and north of Chugga-Gogo by 2012 resource delineation drilling.

The Mineral Resource estimate was calculated using a nominal cut-off grade of 15% Mn. Tonnes are rounded to the nearest 100,000 and Mn % grade rounded to one decimal place.

Figure 4. Location of Bootu Creek Mineral Resources as at December 2012

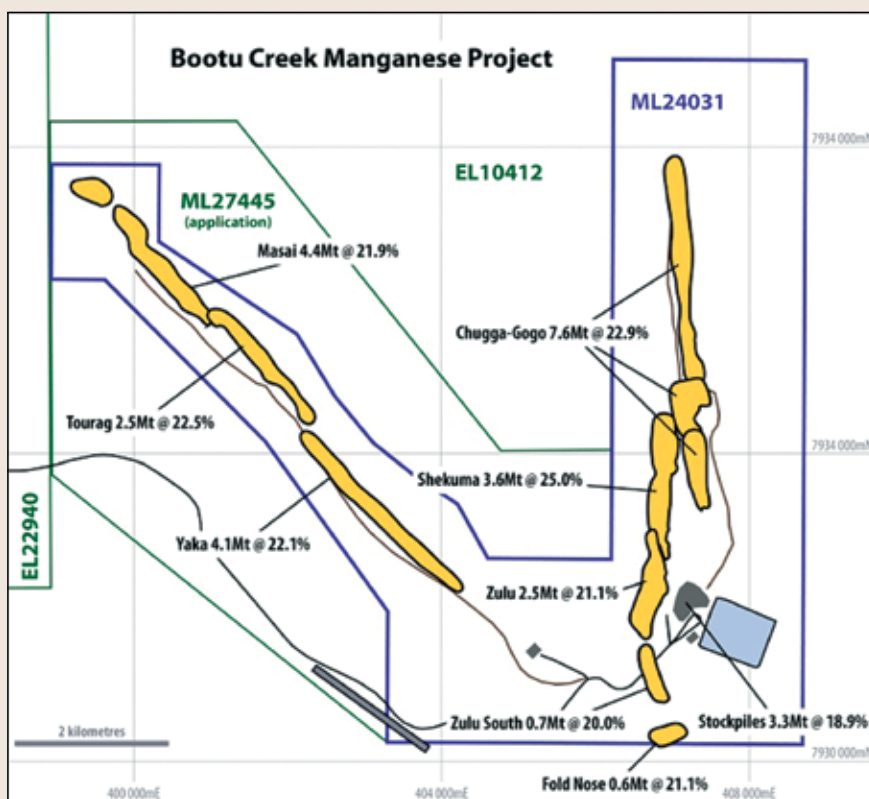


Table 4. Bootu Creek: Ore Reserve Summary as at 31 December 2012

At 15% Mn cutoff	Proved		Probable		Combined*	
Deposit:	Mt	%Mn	Mt	%Mn	Mt	%Mn
Chugga-Gogo	1.5	21.3	2.2	20.9	3.7	21.1
Masai	1.2	20.6	1.0	19.2	2.2	20.0
Shekuma	0.6	22.8	1.6	23.0	2.2	23.0
Tourag	0.6	21.2	0.6	21.1	1.2	21.2
Yaka			1.8	20.7	1.8	20.7
Zulu			1.3	19.7	1.3	19.7
<b>Insitu Resource*</b>	<b>4.0</b>	<b>21.3</b>	<b>8.4</b>	<b>20.9</b>	<b>12.4</b>	<b>21.0</b>
ROM Stocks	0.9	16.4			0.9	16.4
SPP Stocks	2.4	19.9			2.4	19.9
<b>Total Resource*</b>	<b>7.2</b>	<b>20.2</b>	<b>8.4</b>	<b>20.9</b>	<b>15.7</b>	<b>20.6</b>

\* Rounding gives rise to unit discrepancies in this table

Measured Resources were restricted to a maximum 15 metres vertical extent beneath the current pit floors and Indicated Mineral Resource were based on a maximum 50 metre spaced drill sections.

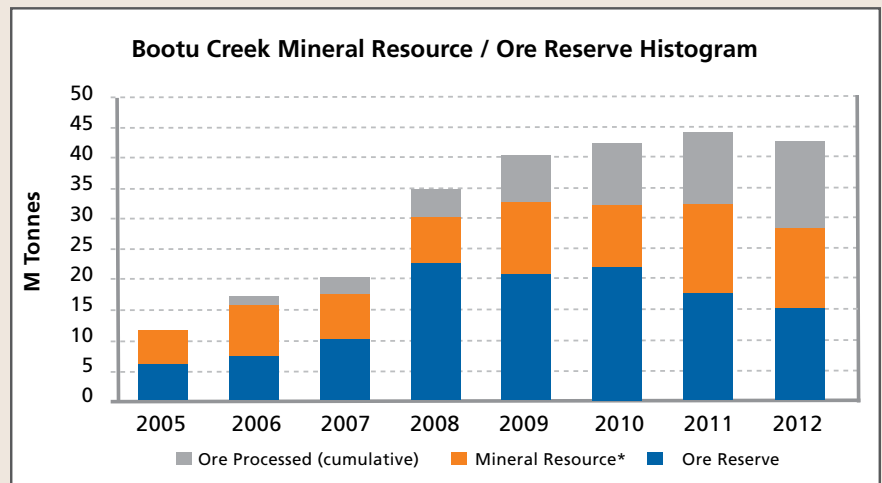
## 31 December 2012 – Ore Reserve

The 31 December 2012 Ore Reserve was 15.7 million tonnes at an average manganese grade of 20.6%, a decrease of 1.7 million tonnes when compared to the 31 December 2011 estimate. This is a net increase of 0.7 million tonnes after allowing for the 2.4 million tonnes of ore processed through the Bootu Creek plant in 2012.

The net increase in Ore Reserves, after allowing for ore processed during 2012, resulted from minor resource model extension, model reinterpretation of Chugga-Gogo and the positive influence of reduced unit mining rates from the transition to Owner Miner and plant operating costs outweighing the negative impacts arising from reduced manganese plant recovery and increased unit logistic costs.

Ore Reserve pit shells were optimised by applying 'Whittle' to Measured and Indicated Mineral Resources based on revised mining, processing and logistic costs, and on updated processing parameters. The discounted FOB Darwin sales price (less royalty) of AUD5.17/dmtu remains unchanged from the previous year.

Table 5. Histogram of Mineral Resource and Ore Reserve growth and consumption since commencement of mine production in 2005



\* Mineral Resource is inclusive of Ore Reserve

## 2012 Exploration Program

Approximately AUD1.6 million was expended on exploration activities in the Bootu Creek and Renner Springs Project areas during 2012. Gradient Array IP surveys were conducted at Shekuma North, Chugga North Extended and Looa Bore in the Bootu Creek Project area (ML24031, EL28662) and at Renner North prospect in the Renner Springs Project area (EL28041).

RC drilling in 2012 included 139 holes (8,229m) drilled at Bootu Creek (ML24031, EL28662), 55 holes (2,202m) drilled at Renner Springs (EL28041, EL28604) and 18 holes (630m) drilled at Helen Springs (EL28843). RC drilling at Bootu Creek and Renner Springs Project areas included infill and mineral resource extension drilling at Chugga North, Foldnose and

Renner West deposits. Reconnaissance exploration RC drilling was conducted at Masai NW, Yaka SE, Renner South, Renner Central and Helen Springs Prospects.

## 2013 Exploration Program

Exploration programs planned for 2013 are intended to focus on identifying new manganese prospects on Exploration Licences located adjacent to the Bootu Creek mine site, including the Renner Springs and Helen Springs Project areas. The programs will include follow up drill testing of IP anomalies identified in 2011 and 2012 ground surveys.

RC drill delineation will proceed where significant manganese mineralisation is identified, and/or on incremental extensions of Bootu Creek deposits that remain open down dip or along strike.



# Mining Operations Review

## \*Mineral Resource Estimation Details

Revised 31 December 2012 mineral resource models for Foldnose, Chugga North (now part of Chugga-Gogo) and Renner West were based on new/ additional RC drilling interpreted by OMM and estimated by resource consultants Optiro Pty Ltd ("Optiro"). Chugga North, Chugga South and Gogo were combined and interpreted as a single deposit model (Chugga-Gogo) by OMM with the revised resource model estimated by Optiro. Masai was re-interpreted by OMM to model faulting observed in Masai 3 pit and depleted for ore mined in 2012 prior to resource re-estimation by Optiro. Tourag deposits had no new drilling and the 31 December 2011 mineral resource model estimated previously by Optiro was depleted for ore mined in 2012. Yaka, Zulu and Zulu South had no new drilling or mining activity during 2012 and Optiro resource models remained unchanged.

Grades were estimated using Ordinary Kriging (by Optiro) with searches aligned parallel to the strike and dip of the manganese mineralisation. Bulk density was calculated by OMM on an individual deposit regression based on diamond drill core measurements.

OMM further constrained the 8 Optiro resource models listed above by intersecting them with 'Whittle' optimised pit shells based on revised mining, processing and logistic costs, processing parameters and revenue assumptions to produce the 31 December 2012 Bootu Creek Mineral Resource disclosed in Table 5.

Location, quality and distribution of the current data were sufficient to allow the classification of Measured, Indicated and Inferred Mineral Resources. Search distances were consistent with current and previous work by resource consultants to OMM.

## Promet Litigation

During the year, the Supreme Court of Western Australia ruled in favour of OMM in its action against the process plant design engineers for the Bootu Creek Mine, and OMM was entitled to damages of A\$5,730,875.59. OMM was ordered to pay Lonsdale Investments Pty Ltd ("Lonsdale") an amount of A\$1,999.02 in respect to alleged claim of A\$533,000.

During the second half of the year, hearings were held in the Supreme Court of Western Australia in respect to the legal costs of the action, and the quantum of interest payable to

OMM on the damages it has been awarded. Orders were subsequently made regarding the legal costs of the action and OMM has been awarded 75% of its costs subject to certain conditions. Of this 75%, the Promet Parties are jointly and severally liable for 15% and Lonsdale is liable for the remaining 60% of the costs awarded to OMM.

Orders also contain a costs uplift which recognises the substantial nature of the proceedings and may increase overall recovery if the matter proceeds to taxation.

A substantial portion of the total judgment (A\$7,186,317.61) was paid during the year such that there is now only approximately A\$470,000.00 outstanding (with interest currently accruing) as against one of the Promet Parties, Lonsdale. OMM has issued a statutory demand to Lonsdale in respect of this unpaid amount.

The Promet Parties have appealed the judgment and OMM is presently considering its position with respect to that appeal and other related matters. OMM and the Promet Parties are scheduled to finalise their respective appeal papers in the second quarter of 2013 and it is not expected that the appeal will be heard before late 2013.

*\*The information in this report which relates to Reporting of Exploration Results, Mineral Resources and Ore Reserves estimation is based on information compiled and checked by Mr Craig Reddell a full time employee of OM (Manganese) Ltd and a Member of the Australasian Institute of Mining and Metallurgy, and modelled by Mr Mark Drabble of Optiro Pty Ltd and Mr Paul O'Callaghan of DumpSolver Pty Ltd, both Members of the Australasian Institute of Mining and Metallurgy. Mr Reddell, Mr Drabble and Mr O'Callaghan have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves". Mr Reddell, Mr Drabble and Mr O'Callaghan consent to the reporting of this information in the form and context in which it appears.*



## Highlights

- Record annual production of 80,801 tonnes of HCFeMn, representing a 9% increase over the previous year
- Furnaces 101 and 102 registered the longest ever continuous production days of 718 and 745 respectively
- Annual production of 230,524 tonnes of manganese sinter ore
- Record annual sales of HCFeMn and manganese sinter ores of 76,427 tonnes and 168,337 tonnes respectively

## Overview and Update in 2012

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

Qinzhou is located in a pivotal region for ferroalloy production and ore distribution throughout the Chinese market. The OMQ plant is adjacent to a port operation, and has excellent transport logistics and access to power at competitive rates. The plant has a nameplate capacity of 60,000 tonnes per annum of alloys, but has consistently exceeded this nameplate capacity since 2011. The manganese sinter plant is regarded as one the largest in China and is designed to produce 300,000 tonnes of sintered ores annually.

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

The sinter plant was commissioned in March 2010. As part of the Company's effort to be environmentally responsible, the plant is fully automated and technologically equipped to recycle the carbon monoxide gases emitted from the smelter furnaces.

Table 1. Production

	Unit	Year ended 31 December			
		2012	2011	2010	2009
HCFeMn	tonnes	80,801	73,838	36,732	32,679
Sinter ore	tonnes	230,524	255,655	103,650	NA



# Marketing and Trading Operations Review

## Marketing and Trading Highlights

- 1,592,568 tonnes of Bootu Creek and third party ore products transacted in 2012
- 119,584 tonnes of equity and third party alloy products transacted in 2012

### Overview and Update

The Group has over the years developed a successful and profitable carbon and stainless steel raw materials trading business which focuses on manganese ore and alloys, iron ore and chrome ore and alloys.

The Group's trading volume represents a significant market share of China's total seaborne trade. The marketing and trading division is run by a highly skilled and experienced team of marketing professionals located in Singapore (OMS), Shanghai (OMA) and Qinzhou (OMQT) in China.

OMS looks after the marketing and sales of equity manganese ore products from Bootu Creek Mine, procurement of manganese ore for consumption by OMQ and trading of third party products purchased from outside the Group. In China, OMS is supported

by its Chinese regional marketing hubs in Qinzhou and Shanghai, which focus on sales and distribution in the southern and northern China regions, respectively.

The Group's competitive edge lies in its commercial and technical marketing capabilities in China. The Chinese manganese ore and sinter sales strategy works around identifying reliable long term end-users who are able to extract maximum technical and commercial value from Bootu Creek Mine's high siliceous manganese ore and OMQ's high grade sinter products.

This strategy is complemented by a unique infrastructure of Renminbi denominated sales from strategically located domestic stockpiles.

Furthermore, product knowledge and technical expertise are supported

by the Group's own smelting and sintering capabilities at OMQ.

The Group's historical focus on chrome and chrome smelting allows it to capitalize on an established network of reliable chrome ore end-users. To date, the Group maintains a small share of Chinese high grade seaborne chrome ore imports.

The Group markets iron ore in China under an exclusive marketing agency agreement with Northern Iron Limited (NFE). NFE's iron ore concentrate is known for its technical advantages given high iron and overall low gangue.

During late 2012, the Group has commenced the marketing of production from the newly developed Tshipi Mine to the Chinese and Global Manganese market.





## Construction and Development Review OM Materials (Sarawak) Sdn Bhd ("OM Sarawak")



### 2012 Highlights

- Completion of earthworks with handover certificate issued site ready for civil and structural contractor mobilisation in Q1 2013
- Commencement of construction of 275kv power substation
- Appointment of Sinohydro Corporation Limited and Sinohydro Corporation (M) Sdn Bhd (collectively "Sinohydro") as lump-sum turn-key EPC contractor, and Sinosteel Jilin Electro-Mechanical Equipment Co. Ltd ("Sinosteel Jilin") as a nominated sub-contractor with the execution of a binding Term Sheet and Letter for Award
- Off-take in excess of 60% for Phase 1 ferrosilicon production from key international players secured
- Funding commitments from a syndicate of leading international and regional lenders for approximately USD215 million and MYR436 million secured with the Facilities Agreement duly executed in Q1 2013

### Overview and Update in 2012

OM Materials (Sarawak) Sdn Bhd ("OM Sarawak") is an 80:20 joint venture between OMH and Cahya Mata Sarawak Berhad ("CMSB"), and is the owner of the Ferro Alloy Smelting Project in Sarawak, Malaysia (the "Project"). Based on its unique combination of competitive advantages, OM Sarawak aims to be a low cost ferroalloy producer, with

a cost of production placing it at the lower end of the global industry cost curve of ferroalloy producers.

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

The Project's unique competitive advantages include, but are not limited to, access to competitively priced long term hydroelectric power supply (from the Bakun Hydroelectric Dam), coastal industrial land with direct access to a dedicated future port facility, geographical proximity to both raw materials and Asian steel mills, tax incentives, no import and/or export duties as well as comprehensive purpose built industrial infrastructure.



# Construction and Development Review

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

The Project encompasses two distinct phases.

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

### Phase 1 (confirmed)

- Ferrosilicon smelter and associated facilities, with capacity to produce 308,000 tonnes per annum of ferrosilicon alloys.

### Phase 2 expansion (in planning)

- 265,000 tonnes per annum of manganese ferroalloys ; and
- 300,000 tonnes per annum of sintered manganese ore

## Plant Construction and Development

OM Sarawak has appointed Sinohydro Corporation Limited and Sinohydro Corporation (M) Sdn Bhd (collectively “Sinohydro”) as its lump-sum turn-key Engineering, Procurement and Construction (“EPC”) contractor, and Sinosteel Jilin Electro-Mechanical Equipment Co. Ltd (“Sinosteel Jilin”)

as a nominated sub-contractor for the construction and commissioning of the Project.

The EPC contract with Sinohydro executed in April 2013 will allow the Company to leverage Sinohydro’s significant large-scale project management experience, including its longstanding and proven EPC experience throughout Malaysia, including in Sarawak. The Company will also draw upon Sinosteel Jilin’s specialist equipment and control system experience and capability.

Phase 1 progress is advancing well with 100% of earthwork completed and the certificate of practical completion issued in January 2013. The entire Project site has been handed over to Sinohydro. The construction commencement order has been issued in Q1 2013. The 275kv substation remains on track for commissioning by Q4 2013.

To-date, OM Sarawak has signed off-take agreements with JFE Shoji Trade Corporation, Hanwa Co., Ltd and Fesil Sales AG, collectively exceeding 60% of the Project’s expected Phase 1 production capacity. Notwithstanding this, the Project continues to receive strong interest for its product, which the company is evaluating and actively

managing with a view to position itself to achieve optimum market and customer coverage. The strategic intent is to maintain a mix of long- and short-term off-take arrangements to optimize returns and flexibility, and it is envisaged that further contracts will be entered into as the Project nears commercial operation.

The funding commitments were received from a syndicate of leading local and international lenders, namely the Export-Import Bank of Malaysia Berhad, Maybank Investment Bank Berhad, RHB Bank Berhad and Standard Chartered Bank Malaysia Berhad in December 2012. The project financing is comprised of limited recourse senior project finance debt facilities totalling USD215 million and MYR310 million for the total capital cost of the Project’s Phase 1 ferrosilicon production facility, and another MYR126 million credit line for the purpose of the issuance of performance and payment guarantees to the power provider, Syarikat SESCO Berhad, as part of OM Sarawak’s obligations under the Power Purchase Agreement.

The Facilities Agreement in respect of the project finance facility was successfully executed in March 2013, and together with the committed equity from OM Sarawak’s shareholders, Phase 1 of the Project is now fully funded.



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



## 2012 Highlights

- Tshipi accessed the first ore in October 2012 approximately eleven months after commencing the required 70 metre pre-strip
- Tshipi loaded its first train in November 2012, with product being offloaded at the bulk manganese terminal at Port Elizabeth
- The first shipment of manganese from the Tshipi Borwa Mine was sold and shipped from Port Elizabeth in December 2012
- A temporary crushing and screening plant was commissioned and is being used to produce saleable product
- Construction of the rail siding was completed
- Construction of the permanent processing plant and supporting infrastructure advanced with the rapid load out station nearing completion

## Tshipi Ownership Structure

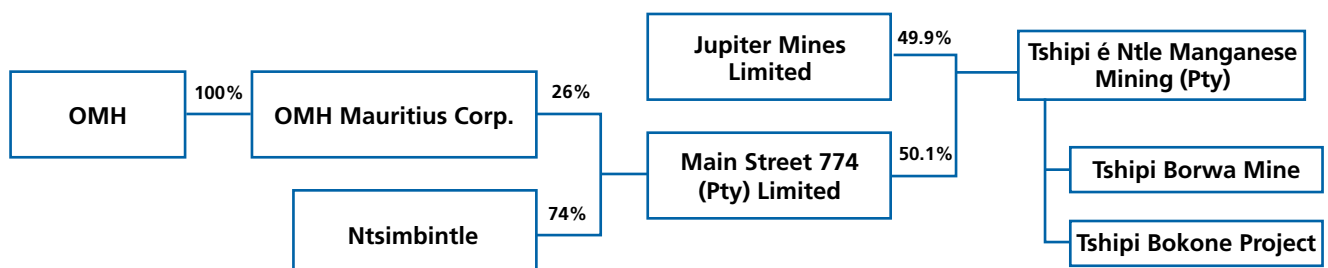
OMH has an effective 13% interest in Tshipi through its 26% strategic partnership with Ntsimbintle Mining (Proprietary) Limited, the majority 50.1% owner of Tshipi. The remaining 49.9% share is owned by Jupiter Mines Limited.

## Overview

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

Tshipi's flagship project is Tshipi Borwa, a new open pit manganese mine which commenced production in the December quarter of 2012. The second project, Tshipi Bokone, is a manganese exploration prospect located in the northern portion of the Kalahari Manganese Field.

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





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

Tshipi Borwa ore commences at a depth of 70m below the surface and the ore is contained within a 30m to 45m thick mineralised zone which occurs along the entire Borwa Property. The ore layer dips gradually to the north-west at approximately 5 degrees.

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

Mining of Tshipi Borwa is a relatively simple truck and shovel open cast operation. Once exposed the



*Tshipi Project Locations*



manganese ore is drilled, blasted and loaded onto a truck and hauled to the main ROM stockpile.

The ROM stockpile will feed the processing plant which is designed to treat 2.4 million tonnes per annum of manganese ore and is currently being constructed. Ore will initially feed a primary crusher followed by secondary crushing and wet screening processes to produce final products of manganese fines and lumpy ores.

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

Inland transportation of manganese products from the mine site is currently being carried out by rail but may eventually be carried out by a combination of rail and road trucks.

## Operations

### *Tshipi Borwa*

Significant milestones were achieved at Tshipi Borwa with the commencement of manganese ore production and shipping.

Tshipi accessed the first ore on 10 October 2012 approximately eleven months after commencing the required 70 metre pre-strip. A temporary crushing and screening plant is in operation to produce saleable product whilst construction of the permanent plant is being completed. The mine is presently mining and crushing sufficient mined ore to maintain a regular railing schedule.

Tshipi loaded its first train on 18 November 2012, with product being offloaded at the bulk manganese terminal at Port Elizabeth.

The first shipment of manganese from the Tshipi Borwa Mine was shipped from Port Elizabeth on 19 December 2012. This is a significant milestone and marks the company's move into operations and sustained cash flow generation.

Site construction on the 2.4 million tonnes per annum processing plant and support facilities continued throughout the year. The railway siding was completed and is fully operational while construction of the rapid load out station is nearing completion.

Having achieved its production commencement target, Tshipi's focus for 2013 is to complete the remaining construction activities. Tshipi formally signed a Transnet rail and port contract during the March 2013 Quarter. The contract makes available two trains per week, along with a 50,000 tonnes storage capacity at Port Elizabeth. One additional train per week will be provided at Transnet's discretion. These arrangements align with Tshipi's ramp-up plans for 2013.

The capital budget for the construction of the Tshipi Borwa Mine was reassessed during the March 2013 Quarter, as a result of a delay in the expected completion of the project's permanent processing plant until the end of 2013. The project capital estimate for completion has been increased by ZAR160 million (approximately US\$18 million) from the original ZAR1,716 million.

# Directors' Report

for the financial year ended 31 December 2012

The Directors submit to the members the audited consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2012.

## Names of Directors

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

Low Ngee Tong (Executive Chairman)  
 Peter Ivan Toth (Chief Executive Officer)  
 Zainul Abidin Rasheed (Independent Deputy Chairman)  
 Julie Anne Wolseley (Non-Executive Director and Joint Company Secretary)  
 Tan Peng Chin (Independent Non-Executive Director)  
 Thomas Teo Liang Huat (Independent Non-Executive Director)  
 Peter Church OAM (Independent Non-Executive Director)  
 Wong Yu Loon (Non-Executive Director) (Appointed on 07 August 2012)

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

## Arrangements to enable Directors to acquire shares or debentures

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

## Directors' interests in shares

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

	Holdings registered in the name of Director or nominee		Holdings in which Director is deemed to have an interest	
	As at 1.1.2012	As at 31.12.2012	As at 1.1.2012	As at 31.12.2012
<u>The Company</u>	<u>Number of ordinary shares fully paid</u>			
Low Ngee Tong	15,250,000	<b>19,825,000</b>	36,395,000	<sup>(1)</sup> <b>47,313,500</b>
Peter Ivan Toth	4,000,000	<sup>(2)</sup> <b>4,000,000</b>	—	—
Julie Anne Wolseley	5,562,002	<b>5,562,002</b>	—	—
Tan Peng Chin	1,200,000	<sup>(3)</sup> <b>1,660,000</b>	—	—

Note:

- (1) These shares are held directly by a company named Ramley International Limited which is wholly owned by Mr Low Ngee Tong.  
 (2) These shares are held by National Nominees Limited on behalf of Mr Peter Ivan Toth.  
 (3) 360,000 shares are held by UOB Kay Hian Private Limited on behalf of Mr Tan Peng Chin.
- (ii) A Director holding office at the end of the financial year held interests in options to subscribe for ordinary shares of the Company granted pursuant to prior shareholder approval as set out below and disclosed in Note 30 to the financial statements.

	As at 1.1.2012	As at 31.12.2012
<u>The Company</u>	<u>Number of unissued ordinary shares under option</u>	
OM Holdings Limited		
Peter Ivan Toth	12,000,000	<b>8,000,000</b>



# Directors' Report

for the financial year ended 31 December 2012

## Directors' benefits

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

## Unissued Shares under Option

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

OM Holdings Limited Unlisted Options (in '000)							
Date options granted	Balance at 1.1.2012	Lapsed/ expired during the year	Exercised during the year	Balance at 31.12.2012	A\$Exercise price per option	No. of options holders at 31.12.2012	Period exercisable
17.10.2008	4,000	(4,000)	–	–	1.64	–	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	2,000	(2,000)	–	–	2.49	–	01.01.2010 - 01.01.2012
17.10.2008	2,000	–	–	2,000 <sup>(a)</sup>	2.49	1	01.01.2011 - 01.01.2013
17.10.2008	2,000	(2,000)	–	–	2.49	–	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	3,000	(3,000)	–	–	2.49	–	01.01.2011 - 01.01.2012
17.10.2008	3,000	–	–	3,000 <sup>(a)</sup>	2.49	15	01.01.2011 - 01.01.2013
	26,000	(11,000)	–	15,000			

(a) Subsequent to 31 December 2012, 5,000,000 unlisted options expired on 1 January 2013.

There were no unissued shares of subsidiaries under option at 31 December 2012.

## Audit Committee

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

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

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

- overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit; and
- the half-yearly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2012 as well as the auditor's report thereon.

**Audit Committee (cont'd)**

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

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

**Independent auditor**

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

On behalf of the Directors



LOW NGEE TONG



PETER IVAN TOTH

Dated: 18 March 2013



## Statement by Directors

for the financial year ended 31 December 2012

In the opinion of the Directors, the accompanying statements of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the results of the business, changes in equity and cash flows of the Group for the financial year ended on that date, and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors



LOW NGEE TONG



PETER IVAN TOTH

Dated: 18 March 2013

# Independent Auditor's Report

to the member of OM Holdings Limited

## Report on the financial statements

We have audited the accompanying financial statements of OM Holdings Limited ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

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

### Auditor's responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012, and the results, changes in equity and cash flows of the Group for the financial year ended on that date in accordance with International Financial Reporting Standards.



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

Singapore, 18 March 2013



# Statement of Financial Position

as at 31 December 2012

		The Company			The Group		
			(Restated)	(Restated)		(Restated)	(Restated)
		31	31	1 January	31	31	1 January
		December	December	2011	December	December	2011
		2012	2011	2011	2012	2011	2011
		A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Assets	资产	Notes					
<b>Non-Current</b>	<b>非流动资产</b>						
Property, plant and equipment	地产, 工厂及设备	4	–	–	–	129,975	103,138
Land use rights	土地使用权	5	–	–	–	35,771	21,695
Exploration and evaluation costs	开发成本	6	–	–	–	819	–
Mine development costs	矿山发展成本	7	–	–	–	18,829	19,030
Goodwill	商誉	8	–	–	–	2,065	2,065
Available-for-sale financial assets	可出售金融资产	9	–	–	96,448	–	96,448
Deferred tax assets	递延所得税资产	10	–	–	–	21,312	9,714
Interests in subsidiaries	子公司的权益	11	138,343	129,559	120,169	–	–
Interests in associates	於联营公司之投资	12	–	–	–	91,600	79,661
			138,343	129,559	216,617	300,371	235,303
							276,929
<b>Current</b>	<b>流动资产</b>						
Inventories	库存	13	–	–	–	119,342	158,106
Derivative financial assets	衍生金融资产	14	20	20	367	20	367
Trade and other receivables	贸易与其它应收帐款	15	138,691	88,540	74,378	87,852	85,217
Prepayments	预付款		22	23	46	1,136	27
Available-for-sale financial assets	可出售金融资产	9	28,884	38,571	–	28,884	38,571
Income tax recoverable	可收回税项		–	–	–	–	4,503
Cash collateral	当抵押品的银行结存	16	–	–	–	14,962	14,269
Cash and bank balances	现金及银行结存	16	3,711	89	5,311	73,890	17,611
			171,328	127,243	80,102	326,086	318,324
							232,397
<b>Total assets</b>	<b>总资产</b>		<b>309,671</b>	<b>256,802</b>	<b>296,719</b>	<b>626,457</b>	<b>553,627</b>
							<b>509,326</b>
<b>Equity</b>	<b>权益</b>						
<b>Capital and Reserves</b>	<b>股票资本及储备金</b>						
Share capital	股票资本	17	33,671	25,205	25,155	33,671	25,205
Treasury shares	库存股	18	(2,330)	(2,330)	(2,330)	(2,330)	(2,330)
Reserves	储备金	19	222,244	166,628	225,168	273,272	229,904
			253,585	189,503	247,993	304,613	252,779
<b>Non-controlling interests</b>	<b>少数股东权益</b>		–	–	–	17,757	5,194
<b>Total equity</b>	<b>总权益</b>		<b>253,585</b>	<b>189,503</b>	<b>247,993</b>	<b>322,370</b>	<b>257,973</b>
							<b>325,903</b>
<b>Liabilities</b>	<b>负债</b>						
<b>Non-Current</b>	<b>非流动负债</b>						
Borrowings	借贷	21	17,734	–	–	74,058	61,318
Lease obligation	租赁义务	20	–	–	–	9,007	–
Provisions	准备金	22	–	–	–	5,358	4,871
Deferred tax liabilities	递延所得税负债	10	–	–	–	244	–
			17,734	–	–	88,667	66,189
							47,943
<b>Current</b>	<b>流动负债</b>						
Trade and other payables	贸易与其它应付帐款	23	31,217	63,755	46,121	90,296	116,706
Derivative financial liabilities	衍生金融负债	14	2,713	–	–	2,713	8
Borrowings	短期借贷	21	–	–	–	105,102	106,189
Income tax payables	应付税项		4,422	3,544	2,605	17,309	6,562
			38,352	67,299	48,726	215,420	229,465
							135,480
<b>Total equity and liabilities</b>	<b>总权益及负债</b>		<b>309,671</b>	<b>256,802</b>	<b>296,719</b>	<b>626,457</b>	<b>553,627</b>
							<b>509,326</b>

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

# Consolidated Statement of Comprehensive Income

for the financial year ended 31 December 2012

			Year ended 31 December 2012	(Restated) Year ended 31 December 2011
		Notes	A\$'000	A\$'000
Revenue	销售总额	3	408,229	389,737
Cost of sales	销售成本		(357,659)	(330,107)
Gross profit	毛盈利		50,570	59,630
Other income	其它收入	24	9,470	1,928
Distribution costs	分销开支		(24,299)	(44,890)
Administrative expenses	行政开支		(9,533)	(14,083)
Other operating expenses	其它营运开支		(73,352)	(25,930)
Finance costs	财务费用		(6,263)	(5,721)
Share of results of associates	应佔联营公司亏损－净额		(48)	(33)
Loss before income tax	除税前亏损	25	(53,455)	(29,099)
Income tax (expense)/benefit	所得税	26	(7,405)	17,366
<b>Loss for the year</b>	<b>本年度亏损</b>		<b>(60,860)</b>	<b>(11,733)</b>
<b>Other comprehensive income, net of tax:</b>	<b>其它全面收入，扣除税项：</b>			
Fair value changes on available-for-sale financial assets	资产工具之公允价值变动转入损益		45,407	(58,987)
Exchange differences on translation of financial statements of foreign operations	折算海外业务之汇兑差额		1,605	705
<b>Other comprehensive income/(expense) for the year, net of tax</b>	<b>年内其它全面损益，扣除税项</b>		<b>47,012</b>	<b>(58,282)</b>
<b>Total comprehensive expense for the year</b>	<b>年内全面损益总额</b>		<b>(13,848)</b>	<b>(70,015)</b>
<b>Loss attributable to:</b>	<b>盈亏分配：</b>			
Owners of the Company	本公司股权持有人		(61,056)	(11,511)
Non-controlling interests	少数股东权益		196	(222)
			<b>(60,860)</b>	<b>(11,733)</b>
<b>Total comprehensive expense attributable to:</b>	<b>全面损益总额分配：</b>			
Owners of the Company	本公司股权持有人		(14,044)	(69,793)
Non-controlling interests	少数股东权益		196	(222)
			<b>(13,848)</b>	<b>(70,015)</b>
<b>Loss per share</b>	<b>每股亏损</b>		<b>Cents</b>	<b>Cents</b>
-Basic	基本	28	(10.09)	(2.29)
-Diluted	摊薄	28	(10.09)	(2.29)

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 2012

	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	Non-controlling interests A\$'000	Total equity A\$'000
Balance at 1 January 2012	25,205	117,642	(2,330)	3,941	2	17,577	(45,407)	(16,984)	153,133	252,779	5,194	257,973
Total comprehensive expense for the year	-	-	-	-	-	-	-	-	-	-	-	-
Issue of ordinary shares	8,466	52,345	-	-	-	-	45,407	1,605	(61,056)	(14,044)	196	(13,848)
Share option lapsed	-	(14,103)	-	-	-	(9,923)	-	-	24,026	60,811	-	60,811
Value for employee services received for grant of share options	-	-	-	-	-	5,160	-	-	-	-	-	-
Capital injection from non-controlling interest	-	-	-	-	-	-	-	(93)	-	(93)	12,367	12,274
Transfer to statutory reserve	-	-	-	133	67	-	-	(48)	(152)	-	-	-
Balance at 31 December 2012	33,671	155,884	(2,330)	4,074	69	12,814	-	(15,520)	115,951	304,613	17,757	322,370
Balance at 1 January 2011	25,155	116,150	(2,330)	3,692	10	16,618	13,580	(17,684)	168,213	323,404	2,499	325,903
Total comprehensive expense for the year	-	-	-	-	-	-	(58,987)	705	(11,511)	(69,793)	(222)	(70,015)
Share options exercised	50	675	-	-	-	-	-	-	-	725	-	725
Share option lapsed	-	-	-	-	-	(6,696)	-	7	6,689	-	-	-
Share premium arising from share options exercised	-	817	-	-	-	(817)	-	-	-	-	-	-
Value for employee services received for grant of share options	-	-	-	-	-	8,472	-	-	-	8,472	-	8,472
Capital injection from non-controlling interest	-	-	-	-	-	-	-	-	-	-	2,917	2,917
Transfer to statutory reserve	-	-	-	249	(8)	-	-	(12)	(229)	-	-	-
Dividends (Note 27)	-	-	-	-	-	-	-	-	(10,029)	(10,029)	-	(10,029)
Balance at 31 December 2011	25,205	117,642	(2,330)	3,941	2	17,577	(45,407)	(16,984)	153,133	252,779	5,194	257,973

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 2012

	(Restated)	
	Year ended 31 December 2012	Year ended 31 December 2011
	A\$'000	A\$'000
<b>Cash Flows from Operating Activities</b>		
Loss before income tax	(53,455)	(29,099)
Adjustments for:		
Amortisation of land use rights	29	29
Amortisation of mine development costs	1,755	1,714
Depreciation of property, plant and equipment	12,049	11,966
Equity-settled share-based payments	3,354	6,106
Write off of exploration and evaluation costs	2,288	3,126
Write-down of inventories to net realisable value	–	5,225
(Gain)/loss on disposal of available-for-sale financial assets	(490)	367
Loss on disposal of property, plant and equipment	73	117
Fair value gain on financial assets through the profit or loss	–	(20)
Impairment loss of available-for-sale financial assets	53,015	–
Interest expenses	6,263	5,721
Interest income	(1,115)	(1,170)
Share of results of associates	48	33
Operating profit before working capital changes	23,814	4,115
Decrease/(increase) in inventories	37,472	(7,985)
Decrease/(increase) in trade and bill receivables	16,736	(28,086)
(Increase)/decrease in prepayments, deposits and other receivables	(3,231)	10,503
(Decrease)/increase in trade and bill payables	(21,869)	42,246
Increase/(decrease) in other payables and accruals	10,880	(527)
Increase in long-term liabilities	486	1,280
Cash generated from operations	64,288	21,546
Overseas income tax paid	(3,432)	(2,502)
Net cash generated from operating activities	60,856	19,044
<b>Cash Flows from Investing Activities</b>		
Payments for exploration and evaluation costs	(3,107)	(3,126)
Payments for mine development costs	(1,554)	(1,233)
Purchase of property, plant and equipment	(36,346)	(43,409)
Purchase of available-for-sale financial assets	–	(1,110)
Proceeds from disposal of property, plant and equipment	179	–
Proceeds from disposal of available-for-sale financial assets	2,569	–
Payment for land use rights	(4,422)	–
Loan to an associate	(11,974)	(11,189)
Acquisition of an associate	(12)	–
Loan to an external party	–	(500)
Proceeds from repayment of loan	500	–
Interest received	1,115	1,170
Net cash used in investing activities	(53,052)	(59,397)

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



## Consolidated Statement of Cash Flows (cont'd)

For the financial year ended 31 December 2012

	Year ended 31 December 2012	(Restated) Year ended 31 December 2011
	A\$'000	A\$'000
<b>Cash Flows from Financing Activities</b>		
Dividends paid	–	(10,029)
Repayment of bank and other loans	(36,989)	(31,663)
Proceeds from bank loans	28	73,258
Payment to finance lease creditor	(21)	(3)
Capital contribution by non-controlling interests	12,274	2,917
(Increase)/decrease in cash collateral	(1,044)	12,325
Proceeds from share options exercised	–	725
Proceeds from convertible notes issue	19,946	–
Proceeds from the issue of shares	63,745	–
Payment of transaction costs on share issue	(2,934)	–
Interest paid	(6,263)	(5,721)
Net cash generated from financing activities	48,742	41,809
Net increase in cash and cash equivalents	56,546	1,456
Cash and cash equivalents at beginning of year	17,611	16,070
Exchange difference on translation of cash and cash equivalents at beginning of year	(267)	85
Cash and cash equivalents at end of year (Note 16)	73,890	17,611

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

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2012 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 IFRSs, which collective term includes all applicable individual International Financial Reporting Standards and Interpretations approved by the IASB, and all applicable individual International Accounting Standards ("IASs") and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

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

### Significant accounting estimates and judgments

The preparation of the financial statements in conformity with IFRS requires the use of judgments, 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 judgment are described below.

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

#### Depreciation of property, plant and equipment/Amortisation of mine development costs

The Group's management exercises its judgment in estimating the useful lives of the depreciable assets. The estimated useful lives reflect management's estimate of the periods the Group intends to derive future economic benefits from the use of these assets based on historical experience. Changes in expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The Group depreciates property, plant and equipment in accordance with the accounting policies stated in Note 2(d).

The mine development costs of the Group are amortised on a unit-of-production basis using estimated mineral resources as a depletion basis in accordance with the accounting policies stated in Note 2(d). The estimates of the mineral resources for the depletion basis are determined based on professional evaluation, but may change based on additional knowledge gained subsequent to the initial assessment. A change in the original mineral resource estimates would result in a change in the rate of depletion.

#### Impairment of non-financial assets

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



# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

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

#### Impairment of available-for-sale financial assets

The Group's quoted equity investments are classified as available-for-sale financial assets. These financial assets are recognised at fair value on initial recognition, with subsequent fair value changes recognised in other comprehensive income, unless there is objective evidence that the investment is impaired. The Group assesses at each reporting date whether there is objective evidence of impairment by comparing the fair values of these investments against the initial costs. The fair value of quoted equity investments is determined primarily by reference to quoted closing bid prices on the Australian Securities Exchange at the financial reporting dates. Judgment is required to determine whether there is objective evidence of impairment. As at 31 December 2012, the Group made an impairment loss of A\$53,015,000 as it deemed the decline in the quoted prices of the quoted equity investments to be both significant and pro-longed. The impairment loss of A\$53,015,000 included the cumulative loss amounting to A\$45,773,000, previously recognised directly in equity but now removed from equity and recognised in the profit or loss.

In making this judgment, the Group not only evaluates the historical share price movements and the duration and extent to which the quoted prices of an investment is less than its cost, but also other factors like the volatility of market prices, published independent assessments of fair value and expected realisable on or off market sale values of the Group's equity investments.

#### Income taxes

The Group has exposures to income taxes in numerous jurisdictions. Significant judgment 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.

#### Net realisable value of inventories

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

#### Allowance for impairment of trade receivables

Allowance for impairment of trade receivables are based on the assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade receivables requires the use of judgment and estimates. Where the expected outcome is different from the original estimate, such difference will impact the carrying value of trade receivables and impairment allowance in the period in which such estimate has been changed. The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

#### Provision for rehabilitation

The Group recognises the fair value of a liability in connection with the provision for rehabilitation in the period in which it is incurred when a reasonable estimate of fair value can be made. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with the clauses of the mining permits. The relevant provision has been estimated based on the Group's interpretation of current regulatory requirements and have been measured at fair value. Fair value is determined based on the net present value of expected future cash expenditures upon restoration and mine closure. Because the fair value measurement requires the input of subjective assumptions, including the restoration and closure costs, changes in subjective input assumptions can materially affect their fair value estimate.

# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

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

#### Valuation of share options granted

The fair value of employee share options granted is estimated using the binomial model at the date of grant by an independent valuer. The model requires input of subjective assumptions such as expected share price, volatility and dividend yield. Changes in the subjective inputs may materially affect the fair value estimates. Details of assumptions and estimates used are set out in Note 30.

## 2(b) Adoption of new and amended IFRSs

On 1 January 2012, the Company and the Group adopted the new or amended IFRSs and IFRIC interpretations that are mandatory for application from that date. This includes the following IFRS and IFRIC, which are relevant to the Company and the Group:

Reference	Description
Amendments to IFRS 1	First time adoption on hyperinflation and fixed dates
Amendments to IFRS 7	Financial instruments: Disclosures – Transfer of financial assets
Amendments to IAS 12	Income taxes on deferred tax

The adoption of these new or amended IFRS and IFRIC did not result in substantial changes to the Company's and the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

## 2(c) IFRS not yet effective

The IASB has issued a number of new and revised IAS and IFRS which were relevant to the Company and the Group. The Company and the Group has not early adopted the following IAS and IFRS that have been issued but are not yet effective.

Reference	Description	Effective date (annual period beginning on or after)
Amendments to IAS 1	Financial statement presentation regarding other comprehensive income	01.07.2012
Amendment to IAS 19	Employee benefits	01.01.2013
Amendment to IFRS 1	First time adoption on government loans	01.01.2013
Amendment to IFRS 7	Financial instruments: Disclosures on asset and liability offsetting	01.01.2013
Amendment to IFRSs 10, 11 and 12	Transition guidance	01.01.2013
IFRS 10	Consolidated financial statements	01.01.2013
IFRS 12	Disclosures of interests in other entities	01.01.2013
IFRS 13	Fair value measurement	01.01.2013
IAS 27 (revised 2011)	Separate financial statements	01.01.2013
IAS 28 (revised 2011)	Associates and joint ventures	01.01.2013
IFRIC 20	Stripping costs in the production phase of a surface mine	01.01.2013
Amendment to IAS 32	Financial instruments: Presentation on asset and liability offsetting	01.01.2014
IFRS 9	Financial instruments	01.01.2015
Annual improvements 2011		
IFRS 11	Joint arrangements	01.01.2013

There are no other IFRSs, IAS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company and the Group, except for the amendments to IAS 1.

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 2(c) IFRS not yet effective (cont'd)

The nature of the impending changes in accounting policy on adoption of the amendments to IAS 1 is described below.

### Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* (OCI) are effective for financial periods beginning on or after 1 July 2012.

The amendments to IAS 1 changes the grouping of items presented in OCI. Items that could be classified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the amendments only affects the presentation of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

## 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.

Subsidiaries are entities (including special purpose entities) over which the Company has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

### Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets - Goodwill" for the subsequent accounting policy on goodwill.



# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

### Consolidation (cont'd)

#### Disposals of subsidiaries or businesses

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to the profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in the profit or loss.

#### Transactions with non-controlling interests

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Company.

### Subsidiaries

Subsidiaries are entities 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.

In the Company's statement of financial position, shares in subsidiaries are stated at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre- or post- acquisition profits are recognised in the Company's profit or loss.

### Associates

An associate is defined as a company, not being a subsidiary or jointly controlled entity, in which the Group has significant influence, but not control, over its financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates at the company level are stated at cost. Allowance is made for any impairment losses on an individual company basis.

In applying the equity method of accounting, the Group's share of the post-acquisition profit or loss of associates, based on the latest available financial statements, is included in the profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

When the Group's share of losses of an associate equals or exceeds the carrying amount of an investment, the Group ordinarily discontinues including its share of further losses. The investment is reported at nil value. Additional losses are provided for to the extent that the Group has incurred obligations or made payments on behalf of the associate to satisfy obligations of the associate that the Group has guaranteed or otherwise committed, for example, in the form of loans. When the associate subsequently reports profits, the Group resumes including its share of those profits only after its share of the profits equals the share of net losses recognised.

The Group's share of the net assets and post-acquisition retained profits and reserves of associates is reflected in the book values of the investments in the statements of financial position.

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

# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

### Associates (cont'd)

On acquisition of the investment, any difference between the cost of acquisition and the Group's share of the fair values of the net identifiable assets of the associate is accounted for in accordance with the accounting policies on "Consolidation" and "Goodwill".

After the application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. At each reporting date, the Group determines whether there is any objective evidence that the investment in associates is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs to sell) of the associates and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associates, including cash flows arising from the operations of the associates and the proceeds on ultimate disposal of the investment.

### Intangible assets

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

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

### Goodwill

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

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

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

An impairment loss is recognised for CGUs, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below the higher of its individual fair value less cost to sell, or value-in-use, if determinable.

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

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

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

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

### Intangible assets (cont'd)

#### Exploration and evaluation costs

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

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

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

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

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with IAS 36 "Impairment of Assets" whenever one of the following events or changes in facts and circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- (a) the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be recovered;
- (b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- (c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or
- (d) sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

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

#### Mine development costs

Costs arising from the development of the mine site (except for the expenditures incurred for building the mine site and the purchases of machinery and equipment for the mining operation which are included in property, plant and equipment) are accumulated in respect of each identifiable area of interest and are capitalised and carried forward as an asset to the extent that they are expected to be recouped through the successful mining of the areas of interest.

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

Amortisation is not charged on the mine development costs carried forward in respect of areas of interest until production commences. Where mining of a mineral deposit has commenced, the related exploration and evaluation costs are transferred to mine development costs. When production commences, carried forward mine development costs are amortised on a unit of production basis. The unit of production basis results in an amortisation charge proportional to the depletion of the estimated economically recoverable mineral resources.



# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

### Intangible assets (cont'd)

#### Mine development costs (cont'd)

Pre-production operating expenses and revenues were accumulated and capitalised into mine development costs until 31 August 2006 as the mine was involved in the commissioning phase which commenced in November 2005. Subsequent to 31 August 2006, the Directors of the Company determined that the processing plant was in the condition necessary for it to be capable of operating in the manner intended so as to seek to achieve design capacity rates. These costs were carried forward to the extent that they are expected to be recouped through the successful mining of the area of interest.

The amortisation of capitalised mine development costs commenced from 1 September 2006 and continues to be amortised over the life of the mine according to the rate of depletion of the economically recoverable mineral resources.

### Property, plant and equipment

Property, plant and equipment, other than construction in progress ("CIP"), are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed 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 73 years
Plant and machinery	3 to 20 years
Plant and equipment - Process Facility	Life of mine: 10 years
Computer equipment, office equipment and furniture	1 to 10 years
Motor vehicles	5 to 10 years

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

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

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

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

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

### Land use rights

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

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

### Financial assets

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

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

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

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

### Loans and receivables

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

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

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

### Available-for-sale financial assets

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

All financial assets within this category are subsequently measured at fair value with changes in value recognised in 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 profit or loss for the period.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in 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 profit or loss even though the financial asset has not been derecognised.

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

# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

### Financial assets (cont'd)

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

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

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

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

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

#### Determination of fair value

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

### Derivative financial instruments and hedging activities

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 the hedging instruments and hedged items, as well as its risk management objectives 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 designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the 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.

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

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



# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

### Inventories

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

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

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

### Cash and cash equivalents

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

### Share capital and treasury shares

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

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

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

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

### Dividends

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

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

### Financial liabilities

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

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 profit or loss.

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

# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

### Financial liabilities (cont'd)

#### Borrowings

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

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

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

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

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

### Provisions and contingent liabilities

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

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

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

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

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

# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

### Leases

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

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

Where the Group is the lessee,

#### Finance leases

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

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

#### Operating leases

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

### Income taxes

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

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

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

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

Deferred income tax is measured:

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

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



# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

### Income taxes (cont'd)

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

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

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

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

### Royalties and Special Mining Taxes

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

### Employee benefits

#### Defined contribution plan

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

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

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

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

#### Employee leave entitlements

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

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. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

#### Employee share option plan and other options issued following shareholder approval

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

# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

### Employee benefits (cont'd)

#### Employee share option plan and other options issued following shareholder approval (cont'd)

The Group issues equity-settled share-based payments to certain employees including Directors and senior executives. The fair value of the employee services received in exchange for the grant of options is recognised as an expense in the profit or loss 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 option granted on the date of the grant, and excludes the impact on any non-market vesting conditions.

When the option is 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. After the vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

All share-based compensation is recognised as an expense in the profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the share-based compensation reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

#### Key management personnel

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

### Related parties

For the purpose of these financial statements, a party is considered to be related to the Group if:

- (a) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (b) the Group and the party are subject to common control;
- (c) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (d) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (e) the party is a close family member of a party referred to in (a) or is an entity under the control, joint control or significant influence of such individuals; or
- (f) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

### Impairment of non-financial assets

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

# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

### Impairment of non-financial assets (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 profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

With the exception of goodwill,

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

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

### Revenue recognition

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

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

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

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



# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

### Functional currencies

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the 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 profit or loss.

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

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

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

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

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

#### Group entities

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

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

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

### Operating segments

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

# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

### Operating segments (cont'd)

The Group has identified the following reportable segments:

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

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

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

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

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

## 3 Principal activities and revenue

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

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

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 4 Property, plant and equipment

	Construction in progress	Leasehold buildings and improvements	Plant and machinery	Computer equipment, office equipment and furniture	Motor vehicles	Total
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
<b>The Group</b>						
<b>Cost</b>						
At 1 January 2011 (Restated)	5,668	13,273	103,130	2,829	1,022	125,922
Additions	24,522	1	588	56	203	25,370
Transfers	(9,064)	2,452	6,414	198	–	–
Disposals	–	–	(43)	(69)	(80)	(192)
Written off	–	–	–	(15)	–	(15)
Exchange realignment	7	432	531	9	20	999
<b>At 31 December 2011 (Restated)</b>	<b>21,133</b>	<b>16,158</b>	<b>110,620</b>	<b>3,008</b>	<b>1,165</b>	<b>152,084</b>
Additions	39,334	150	29	65	181	39,759
Transfers	(2,864)	459	2,237	168	–	–
Disposals	–	–	(481)	–	–	(481)
Written off	–	–	–	(38)	–	(38)
Exchange realignment	370	(458)	(741)	(12)	(27)	(868)
<b>At 31 December 2012</b>	<b>57,973</b>	<b>16,309</b>	<b>111,664</b>	<b>3,191</b>	<b>1,319</b>	<b>190,456</b>
<b>Accumulated depreciation</b>						
At 1 January 2011 (Restated)	–	1,717	32,994	1,828	259	36,798
Depreciation for the year (Note 25)	–	848	10,566	430	122	11,966
Disposals	–	–	(11)	(64)	–	(75)
Written off	–	–	–	(15)	–	(15)
Exchange realignment	–	82	177	4	9	272
<b>At 31 December 2011 (Restated)</b>	<b>–</b>	<b>2,647</b>	<b>43,726</b>	<b>2,183</b>	<b>390</b>	<b>48,946</b>
Depreciation for the year (Note 25)	–	841	10,636	402	170	12,049
Disposals	–	–	(229)	–	–	(229)
Written off	–	–	–	(38)	–	(38)
Exchange realignment	–	(73)	(156)	(8)	(10)	(247)
<b>At 31 December 2012</b>	<b>–</b>	<b>3,415</b>	<b>53,977</b>	<b>2,539</b>	<b>550</b>	<b>60,481</b>
<b>Net book value</b>						
<b>At 31 December 2012</b>	<b>57,973</b>	<b>12,894</b>	<b>57,687</b>	<b>652</b>	<b>769</b>	<b>129,975</b>
At 31 December 2011 (Restated)	21,133	13,511	66,894	825	775	103,138

The net book value of motor vehicles acquired under finance lease for the Group amounted to A\$72,028 (2011 - A\$54,468).

Leasehold buildings are situated in Singapore and the PRC.



# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 5 Land use rights

	2012 A\$'000	(Restated) 2011 A\$'000	(Restated) 1.1.2011 A\$'000
The Group			
At the beginning of the year	21,695	1,276	1,092
Additions	13,429	20,405	311
Amortisation for the year (Note 25)	(29)	(29)	(30)
Exchange realignment	676	43	(97)
At the end of the year	35,771	21,695	1,276
At the end of the year			
Cost	35,996	21,897	1,442
Accumulated amortisation	(225)	(202)	(166)
Net carrying value	35,771	21,695	1,276

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

As at 31 December 2012, the land use rights for a leasehold land located in Malaysia had a net carrying value of A\$21,117,000 (2011 - A\$20,405,000) and is pledged as security for borrowings referred to in Note 21.2(c).

## 6 Exploration and evaluation costs

	2012 A\$'000	2011 A\$'000
The Group		
At the beginning of the year	–	–
Costs incurred during the year	3,107	3,126
Written off during the year (Note 25)	(2,288)	(3,126)
At the end of the year	819	–

## 7 Mine development costs

	2012 A\$'000	2011 A\$'000
The Group		
At the beginning of the year	19,030	19,511
Costs incurred during the year	1,554	1,233
Amortisation for the year (Note 25)	(1,755)	(1,714)
At the end of the year	18,829	19,030
At the end of the year		
Costs	29,630	28,076
Accumulated amortisation	(10,801)	(9,046)
Net carrying value	18,829	19,030

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

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 8 Goodwill

	2012 A\$'000	2011 A\$'000
The Group		
Goodwill	2,065	2,065

Goodwill was allocated to the Group's cash-generating units ("CGU") from which it is expected to benefit. The carrying amount of goodwill was allocated to the following operating segment:

	2012 A\$'000	2011 A\$'000
Mining	2,065	2,065

The recoverable amount of the CGU was determined based on value-in-use calculations. Cash flow projections used in these calculations were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs.

	2012	2011
Gross margin	0% - 13%	8% - 20%
Growth rate	0% - 10%	0% - 10%
Discount rate	10%	10%

Management estimates the discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the business segment. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. Management has determined the budgeted gross margin based on past performance and its expectations for market development.

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

## 9 Available-for-sale financial assets

The Company and The Group

<u>Non-current</u>	2012 A\$'000	2011 A\$'000
Quoted equity investments, at fair value		
At the beginning of the year	–	96,448
Additions	–	1,110
Fair value loss recognised directly in other comprehensive expense	–	(58,987)
Reclassification to current assets	–	(38,571)
At the end of the year	–	–

# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

The Company and The Group

<u>Current</u>	2012 A\$'000	2011 A\$'000
Quoted equity investments, at fair value		
At the beginning of the year	38,571	–
Disposals	(2,445)	–
Impairment loss recognised directly in profit or loss	(7,242)	–
Reclassification from non-current assets	–	38,571
At the end of the year	28,884	38,571
Represented by:		
Quoted equity investments, at costs	84,344	84,344
Fair value recognised in equity	–	(45,407)
Disposal	(2,445)	(366)
Impairment loss	(53,015)	–
At the end of the year	28,884	38,571

The fair value of quoted equity investments is determined by reference to quoted closing bid prices on the Australian Securities Exchange at the financial reporting dates. As at 31 December 2012, there was both a prolonged and significant decline in the market price of the equity investments below its initial costs of purchase, resulting in a total impairment loss of A\$53,015,000 for the year. The impairment loss of A\$53,015,000 included the cumulative loss amounting to A\$45,773,000 previously recognised directly in equity but now removed from equity and recognised in the profit or loss.

## 10 Deferred taxation

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

The Group	2012 A\$'000	2011 A\$'000
<b>Deferred tax assets</b>		
- To be recovered within one year	–	–
- To be recovered after one year	21,312	16,536
	21,312	16,536
<b>Deferred tax liabilities</b>		
- To be recovered within one year	–	–
- To be recovered after one year	244	6,822
	244	6,822



# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 10 Deferred taxation (cont'd)

The Group	2012 A\$'000	2011 A\$'000
<b>Deferred tax assets</b>		
Balance at the beginning of the year	16,536	5,958
Credited to the profit or loss (Note 26)	5,790	10,826
Exchange difference on translation	(13)	14
	22,313	16,798
Over provision in respect of prior years	(1,001)	(262)
Balance at the end of the year	21,312	16,536
<b>Deferred tax liabilities</b>		
Balance at the beginning of the year	(6,822)	(7,212)
Credited to the profit or loss (Note 26)	7,629	4,322
Exchange difference on translation	–	(1)
	807	(2,891)
Under provision in respect of prior years	(1,051)	(3,931)
Balance at the end of the year	(244)	(6,822)

The balance comprises tax on the following temporary differences:

The Group	Excess of net book value over tax written down value of qualifying property, plant and equipment A\$'000	Interest payable A\$'000	Tax losses A\$'000	Others A\$'000	Total A\$'000
At 1 January 2012	(5,950)	6,683	7,459	1,522	9,714
Charged to					
- profit or loss (Note 26)	(1,288)	2,673	10,608	(626)	11,367
Exchange difference on translation	–	–	–	(13)	(13)
<b>At 31 December 2012</b>	<b>(7,238)</b>	<b>9,356</b>	<b>18,067</b>	<b>883</b>	<b>21,068</b>

As at 31 December 2012, the Group had tax losses arising in Hong Kong of A\$281,040 (2011 - A\$296,263) 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.

## 11 Subsidiaries

The Company	2012 A\$'000	(Restated) 2011 A\$'000	(Restated) 1.1.2011 A\$'000
Unquoted equity investments, at cost	8,014	8,014	8,014
Amounts due from subsidiaries:			
- Interest-free	7	6	5
- Interest-bearing	130,322	121,539	112,150
	138,343	129,559	120,169

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 11 Subsidiaries (cont'd)

The amounts due from subsidiaries are unsecured and are not expected to be repaid within one year. The amounts include a balance of A\$130,322,000 (2011 - A\$121,539,000) which is interest-bearing at a weighted average effective interest rate of 10.20% (2011 - 10.91%) per annum. The remaining balances are interest-free. As these amounts represent net investments, with indeterminable repayments, fair valuation is not appropriate.

The subsidiaries are:

Name	Country of incorporation / principal place of business	Cost of investment		Percentage of equity held		Principal activities
		2012	2011	2012	2011	
		A\$	A\$	A\$	A\$	
<u>Held by the Company</u>						
OM Holdings (B.V.I.) Ltd ("OMBVI") <sup>(1)</sup>	The British Virgin Islands	4,960,807	4,960,807	100%	100%	Investment holding
OM (Manganese) Ltd <sup>(2)</sup>	Australia	3,052,617	3,052,617	100%	100%	Operation of manganese mine
OM Holdings Investment Ltd ("OMHI") <sup>(1)</sup>	The British Virgin Islands	1	1	100%	100%	Investment holding*
OMH (Mauritius) Corp <sup>(8)</sup>	Mauritius	111	111	100%	100%	Investment holding
<u>Held by OMHI</u>						
Capricorn Enterprises Madagascar <sup>(1)</sup>	Madagascar	–	–	88%	88%	Exploration and evaluation activities
<u>Held by OMBVI</u>						
OM Resources (HK) Limited ("OMR") <sup>(3)</sup>	Hong Kong	–	–	100%	100%	Investment holding
<u>Held by OMR</u>						
OM Materials (S) Pte Ltd ("OMS") <sup>(4)</sup>	Singapore	–	–	100%	100%	Investment holding and trading of metals and ferroalloy products
OM Materials Trade (S) Pte Ltd ("OMT") <sup>(10)</sup>	Singapore	–	–	100%	100%	Investment holding
OM Resources (M) Sdn Bhd <sup>(9)</sup>	Malaysia (incorporated on 30 April 2012)	–	–	100%	–	Exploration and evaluation activities
<u>Held by OMS</u>						
OM Materials (Sarawak) Sdn Bhd <sup>(9)</sup>	Malaysia	–	–	80%	80%	Sales and processing of ferroalloys and ores**
OM Materials (Johor) Sdn Bhd <sup>(9)</sup>	Malaysia	–	–	100%	100%	Sales and processing of ferroalloys and ores**
OM Materials (Qinzhou) Co. Ltd <sup>(5)</sup>	PRC	–	–	100%	100%	Sales and processing of ferroalloys and ores
OM Materials (PNG) Limited <sup>(6)</sup>	Papua New Guinea	–	–	100%	100%	Exploration and evaluation activities
OM Materials Trading (Qinzhou) Co. Ltd <sup>(5)</sup> (transferred to OMT)	PRC	–	–	–	100%	Trading of metals and ferroalloy products

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 11 Subsidiaries (cont'd)

Name	Country of incorporation / principal place of business	Cost of investment		Percentage of equity held		Principal activities
		2012	2011	2012	2011	
		A\$	A\$	A\$	A\$	
OM Hujin Science & Trade (Shanghai) Co. Ltd ("OMA") <sup>(7)</sup>	PRC	–	–	70%	70%	Trading of metals and ferroalloy products
<u>Held by OMT</u>						
OM Tshipi (S) Pte Ltd <sup>(4)</sup>	Singapore	–	–	70%	70%	Trading of metals and ferroalloy products*
OM Materials (M) Sdn Bhd <sup>(9)</sup>	Malaysia	–	–	100%	100%	Trading of metals and ferroalloy products*
OM Sandur Pte Ltd <sup>(1)</sup>	Singapore	–	–	60%	60%	Trading of metals and ferroalloy products*
OM Materials Trading (Qinzhou) Co. Ltd <sup>(5)</sup> (transferred from OMS)	PRC	–	–	100%	–	Trading of metals and ferroalloy products
<u>Held by OMA</u>						
Guizhou Jiahe Weiye Smelter Co. Ltd <sup>(7)</sup>	PRC	–	–	75%	75%	Trading and processing of ferroalloy and ores
		<b>8,013,536</b>	<b>8,013,536</b>			

Note:

- (1) no audit required in the country of incorporation and operations are not material to the Group for the year ended 31 December 2012
- (2) audited by Grant Thornton Australia Limited
- (3) audited by Lam & Chui CPA Limited
- (4) audited by Foo Kon Tan Grant Thornton LLP
- (5) audited by Guangxi JiaHai Accountant Affairs Office Co. Ltd
- (6) no audit is required as company is in the process of liquidation.
- (7) audited by Shanghai Shenzhou Datong Certified Public Accountants Co. Ltd
- (8) audited by Grant Thornton Mauritius
- (9) audited by Moore Stephens Associates & Co.
- (10) audited by Tit Wei Lee & Co.

\* These companies were dormant at the end of reporting date

\*\* These companies were in the construction phase at the end of reporting date



# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 12 Interests in associates

	2012 A\$'000	2011 A\$'000
The Group		
Unquoted equity investment, at cost	91,717	79,731
Share of post-acquisition losses and reserves	(117)	(70)
	<b>91,600</b>	<b>79,661</b>

The summarised financial information of the associates are as follows:

	2012 A\$'000	2011 A\$'000
- Assets	92,667	59,687
- Liabilities	(65,862)	(30,608)
- Loss for the year	(185)	(126)

The associates are:

Name of company	Country of incorporation	Percentage of equity held		Principal activities
		2012	2011	
Main Street 774 (Pty) Limited <sup>(1)</sup>	South Africa	26%	26%	Investment holding
OM Materials Japan Co., Ltd. <sup>(2)</sup>	Japan	33%	–	Mineral and metal resources marketing and consulting

<sup>(1)</sup> audited by KPMG South Africa

<sup>(2)</sup> no audit required in the country of incorporation

Shares in the associates are held by a wholly-owned subsidiary, OMH (Mauritius) Corp. and OM Materials (S) Pte Ltd respectively.

## 13 Inventories

	2012 A\$'000	2011 A\$'000
The Group		
Raw materials, at cost	25,825	21,116
Work-in-progress, at cost	7,232	11,699
Work-in-progress, at net realisable value	40,351	40,321
Finished goods, at cost	45,934	84,970
	<b>119,342</b>	<b>158,106</b>

Inventories of A\$4,751,000 (2011 - A\$18,654,000) have been pledged as security for bank loans of the Group (Note 21.2(e)).

Included in inventories is an amount of A\$32,075,327 (2011 - A\$32,045,170) 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 2012

## 14 Derivative financial instruments

	2012		2011	
	Assets A\$'000	Liabilities A\$'000	Assets A\$'000	Liabilities A\$'000
The Group				
Foreign currency forward contracts not designated as hedging instruments (Note 25)	–	–	–	8
	Assets A\$'000	Liabilities A\$'000	Assets A\$'000	Liabilities A\$'000
The Company and The Group				
Unquoted share options	20	–	20	–
5% Convertible note (Note 21.3)	–	2,713	–	–

## 15 Trade and other receivables

	The Company (Restated)			The Group (Restated)		
	2012 A\$'000	2011 A\$'000	1.1.2011 A\$'000	2012 A\$'000	2011 A\$'000	1.1.2011 A\$'000
Trade receivables	–	–	–	14,945	23,731	10,211
Bills receivable	–	–	–	63,002	53,029	5,076
Net trade receivables (i)	–	–	–	77,947	76,760	15,287
Other receivables						
Amounts due from subsidiaries (non-trade)	138,341	87,984	74,374	–	–	–
Deposits and other receivables	350	556	4	9,905	8,457	16,109
Net other receivables (ii)	138,691	88,540	74,378	9,905	8,457	16,109
Total (i) + (ii)	138,691	88,540	74,378	87,852	85,217	31,396

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

Bills receivable of A\$55,581,000 (2011 - A\$33,398,000) have been pledged as security for bank loans of the Group (Note 21.2(b)).

# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

Trade and other receivables are denominated in the following currencies:

	The Company			The Group		
	(Restated)	(Restated)		(Restated)	(Restated)	
2012	2011	1.1.2011	2012	2011	1.1.2011	
A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	
Australian dollar	138,691	88,540	74,378	2,174	2,341	2,012
Renminbi	–	–	–	74,846	67,979	18,682
United States dollar	–	–	–	8,878	14,740	10,560
Others	–	–	–	1,954	157	142
	138,691	88,540	74,378	87,852	85,217	31,396

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

	The Company			The Group		
	(Restated)	(Restated)		(Restated)	(Restated)	
2012	2011	1.1.2011	2012	2011	1.1.2011	
A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	
<u>By geographical areas</u>						
Australia	–	–	–	–	312	310
People's Republic of China	–	–	–	70,267	76,448	14,977
United Kingdom	–	–	–	7,680	–	–
	–	–	–	77,947	76,760	15,287

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

	The Company			The Group		
	(Restated)	(Restated)		(Restated)	(Restated)	
2012	2011	1.1.2011	2012	2011	1.1.2011	
A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	
Past due 0 to 3 months	–	–	–	–	843	316
Past due 3 to 6 months	–	–	–	116	70	–
Past due over 6 months	–	–	–	5	5	–
	–	–	–	121	918	316

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due up to 6 months. These receivables are mainly arising from customers that have a good credit record with the Group.



# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 16 Cash and bank balances

	The Company		The Group	
	2012	2011	2012	2011
	A\$'000	A\$'000	A\$'000	A\$'000
Cash at bank and on hand	659	89	35,354	8,662
Short-term bank deposits	3,052	–	53,498	23,218
Total cash and bank balances [Notes (a) and (b)]	3,711	89	88,852	31,880
Less: Cash collateral [Notes (c) and (d)]	–	–	(14,962)	(14,269)
Cash and cash equivalents	3,711	89	73,890	17,611

Notes:

- (a) Short-term bank deposits are for varying periods of one day to one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.
- (b) At 31 December 2012, 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\$14,707,000 (2011 - A\$12,817,000). The RMB is not freely convertible into other currencies.
- (c) Certain bank deposits were pledged to banks to secure banking facilities provided to the Group in respect of letters of credit and bank loans (Note 21.2). The cash collateral has an average maturity of 3 to 12 months (2011 - 3 to 12 months) with the weighted average effective interest rates of 0.48% to 1.83% (2011 - 0.27% to 0.5%) per annum.
- (d) Certain bank deposits held by the Australian subsidiary were pledged to secure the issuance of environmental bonds. The A\$2,967,000 (A\$957,917) cash collateral has an average maturity of 1 month (2011 - 1 month) with the weighted average effective interest rate of 1.46% (2011 - 4.80%) per annum.

Cash and cash equivalents are denominated in the following currencies:

	The Company		The Group	
	2012	2011	2012	2011
	A\$'000	A\$'000	A\$'000	A\$'000
Australian dollar	3,709	87	27,337	1,036
Renminbi	–	–	14,707	12,817
United States dollar	2	2	39,550	14,945
Malaysian Ringgit	–	–	6,660	2,970
Others	–	–	598	112
	3,711	89	88,852	31,880

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 16 Cash and bank balances (cont'd)

The fixed deposits have an average maturity of 1 to 3 months (2011 - 1 to 3 months) from the end of the financial year with the following weighted average effective interest rates:

The Group	2012	2011
Australian dollar	1.78%	4.80%
Renminbi	0.95%	0.50%
United States dollar	0.48%	0.31%
Malaysian Ringgit	2.50%	2.50%

## 17 Share capital

	No. of ordinary shares		Amount	
	2012	2011	2012	2011
	'000	'000	A\$'000	A\$'000
The Company and the Group				
<b>Authorised:</b>				
Ordinary shares of A\$0.05 (2011 - A\$0.05) each	2,000,000	2,000,000	100,000	100,000
<b>Issued and fully paid:</b>				
Ordinary shares of A\$0.05 (2011 - A\$0.05) each as at 1 January	504,105	503,085	25,205	25,155
Options exercised [Note (a)]	–	1,020	–	50
Issue of ordinary shares	169,318	–	8,466	–
Ordinary shares of A\$0.05 (2011 - A\$0.05) each as at 31 December	673,423	504,105	33,671	25,205

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.

Note:

- (a) In the previous financial year, 1,020,000 ordinary shares were issued following the exercise of unlisted employee share options. As at 31 December 2012, the Company had 15,000,000 (2011 - 26,000,000) 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.

## 18 Treasury shares

	No. of ordinary shares		Amount	
	2012	2011	2012	2011
	'000	'000	A\$'000	A\$'000
The Company and the Group				
At the beginning and end of the year	1,933	1,933	2,330	2,330

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 19 Reserves

	The Company		The Group	
	2012	2011	2012	2011
	A\$'000	A\$'000	A\$'000	A\$'000
Share premium	155,884	117,642	155,884	117,642
Non-distributable reserves [Note (i)]	–	–	4,074	3,941
Capital reserve [Note (ii)]	–	–	69	2
Share option reserve [Note (a)]	12,814	17,577	12,814	17,577
Fair value reserve [Note (iii)]	–	(45,407)	–	(45,407)
Contributed surplus [Note (iv)]	3,312	3,312	–	–
Exchange fluctuation reserve	–	–	(15,520)	(16,984)
Retained profits	50,234	73,504	115,951	153,133
	<b>222,244</b>	<b>166,628</b>	<b>273,272</b>	<b>229,904</b>

### Notes:

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

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

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

- (ii) This arose from the capitalisation of various reserves and retained profits in one of the Sino-foreign joint ventures of the Group. The purpose of the capitalisation is to increase the registered capital of the joint venture.
- (iii) The fair value reserve of the Group represents the changes in fair value of available-for-sale financial assets.
- (iv) The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued for acquisition of the subsidiaries and the aggregate net asset value of the subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus can be distributable to shareholders under certain circumstances.



# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 19 Reserves (cont'd)

The Company	2012 A\$'000	2011 A\$'000
<b>Share premium</b>		
At 1 January	117,642	116,150
Issue of ordinary shares	52,345	–
Share options exercised	–	675
Share premium arising from share options exercised	–	817
Share option lapsed	(14,103)	–
At 31 December	155,884	117,642
<b>Contributed surplus</b>		
At 1 January and 31 December	3,312	3,312
<b>Share option reserve</b>		
At 1 January	17,577	16,618
Equity settled share-based transactions [Note (a)]	5,160	8,472
Share premium arising from share options exercised	–	(817)
Share options lapsed	(9,923)	(6,696)
At 31 December	12,814	17,577
<b>Fair value reserve</b>		
At 1 January	(45,407)	13,580
Fair value (loss) on available-for-sale financial assets	–	(58,987)
Transfer to profit and loss	45,407	–
At 31 December	–	(45,407)
<b>Retained profits</b>		
At 1 January	73,504	75,508
Profit for the year	(23,270)	8,025
Dividends (Note 27)	–	(10,029)
At 31 December	50,234	73,504
<b>Total reserves</b>	<b>222,244</b>	<b>166,628</b>

Note:

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

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 20 Lease obligation

	2012 A\$'000	2011 A\$'000
Lease obligation	9,007	–

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

## 21 Borrowings

	The Company		The Group	
	2012 A\$'000	2011 A\$'000	2012 A\$'000	2011 A\$'000
<b>Non-current</b>				
Obligations under finance leases (Note 21.1)	–	–	24	29
Bank loans, secured (Note 21.2)	–	–	56,300	61,289
5% Convertible Note (Note 21.3)	17,734	–	17,734	–
	17,734	–	74,058	61,318
<b>Current</b>				
Obligations under finance leases (Note 21.1)	–	–	24	14
Bank loans, secured (Note 21.2)	–	–	105,078	106,021
Other loans, unsecured (Note 21.4)	–	–	–	154
	–	–	105,102	106,189
	17,734	–	179,160	167,507

### 21.1 Obligations under finance leases

	2012 A\$'000	2011 A\$'000
The Group		
Minimum lease payments payable:		
Due not later than one year	26	16
Due later than one year and not later than five years	26	30
	52	46
Less: Finance charges allocated to future periods	(4)	(3)
Present value of minimum lease payments	48	43
Present value of minimum lease payments:		
Due not later than one year	24	14
Due later than one year and not later than five years	24	29
	48	43

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

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 21 Borrowings (cont'd)

### 21.2 Bank loans

The Group	2012 A\$'000	2011 A\$'000
Bank loans, secured [note (a)]	53,120	90,254
Bank loans, secured [note (b)]	63,789	38,104
Bank loans, secured [note (c)]	14,429	16,147
Bank loans, secured [note (d)]	25,835	11,765
Bank loans, secured [note (e)]	4,205	11,040
	<b>161,378</b>	<b>167,310</b>
Amount repayable within one year	<b>105,078</b>	106,021
Amount repayable after one year	<b>56,300</b>	61,289
Bank loans	<b>161,378</b>	<b>167,310</b>

Notes:

(a) The loans are secured by:

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

The weighted average effective interest rate was 3.58% (2011 – 3.45%) per annum.

- (b) The loans are secured by charges over certain bank deposits and bills receivables as disclosed in Note 16(c) and Note 15 respectively, and the weighted average effective interest rate of the bank loans was 3.15% (2011 - 4.99%) per annum.
- (c) The loan is secured by a charge over leasehold land as disclosed in Note 5, and an irrevocable and unconditional corporate guarantee provided by the Company. The weighted average effective interest rate of the bank loan was 2.95% (2011 - 2.76%) per annum.
- (d) The loans are secured by charges over certain bank deposits as disclosed in Note 16(c), and the weighted average effective interest rate of the bank loans was 1.66 % (2011 - 2.37%) per annum.
- (e) The loans are secured by charges over certain inventories as disclosed in Note 13, and the weighted average effective interest rate of the bank loans was 3.31% (2011 - 5.60%) per annum.



# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 21 Borrowings (cont'd)

### 21.3 5% Convertible Note

On 7 March 2012 the Company issued to Hanwa Co. Ltd 25,000,000 convertible notes at an aggregate principal amount of A\$19,945,953 (US\$21,447,261) with a nominal interest of 5.0%, due on 6 March 2016 and convertible in accordance with the terms and conditions of issue including an initial conversion price of A\$0.80 per share. As at the end of the reporting period, the host debt contract is recognised as a non-current liability amounting to A\$17,734,000, to be amortised over 4 years while the conversion option valued at A\$2,713,000 is recognised as current liability (Note 14).

### 21.4 Other loans

	2012 A\$'000	2011 A\$'000
The Group		
Amount repayable within one year	–	154
Amount repayable after one year	–	–
	–	154

The unsecured loans are interest-free and are repayable on demand.

### 21.5 Currency risk

Total borrowings are denominated in the following currencies:

	2012 A\$'000	2011 A\$'000
The Group		
United States dollar	169,782	152,510
Renminbi	9,330	14,954
Others	48	43
	179,160	167,507

### 21.6 Effective interest rates

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

	2012	2011
The Group		
Obligations under finance leases	2.59%	2.59%
Bank loans	1.66% to 3.60%	2.37% to 5.6%
5% convertible note	7.6%	–

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

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 22 Provisions

	2012 A\$'000	2011 A\$'000
The Group		
(a) Rehabilitation		
At the beginning of the year	4,705	3,451
Provision made for the year (Note 25)	1,443	1,468
Payments during the year	(1,056)	(214)
At the end of the year (i)	5,092	4,705
(b) Employee long service leave		
At the beginning of the year	166	141
Provision made for the year (Note 25)	100	25
At the end of the year (ii)	266	166
Total (i) + (ii)	5,358	4,871

- a) According to the Mine Management and Environment Management plan submitted to the Northern Territory Government in Australia, the Group is obligated for the rehabilitation/restoration of areas disturbed arising from mining activities conducted by OM (Manganese) Ltd, a wholly-owned subsidiary.
- b) Employees of a subsidiary are entitled, under the labour law of the country of its incorporation, to additional leave over and above their annual leave (known as long service leave) if they remain employed by the subsidiary beyond 10 years. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

## 23 Trade and other payables

	The Company (Restated) (Restated)			The Group (Restated) (Restated)		
	2012 A\$'000	2011 A\$'000	1.1.2011 A\$'000	2012 A\$'000	2011 A\$'000	1.1.2011 A\$'000
Trade payables						
- Third party payables	-	-	-	23,362	66,233	21,491
- Bill payables	-	-	-	30,767	25,554	28,020
	-	-	-	54,129	91,787	49,511
Amount due to subsidiaries (non-trade)	30,056	62,135	45,115	-	-	-
Accruals and other payables	1,161	1,620	1,006	35,250	24,161	22,015
Welfare expense payable	-	-	-	917	758	676
	31,217	63,755	46,121	90,296	116,706	72,202

Included in the amount due to subsidiaries is an amount due to a wholly-owned subsidiary - OM Materials (S) Pte Ltd of A\$30,000,000 (2011 - A\$30,000,000) which bears interest of 4.04% (2011 - 3.45%) per annum. The amount due to subsidiaries represents advances which is non-trade, unsecured and repayable on demand.

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 23 Trade and other payables (cont'd)

Trade and other payables are denominated in the following currencies:

	The Company			The Group		
	(Restated)	(Restated)		(Restated)	(Restated)	
	2012	2011	1.1.2011	2012	2011	1.1.2011
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Australian dollar	31,217	63,755	46,121	17,825	21,277	16,750
Renminbi	–	–	–	18,336	13,236	9,350
United States dollar	–	–	–	50,949	78,167	45,995
Malaysian Ringgit	–	–	–	2,732	3,915	–
Others	–	–	–	454	111	107
	31,217	63,755	46,121	90,296	116,706	72,202

## 24 Other income

	2012	2011
	A\$'000	A\$'000
The Group		
Litigation settlement	6,737	–
Interest income from banks	1,115	1,170
Sundry income	1,128	758
Gain on disposal of available-for-sale financial assets	490	–
	9,470	1,928

## 25 Loss before income tax

The Group	Note	2012	2011
		A\$'000	A\$'000
Loss before tax has been arrived at after charging/(crediting):			
Amortisation of land use rights	5	29	29
Amortisation of mine development costs	7	1,755	1,714
Cost of inventories recognised as expenses #		357,659	330,107
Depreciation of property, plant and equipment	4	12,049	11,966
Equity-settled share-based payments *	30	3,354	6,106
Exchange gains		(853)	(2,339)
Exploration and evaluation costs written off	6	2,288	3,126
Interest expense:			
-bank loans		6,263	5,721
Loss on disposal of property, plant and equipment	4	252	117
(Gain)/loss on disposal of available-for-sale financial assets		(490)	367
Operating lease charges in respect of land and buildings		157	155
Provision for rehabilitation	22	1,443	1,468
Provision for long service leave	22	100	25
Employee benefits expenses #	29	20,806	18,608
Write-down of inventories to net realisable value		–	5,225
Fair value loss on derivative financial instruments	14	–	8

# Cost of inventories included amounts of A\$14,738,000 and A\$1,891,000 (2011 - A\$13,840,000 and A\$2,134,000) related to staff costs and depreciation respectively.

\* Included in other operating expenses.

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 26 Income tax expense/(benefit)

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

For the Singapore subsidiary, OM Materials (S) Pte Ltd ("OMS"), the Singapore Ministry of Trade and Industry approved the award of Global Trade Programme status to the subsidiary and therefore OMS was entitled to a concessionary rate of 10% for a period of 5 years with effect from 1 July 2004, subject to fulfilment of specific conditions. OMS was awarded the Global Trade Programme for a further five year period from 1 July 2009 subject to fulfilment of specific conditions.

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

	2012	(Restated) 2011
	A\$'000	A\$'000
The Group		
Current taxation		
- Singapore income tax	1,298	1,601
- PRC tax	1,989	653
- others	24	–
Deferred taxation (Note 10)	(13,419)	(15,148)
	(10,108)	(12,894)
(Over)/under provision in the prior financial years		
- current year income tax	3,349	(4,379)
- deferred taxation	(2,052)	4,193
Income tax	(8,811)	(13,080)
Other tax expense/(benefit)		
- Withholding tax	963	1,302
- Profits-based royalty expense/(benefit) - Northern Territory Royalty	15,253	(5,588)
	7,405	(17,366)

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

	2012	(Restated) 2011
	A\$'000	A\$'000
The Group		
Loss before income tax	(53,455)	(29,099)
Tax at applicable tax rates	(3,474)	(6,609)
Deferred tax assets on temporary difference not recognised in prior years	168	153
Utilisation of deferred tax benefit previously not recognised	–	(2)
Tax effect of non-taxable revenue	(7,324)	(7,862)
Tax effect of non-deductible expenses	1,322	2,257
Tax effect of allowances given by tax jurisdiction	(800)	(749)
Double tax relief	–	(82)
Under/(over) provision in prior years	1,297	(186)
	(8,811)	(13,080)



# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 27 Dividends

	2012 A\$'000	2011 A\$'000
The Company and the Group		
Ordinary dividends paid or payable		
- final dividend of A\$Nil (2011 - A\$0.02) per ordinary share paid in respect of the previous financial year	-	10,029
	-	10,029

## 28 Loss per share

The Group

The loss per share is calculated based on the consolidated losses attributable to owners of the parent divided by the weighted average number of shares on issue of 605,045,455 (2011 – 503,189,299) shares during the financial year.

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

	2012 '000	2011 '000
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	605,045	503,189
Effect of dilutive potential ordinary shares:		
Share options	-	-
Weighted average number of ordinary shares for the purposes of calculating diluted loss per share	605,045	503,189

Loss figures are calculated as follows:

	2012 A\$'000	2011 A\$'000
Loss for the purpose of calculating basic and diluted loss per share	(61,056)	(11,511)

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 29 Employee benefits expense

	2012 A\$'000	2011 A\$'000
Directors' remuneration other than fees		
- Directors of the Company	1,393	1,586
- Directors of the subsidiaries	2,061	2,330
- Defined contributions plans	139	236
Key management personnel (other than Directors)		
- Salaries, wages and other related costs	1,712	1,542
- Defined contributions plans	148	143
Other than key management personnel		
- Salaries, wages and other related costs	14,063	11,081
- Defined contributions plans	1,290	1,690
	<b>20,806</b>	<b>18,608</b>
Directors' fees	472	349
Equity-settled share-based payments		
- Directors of the Company and subsidiaries	5,160	5,715
- Key management personnel (other than Directors)	-	345
- Other than key management personnel	-	46
	<b>26,438</b>	<b>25,063</b>

## 30 Employee share option plan

The Company

At the Annual General Meeting held on 25 May 2007, shareholders approved the introduction of the OM Holdings Limited Employee Share Option Plan, which provided for the grant of unlisted share options to subscribe for shares in the Company to Directors and employees of the Company and its subsidiaries. Renewal approval for the Employee Share Option Plan was also provided by shareholders at the Annual General Meeting held on 20 April 2011. Each option shall be issued for no consideration and allows the option holder to subscribe for one ordinary share in the Company.

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

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

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

# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

	Options 2012 '000	Weighted Average Exercise Price 2012 A\$	Options 2011 '000	Weighted Average Exercise Price 2011 A\$
Outstanding at 1 January	26,000	2.15	34,020	2.07
Expired/lapsed	(11,000)	2.18	(7,000)	1.95
Exercised <sup>(1)</sup>	–	–	(1,020)	0.71
Outstanding at 31 December	15,000	2.13	26,000	2.15
Exercisable at 31 December	13,000	2.07	18,000	2.14

<sup>(1)</sup> Consideration received from options exercised during the year was A\$Nil (2011 - A\$726,000).

The following table summarises information about options outstanding and exercisable at 31 December 2012:

Exercise Price A\$	Outstanding Options '000	Average Life <sup>(2)</sup> Years	Exercisable Options '000	Average Exercise Price A\$
2.49	7,000	2.00	5,000	2.49
1.87	4,000	2.00	4,000	1.87
1.755	4,000	2.00	4,000	1.755
<b>Total</b>	<b>15,000</b>		<b>13,000</b>	

<sup>(2)</sup> Weighted-average contractual life remaining in years.

Since the end of the financial year, 5 million unlisted share options exercisable at A\$2.49 each expired on 1 January 2013.

In 2008, the Board and where relevant shareholders of the Company approved the grant of 56,650,000 unlisted options to Directors and employees of the Company and its subsidiaries. In 2012, the vested amount of A\$5,160,000 (2011 - A\$8,472,000) was expensed through the profit or loss, out of which A\$1,806,000 (2011 - A\$2,366,000) was reversed from the profit or loss and capitalised as part of construction in progress.

The fair value of equity-settled share options granted during the year ended 31 December 2008 was estimated as at the date of grant using a binominal model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used during the reporting period:

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

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

# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

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

## 31 Related party transactions

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

	2012 A\$'000	2011 A\$'000
The Group		
Company secretarial fees paid to a company of which a Director is a director and beneficial shareholder	169	309
Operating lease charges paid to a minority shareholder of a subsidiary	9	9
Legal fees paid to a company of which a Director is a director	28	31

## 32 Commitments

### 32.1 Capital commitments

The following table summarises the Group's capital commitments:

	2012 A\$'000	2011 A\$'000
The Group		
Capital expenditure contracted but not provided for in the financial statements		
- capital injection to an associate for mine development	7,694	17,494
- acquisition of property, plant and equipment	11,697	12,546

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

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

	2012 A\$'000	2011 A\$'000
The Group		
Not later than one year	170	138
Later than one year and not later than five years	137	218
	307	356

The leases on the Group's office premises on which rentals are payable will expire on 14 September 2014 and 14 January 2015, subject to an option to renew. The current rents payable on the leases are A\$11,251 and A\$2,851 per month respectively which are subject to revision on renewal.



# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 32 Commitments (cont'd)

### 32.3 Other operating commitments

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

	2012 A\$'000	2011 A\$'000
The Group		
Not later than one year	26,122	16,096
Later than one year and not later than five years	18,982	165
	<b>45,104</b>	<b>16,261</b>

### 32.4 Mineral Tenements

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

	2012 A\$'000	2011 A\$'000
The Group		
Mineral tenements annual expenditure commitments	596	865

### 32.5 Other commitments

	2012 A\$'000	2011 A\$'000
The Group		
<u>Monax Mining Limited Farm-in Agreement</u> <sup>(1)</sup>		
Not later than one year	–	250
Later than one year and not later than five years	–	1,250
	–	1,500
<u>Archer Exploration Ltd Farm-in Agreement</u> <sup>(2)</sup>		
Not later than one year	–	75
Later than one year and not later than five years	–	375
	–	450
<b>Total</b>	<b>–</b>	<b>1,950</b>

In 2009,

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

<sup>(2)</sup> A subsidiary 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.

In 2012, the subsidiary elected to withdraw from Farm-in Agreements with Monax Mining Limited ("MOX") and Archer Exploration Limited ("AXE") as drilling by both companies did not identify potential for mineral resources of a scale required by the subsidiary to support a significant manganese mining and processing operation.

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 32 Commitments (cont'd)

### 32.5 Other commitments (cont'd)

The subsidiary is withdrawing prior to fully funding the required farm-in expenditure and as such will have no residual interest in either the Waddikee or Carappee Hill Tenements or have any further funding obligations. There is no further financial impact related to these withdrawals as the farm-in expenditure had been expensed as incurred over the farm-in periods in the prior years, and had accordingly been recorded in the prior years' consolidated financial statements.

### 32.6 Environmental bonds

A subsidiary has environmental bonds to the value of A\$9,371,000 (2011 – A\$7,451,000) lodged with the Northern Territory Government (Department of Resources) to secure environment rehabilitation commitments. The A\$9,371,000 of bonds has been secured by A\$7,451,000 of bonds issued under financing facilities and A\$1,920,000 cash backed secured with the Northern Territory Department of Resources.

## 33 Contingent liabilities

### Bootu Creek Mine – Promet Litigation

A subsidiary is engaged in a lawsuit in the Supreme Court of Western Australia in respect of a claim by Lonsdale Investments Pty Ltd and Promet Engineers Pty Ltd (together "Promet") against the subsidiary, and a counterclaim by the subsidiary against Promet and one of its directors in connection with design services provided by Promet for a process plant for the subsidiary's mining operation at Bootu Creek.

A trial was held in the period of May to August 2010. On 5 June 2012 the Supreme Court of Western Australia ruled in favour of the subsidiary in its action against the process plant design engineers for the Bootu Creek Manganese Mine ("Promet Parties"). A substantial portion of the total judgment (A\$7,186,317.61) has been paid such that there is now only approximately A\$470,000.00 outstanding (with interest currently accruing) as against one of the Promet Parties, Lonsdale Investments Pty Ltd. The subsidiary has issued a statutory demand to Lonsdale Investments Pty Ltd in respect of this unpaid amount.

Orders have been made regarding the legal costs of the action. The subsidiary has been awarded 75% of its costs subject to certain conditions. Of this 75%, the Promet Parties are jointly and severally liable for 15%, and Lonsdale Investments Pty Ltd is liable for the remaining 60% of the costs awarded to the subsidiary.

Orders also contain a costs uplift which recognises the substantial nature of the proceedings and may increase overall recovery if the matter proceeds to taxation. The Promet Parties have appealed the judgment and the subsidiary is presently considering its position with respect to that appeal and other related matters. The subsidiary and the Promet Parties are scheduled to finalise their respective appeal papers by 4 April 2013 and it is not expected that the appeal will be heard before late 2013. The Directors are of the view that the operational and financial impacts of the legal proceedings against the Group are not material. At the current point in time, due to the uncertainty of the outcome, no provision was made as of to date.

### Northern Territory Mineral Royalties

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

The subsidiary, in consultation with its professional advisers, has proposed a valuation policy and provided supporting annual transfer pricing reports to the Territory Revenue Office to derive a gross realisation that the subsidiary believes accords with the requirements of the Northern Territory MRA. The subsidiary has paid royalty assessments and made payments on account of Northern Territory mineral royalties under the Mineral Royalty Act (NT). To date the Territory Revenue Office has not accepted such calculations and has provided alternative transfer pricing proposals.

## 33 Contingent liabilities (cont'd)

### Northern Territory Mineral Royalties (cont'd)

#### Royalty Years 2006 to 2009

For the 4 years from 2006 to 2009 (inclusive), the subsidiary paid royalty assessments and made payments on account of Northern Territory mineral royalties under the MRA. On 14 September 2012, the Territory Revenue Office issued amended royalty assessments for the 2006 and 2007 royalty years, and royalty assessments for the 2008 and 2009 royalty years which required the subsidiary to pay a further amount of A\$9,349,461.

Pursuant to the MRA and the Taxation Administration Act (NT), the subsidiary has formally objected to the amended royalty assessments and the assessments. Notwithstanding the formal objection by the subsidiary, the revised and new assessments remain payable, and the subsidiary has entered into a payment plan with the Territory Revenue Office in relation to the outstanding amount. Once the subsidiary's objection is determined, any overpayment by the subsidiary will be refunded (plus any interest), and any shortfall in payment by the subsidiary will be payable (with interest). As at the reporting date, it is not possible to advise of the date by which the subsidiary's royalty objections may be determined.

#### Royalty Year 2010

For the year 2010, the subsidiary conducted mining operations which will be assessed under the MRA. As at the reporting date, the subsidiary has not received a royalty assessment under the MRA in respect to these operations, however, the subsidiary has made payment on account of mineral royalties under the MRA for the 2010 year.

If the Northern Territory assesses the subsidiary's royalty liability for the 2010 year based on similar methodologies that the Northern Territory adopted for the 4 years from 2006 to 2009 (inclusive), then, the subsidiary estimates that it could be liable to pay additional amounts ranging from A\$Nil to approximately A\$2 million subject to a range of gross realisation valuation methodologies and outstanding eligible operating cost determinations.

#### Royalty Years 2011 to 2012

For the years 2011 and 2012, the subsidiary conducted mining operations which will be assessed under the MRA. As at the reporting date, the subsidiary has not received a royalty assessment under the MRA in respect to these operations. The subsidiary has filed royalty returns under the MRA for the 2011 and 2012 years.

If the Northern Territory assesses the subsidiary's royalty liability for the 2011 and 2012 years based on similar methodologies that the Northern Territory adopted for the 4 years from 2006 to 2009 (inclusive), the subsidiary does not believe that there will be any additional royalty amounts payable for the 2011 and 2012 years.

As at 31 December 2012, the subsidiary estimates that a net negative value for royalty exists which could lead to a deferred tax asset in respect of the net value losses carried forward. Due to the uncertainty of the ultimate final net negative value, the subsidiary has not raised a deferred tax asset in respect to any net value losses carried forward.

The subsidiary has paid all royalty assessments that have been issued by the Territory Revenue Office and has made all royalty payments. The subsidiary will continue its process of engaging with the Territory Revenue Office to seek to resolve the royalty issue.

### Masai Pit and Sacred Site

A subsidiary had been charged under the Northern Territory Aboriginal Sacred Sites Act (NT) with eight offences relating to damage of a sacred site adjacent to the Masai Pit at the Bootu Creek Mine in the Northern Territory of Australia. Seven of the charges allege contraventions of a condition of an Authority Certificate and one charge alleges desecration of the sacred site. On 7 February 2013, the Aboriginal Areas Protection Authority reformulated their charges with the effect that the subsidiary is now charged with one charge that alleges the contravention of a condition of an Authority Certificate and two charges that allege the desecration of the sacred site. At a Court hearing on the week commencing 4 March 2013, the subsidiary pleaded guilty to the charge of a contravention of a condition of an Authority Certificate but defended the two charges of desecration.

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 33 Contingent liabilities (cont'd)

### Masai Pit and Sacred Site (cont'd)

The Magistrate hearing the matter reserved her decision on the two charges of desecration. The subsidiary's lawyers expect that a decision on the desecration charges may be handed down in March or April 2013 and that the matter of penalty (on the charge to which the subsidiary pleaded guilty and any finding of guilt on the desecration charges) may be determined by the end of May 2013.

The cumulative maximum penalty, if the subsidiary was found guilty on every count and fined the maximum amount, is A\$673,000. The subsidiary is defending the desecration charges and has been advised by its lawyers that it is not conceivable that the subsidiary would be found guilty and fined the maximum amount for each and every charge. However, due to the limited number of prosecutions under the NT and the circumstances of the matter, the subsidiary's lawyers are unable to confidently advise of the likely liability at this stage.

The Directors are of the view that the operational and financial impacts of the legal proceedings against the Group are not material. Due to uncertainty whilst the case is still on going, there is not a requirement to record any provision at 31 December 2012.

The subsidiary takes and continues to take considerable care to ensure its exploration and mining activities are conducted in a culturally and environmentally sensitive manner. The subsidiary values strong and sustainable relationships with indigenous communities.

## 34 Operating segments

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

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

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

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

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

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



# Notes to Financial Statements

For the financial year ended 31 December 2012

## 34 Operating segments (cont'd)

	Mining		Processing		Marketing and Trading		Others		Total	
	2012	(Restated) 2011	2012	(Restated) 2011	2012	(Restated) 2011	2012	(Restated) 2011	2012	(Restated) 2011
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
<b>Reportable segment revenue</b>										
Sales to external customers	-	-	127,416	119,010	280,005	270,290	808	437	408,229	389,737
Inter-segment sales	109,370	133,353	-	-	216,013	163,861	290	824	325,673	298,038
Elimination	109,370	133,353	127,416	119,010	496,018	434,151	1,098	1,261	(325,673)	(298,038)
	109,370	133,353	127,416	119,010	496,018	434,151	1,098	1,261	408,229	389,737
<b>Reportable segment (loss)/profit</b>	(27,461)	(34,190)	7,459	171	26,753	17,438	(55,010)	(7,934)	(48,259)	(24,515)
<b>Reportable segment assets</b>	154,297	157,639	201,024	141,355	306,563	302,856	289,359	222,835	951,243	824,685
Elimination									(483,629)	(415,358)
Interest in an associate									91,600	79,661
Deferred tax assets									21,312	9,714
Available-for-sale financial assets									28,884	38,571
Derivative financial assets									20	20
Goodwill									2,065	2,065
Cash collateral									14,962	14,269
Total assets									626,457	553,627
<b>Reportable segment liabilities</b>	211,791	180,136	31,951	33,171	114,591	129,497	132,097	145,608	490,430	488,412
Elimination									(383,056)	(366,827)
Borrowings									179,160	167,507
Deferred tax liabilities									244	-
Income tax payables									17,309	6,562
Total liabilities									304,087	295,654
<b>Other segment information</b>										
Purchase of property, plant and equipment	12,892	3,744	30,678	41,406	220	625	-	-	43,790	45,775
Depreciation of property, plant and equipment	9,434	9,114	2,277	2,485	338	367	-	-	12,049	11,966
Amortisation of land use rights	-	-	29	29	-	-	-	-	29	29
Amortisation of mine development costs	1,755	1,714	-	-	-	-	-	-	1,755	1,714
Write off of evaluation and exploration costs	2,288	3,126	-	-	-	-	-	-	2,288	3,126

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 34 Operating segment (cont'd)

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

	2012 A\$'000	(Restated) 2011 A\$'000
Reportable segment loss	(48,259)	(24,515)
Finance income	1,115	1,170
Share of results of associate	(48)	(33)
Finance costs	(6,263)	(5,721)
Loss before income tax	(53,455)	(29,099)

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

	Revenue from external customers		Non-current assets	
	2012 A\$'000	2011 A\$'000	2012 A\$'000	2011 A\$'000
Principal markets				
PRC	408,229	389,737	23,379	26,634
Australia	–	–	81,742	77,964
Mauritius	–	–	91,588	79,661
Malaysia	–	–	79,566	38,477
Others (including Bermuda and Madagascar)	–	–	2,784	2,853
	408,229	389,737	279,059	225,589

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

Revenue of approximately A\$35,135,000 (2011 - A\$40,942,000) was derived from a single external customer. This revenue is attributable to the Marketing and Trading segment (2011 - Marketing and Trading segment).

## 35 Financial risk management objectives and policies

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

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

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

# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

### 35.1 Credit risk

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

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

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

#### Exposure to credit risk

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

	2012 A\$'000	2011 A\$'000
The Company		
Corporate guarantees provided to banks on subsidiaries' loans	67,549	106,401

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

### 35.2 Liquidity risk

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

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

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

The Group As at 31 December 2012	Less than 1 year A\$'000	Between 2 and 5 years A\$'000	Over 5 years A\$'000	Total A\$'000
Non-derivative financial liabilities				
Trade and other payables	90,296	–	–	90,296
Provisions	–	–	5,358	5,358
Lease obligation	–	9,007	–	9,007
Borrowings	105,102	67,874	6,184	179,160
	195,398	76,881	11,542	283,821
Derivative financial liabilities				
5% Convertible note	2,713	–	–	2,713

# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

### 35.2 Liquidity risk (cont'd)

The Group As at 31 December 2011 (Restated)	Less than 1 year A\$'000	Between 2 and 5 years A\$'000	Over 5 years A\$'000	Total A\$'000
Non-derivative financial liabilities				
Trade and other payables	116,706	–	–	116,706
Provisions	–	–	4,871	4,871
Borrowings	106,189	46,827	14,491	167,507
	222,895	46,827	19,362	289,084
Derivative financial liabilities				
Gross settled forward foreign exchange contracts	8	–	–	8
The Company As at 31 December 2012				
Non-derivative financial liabilities				
Trade and other payables	31,217	–	–	31,217
Borrowings	–	17,734	–	17,734
	31,217	17,734	–	48,951
Derivative financial liabilities				
5% Convertible note	2,713	–	–	2,713
As at 31 December 2011				
Non-derivative financial liabilities				
Trade and other payables	63,755	–	–	63,755

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

### 35.3 Interest rate risk

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

The Company's and the Group's exposure to interest rate risk arises primarily from their bank borrowings, cash collaterals and fixed deposits.

#### Sensitivity analysis for interest rate risk

At the end of the reporting period, if USD and RMB interest rates had been 75 (2011 - 75) basis points lower/higher with all other variables held constant, the Group's loss net of tax would have been A\$691,000 and A\$30,000 (2011 - A\$911,000 and A\$48,000) lower/higher, arising mainly as a result of lower/higher interest expense on bank borrowings, cash collaterals and fixed deposits.



# Notes to the Financial Statements

For the financial year ended 31 December 2012

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

### 35.4 Foreign currency risk

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

The Group operates and sells its products in several countries and transacts in foreign currencies. As a result, the Group is exposed to movements in foreign currency exchange rates arising from normal trading transactions, primarily with respect to USD and RMB.

#### Sensitivity analysis for foreign currency risk

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

		The Group			
		2012		2011	
		(Loss)/profit net of tax	Equity	(Loss)/profit net of tax	Equity
		A\$'000	A\$'000	A\$'000	A\$'000
United States dollars	- strengthened 5% (2011 - 5%)	(7,728)	(7,651)	(10,050)	(10,190)
	- weakened 5% (2011 - 5%)	7,728	7,651	10,050	10,190
RMB	- strengthened 5% (2011 - 5%)	3,094	3,094	2,630	2,643
	- weakened 5% (2011 - 5%)	(3,094)	(3,094)	(2,630)	(2,643)

### 35.5 Market price risk

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

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

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

#### Market price sensitivity

At the end of each reporting period, if the market share price had been 10% higher/lower, with all the other variables held constant, the Group's and the Company's fair value reserve in equity would have been A\$2,888,000 (2011 - A\$3,857,000) higher/lower, arising as a result of increase/decrease in the fair value of the Group's and the Company's available-for-sale financial assets.

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

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 36 Capital risk management

The Group's objectives when managing capital are

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

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders' 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.

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

The Group monitors capital using a gearing ratio, which is net debt divided by total equity:

	2012 A\$'000	2011 A\$'000
Borrowings	179,160	167,507
Less: Cash and cash equivalents	(73,890)	(17,611)
	<b>105,270</b>	<b>149,896</b>
Total equity	<b>322,370</b>	<b>257,973</b>
Gearing ratio	<b>0.33</b>	<b>0.58</b>

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

The Group has honoured its covenant obligations, including maintaining Debt Service Coverage ratio, Gearing ratio and Net Debt to EBITDA ratio as at the end of the reporting period.

## 37 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 end of reporting period 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 and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 37 Financial instruments (cont'd)

### Fair value hierarchy (cont'd)

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities measured at fair value in the consolidated financial statements of financial position are grouped into fair value hierarchy as follows:

	Note	Level 1 A\$'000	Level 2 A\$'000	Level 3 A\$'000	Total A\$'000
<b>The Group and The Company</b>					
<b>As at 31 December 2012</b>					
<b>Assets</b>					
Available-for-sale financial assets	(a)	28,884	–	–	28,884
Unquoted share options	(b)	–	–	20	20
		<b>28,884</b>	<b>–</b>	<b>20</b>	<b>28,904</b>
<b>Liabilities</b>					
5% convertible note	(c)	–	–	2,713	2,713
<b>The Group</b>					
<b>As at 31 December 2011</b>					
<b>Assets</b>					
Available-for-sale financial assets	(a)	38,571	–	–	38,571
Unquoted share options	(b)	–	–	20	20
		<b>38,571</b>	<b>–</b>	<b>20</b>	<b>38,591</b>
<b>Liabilities</b>					
Forward foreign exchange contracts	(c)	–	8	–	8
<b>The Company</b>					
<b>As at 31 December 2011</b>					
<b>Assets</b>					
Available-for-sale financial assets	(a)	38,571	–	–	38,571
Unquoted share options	(b)	–	–	20	20
		<b>38,571</b>	<b>–</b>	<b>20</b>	<b>38,591</b>

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

# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 37 Financial instruments (cont'd)

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Such instruments are included in Level 3.

The methods and valuations techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods:

- (a) *Listed securities*  
The listed equity securities are denominated in A\$. Fair values have been determined by reference to their quoted closing bid prices at the reporting date.
- (b) *Unquoted share options*  
The fair value of unquoted share options is determined using valuation techniques.
- (c) *Foreign currency forward contracts*  
The fair value of forward exchange contracts is based on their listed market price, if applicable. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract.
- (d) *5% convertible bond*  
The fair value of the 5% convertible bond is determined using valuation techniques based on discounted future cash flows using a 9% effective interest rate.

There is no movement in the fair value of the unquoted share options during the year.

## 38 Comparative figures

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

	2011		2011	
	As restated A\$'000	As previously reported A\$'000	As restated A\$'000	As previously reported A\$'000
The Group				
<u>Consolidated statement of comprehensive income</u>				
Other operating expenses	(25,930)		(25,930)	(21,644)
Income tax benefit	17,366		17,366	13,080
	2011		1.1.2011	
	As restated A\$'000	As previously reported A\$'000	As restated A\$'000	As previously reported A\$'000
<u>Statement of financial position</u>				
Property, plant and equipment	103,138	123,040	89,124	88,613
Land use rights	21,695	1,290	1,276	1,276
Long-term prepayments	–	503	–	511
Trade and other receivables	85,217	89,720	31,396	31,396
Income tax recoverable	4,503	–	–	–
Trade and other payables	(116,706)	(120,250)	(72,202)	(78,278)
Income tax payables	(6,562)	(3,018)	(13,724)	(7,648)
The Company				
<u>Statement of financial position</u>				
Interest in subsidiaries	129,559	126,015	120,169	117,564
Income tax payables	(3,544)	–	(2,605)	–



# Notes to the Financial Statements

For the financial year ended 31 December 2012

## 38 Comparative figures (cont'd)

The management is of the opinion that the underlying nature of the royalties administered under the Northern Territory Mineral Act and the withholding tax on the loan interest income from a loan to a subsidiary possess characteristics of a tax expense. For the royalties administered under the Northern Territory Mineral Act, they are imposed under government authority and the royalties payable are calculated by reference to revenue derived (net of allowable deductions) after adjustment for temporary differences. Comparative figures have been adjusted accordingly as shown above.

The other reclassifications relating to property, plant and equipment, land use rights and long-term prepayments were made to present these items more appropriately in accordance with IFRS and provide more relevant information on the financial performance of the Group.

## 39 Other matters

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

Pursuant to the execution of the Power Purchase Agreement ("PPA") between a subsidiary and Syarikat Sesco Berhad ("SSB") in early February 2012, the Company issued the following guarantees as conditions precedent to the PPA:

- 1. Sponsor Guarantee**  
The Company has issued a sponsor guarantee to Syarikat Sesco Berhad ("SSB") for its 80% interest of a subsidiary's obligations under a Power Purchase Agreement ("PPA") executed on 2 February 2012. The sponsor guarantee includes but is not limited to termination payments, late payment interest and guaranteed obligations under the PPA. The sponsor guarantee will not take effect until financial close of the ferro alloy smelting project. The maximum exposure to the Company over the 10 years of full commercial operations (assuming no events of default) is MYR496 million (approximately A\$153 million) plus enforcement costs pursuant to any dispute plus any late interest payments. There is a staged stepdown of the maximum exposure to the Company to MYR248 million (approximately A\$76 million) once the full commercial operations date has been achieved and the sponsor guarantee will cease to have effect after 10 years of full operation. Cahya Mata Sarawak Berhad ("CMSB") has correspondingly provided a sponsor guarantee for its 20% interest held in the subsidiary.
- 2. Corporate Guarantee**  
In accordance with the PPA the Company provided a corporate guarantee to RHB Bank Berhad for the issuance of a banker's guarantee in favour of SSB to cover but not limited to unpaid claims on the interconnection facilities constructed by SSB. The banker's guarantee took effect from the date of issuance, 4 May 2012. The Company's maximum exposure until the completion of testing and commissioning (assuming no events of default) is MYR25 million (approximately A\$8 million). There is a staged step down of the maximum exposure to the Company to MYR20 million (approximately A\$6 million) throughout 2013, MYR8 million (approximately A\$2 million) after the connection fee has been paid and the corporate guarantee will cease to have effect after completion of testing and commissioning. CMSB has correspondingly provided a corporate guarantee for its 20% interest held in the subsidiary.

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

# Corporate Governance

OM Holdings Limited (the “Company”) is committed to implementing and maintaining the highest standards of corporate governance. In determining what those high standards should involve, the Company has had regard to the second edition of the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations with 2010 Amendments. The ASX Listing Rules require the Company to report on the extent to which it has followed those principles and recommendations.

This statement outlines the main corporate governance practices in place during the 2012 financial year, which comply with the ASX Corporate Governance Council recommendations unless stated otherwise.

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

The Company’s Board of Directors (the “Board”) is responsible for corporate governance, that is, the system by which the Company and its subsidiaries (together, the “OMH Group”) 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 Board must act in the best interests of the OMH Group as a whole. It is the role of senior management to manage the OMH Group in accordance with the direction and delegations of the Board and it is the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, 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 relevant 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 Company’s directors (“Directors”) and key executives in the performance of their respective roles. The Code of Conduct, along with a number of the Company’s other policies and protocols, is available on the Company’s website at [www.omholdingsltd.com](http://www.omholdingsltd.com).

The Board represents shareholders’ interests in relation to optimising the Company’s manganese mining operation, marketing and trading business, ferro alloy smelter and sinter ore facility, and in managing its various strategic investments in the carbon steel materials industry and its development initiatives in both South Africa and Malaysia. This fully integrated strategy seeks to achieve medium to long-term financial gains for shareholders. By adopting this strategy 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, marketing and trading activities, the Board currently undertakes an active, not passive role.

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

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

- Appointing and removing the Chief Executive Officer, any other executive director and the Company Secretary and determining their respective remuneration and conditions of employment;
- Determining the strategic direction of the OMH Group and measuring performance of management against approved strategies;
- Reviewing the adequacy of resources for management to properly carry out approved strategies and business plans;
- Adopting operating (including production), capital and development expenditure budgets at the commencement of each financial year and 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;
- Authorising borrowings, other than in the ordinary course of business, and the granting of any security over the undertakings of the OMH Group or any of its assets;
- Approving the acquisition, establishment, disposal or cessation of any significant business of the OMH Group; and
- Ensuring that policies and compliance systems consistent with the OMH Group's objectives and best practice are in place and that the OMH Group and its officers act legally, ethically and responsibly 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 an effective composition, size and commitment to adequately discharge its responsibilities and duties. The names of the Directors and their qualifications and experience are disclosed in the 'Directors' section of the Annual Report. Directors are appointed based on the specific governance skills required by the OMH Group and on the independence of their decision-making and judgment.

The OMH Group recognises the importance of independent Non-Executive Directors and the external perspective and advice that such Directors can offer. The Board includes of the following independent Non-Executive Directors: Mr Tan Peng Chin, Mr Thomas Teo Liang Huat, Mr Zainul Abidin Rasheed and Mr Peter Church. Ms Julie Wolseley is also a Non-Executive Director but is not viewed as independent due to her also providing company secretarial services to the OMH Group. It should be noted however, that the value of such services are not considered to constitute a material supply arrangement of the Company. Mr Wong Yu Loon, who will not stand for re-election at the Company's 2012 Annual General Meeting (and therefore, in accordance with By-law 87(2), will cease to be a Director at the conclusion of that meeting), is also a Non-Executive Director who is not considered to be independent. This is because he is a nominee Director appointed by Boustead Singapore Limited, which, following the end of the reporting period and the disposal on 28 March 2013 of its holding of ordinary shares in the Company, ceased to be a substantial holder of the Company's shares.

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. In any event, and as a result of Mr Wong not seeking re-election as a Director, the Board will comprise a majority of independent Non-Executive Directors from the end of the 2012 Annual General Meeting (ie the time when Mr Wong's position as a Director formally ceases).

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

The Company's current Executive Chairman, Mr Low, is not considered by the Board to be independent having regard to the relationships set out in Box 2.1 titled 'Relationships affecting independent status' in the ASX Corporate Governance Council's Principles and Recommendations. The Board has regard to the relationships set out in Box 2.1, among other things, together with the Company's materiality thresholds when forming a view as to the independent status of a Director.

# Corporate Governance

The Board considers that Mr Low's position as Executive Chairman is appropriate given his world-wide experience and specialised understanding of the global manganese industry. The Board believes that Mr Low has the range of skills, knowledge, and experience necessary to effectively govern the Company and understand the industries and market segments in which the Company operates. Mr Low was 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.

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

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 the 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 Board subject to re-election by shareholders at the subsequent Annual General Meeting. Under the Company's Bye-laws the tenure of Directors (other than Chief Executive Officer) is subject to re-appointment by shareholders not later than the third anniversary following his/her last appointment by shareholders. Subject to the requirements of the law, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a Director. A Chief Executive Officer may be appointed for any period and on any terms the Directors think fit and, subject to the terms of any agreement entered into, the Board may revoke that appointment.

## 1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the OMH Group. It is required to do all things that may be necessary to be done in order to carry out the objectives 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 expenditure in excess of that which falls outside the approved authority matrix, approving expenditure materially outside the annual budget and approving and monitoring acquisitions, divestments and financial and other reporting;
7. Human Resources - appointing, and where appropriate, removing the Chief Executive Officer as well as reviewing the performance of the Chief Executive Officer and monitoring the performance of senior management in their implementation of the OMH Group's strategy;
8. Ensuring the Health, Safety and Well-Being of Employees - in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the OMH Group's occupational health and safety systems to ensure the well-being of all employees; and
9. Delegation of Authority - delegating appropriate powers to the Chief Executive Officer to ensure 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.



## 1.4 Board Policies

### 1.4.1 *Conflict of Interest*

Directors must:

- disclose to the Board any actual or potential conflict of interests that may or might reasonably be thought to exist between the interests of the Director and the interests of 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 or mitigate any such conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per law, remove himself/herself from the boardroom when discussion in relation to matters touching upon that conflict occur and/or abstain from voting on matters about which the conflict relates.

### 1.4.2 *Commitments*

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the 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 individually, 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 it or them (as applicable) to carry out its or 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 Companies Act 1981 of Bermuda or any other relevant laws or regulation (including the ASX Listing Rules) from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

## 1.5 Board Meetings

The Executive Chairman, in conjunction with the Chief Executive Officer and Company Secretary, 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;
- operating and financial reports from each key business unit;
- reports on major projects and current issues; and
- specific business proposals.

## Corporate Governance

The number of meetings of the Directors held in the period each Director held office during the 2012 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	1	1
Peter Ivan Toth	4	4	1	1
Julie Wolseley	4	4	1	1
Tan Peng Chin	4	4	1	1
Thomas Teo	4	4	1	1
Zainul Abidin Rasheed	4	4	1	1
Peter Church	4	4	1	1
Wong Yu Loon <sup>(i)</sup>	4	1	1	1

<sup>(i)</sup> Mr Wong Yu Loon was appointed as a Director on 7 August 2012.

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

## 2. BOARD COMMITTEES

Except for the Committees mentioned in Sections 2.1 and 2.2 below, the Board considers that the OMH Group's affairs are not sufficiently 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 Board also holds meetings at such times as may be necessary to address any general or specific matters as required.

If the OMH Group's activities increase in size, scope and nature, the 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 who is an independent Non-Executive Director), Mr Zainul Abidin Rasheed (an independent Non-Executive Director) and Ms Julie Wolseley (a Non-Executive Director). Audit Committee members have sufficient financial experience and expertise to discharge the Audit Committee's mandate.

During the year ended 31 December 2012, the audit committee had two meetings and all committee members were in attendance.

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

The Board in conjunction with the Audit Committee considers the appointment of the external auditor and reviews the appointment of the external auditor, their independence, the audit fee and any questions of resignation or dismissal. The Audit Committee also reviews the scope of work of the internal audit function and reviews the internal audit reports tabled by the internal auditors. The Board is responsible for establishing policies on risk oversight and management.

The role of the Audit Committee is to assist the Board to meet its oversight responsibilities in relation to the Company's financial reporting, compliance with legal and regulatory requirements, internal control structure and the external audit function.

Key activities undertaken by the Audit Committee include:

- approval of the scope, plan and fees for the external audit;
- 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 of the OMH Group's half year and annual financial statements.

Members of the Audit Committee and their qualifications are outlined in the Directors' section of the Annual Report.

The Audit Committee Charter is available on the Company's website.

## 2.2 Remuneration Committee

The Remuneration Committee reviews and makes recommendations to the Board on remuneration policies applicable to executive officers and Directors of the OMH Group. The Remuneration Committee comprises Mr Tan Peng Chin (chairman of the Remuneration Committee and an independent Non-Executive Director), Mr Zainul Abidin Rasheed (an independent Non-Executive Director) and Ms Julie Wolseley (a Non-Executive Director).

The role of the Remuneration Committee is to assist the Board in reviewing human resources and compensation policies and practices which:

- enable the Company to attract, retain and motivate employees who achieve operational excellence and create value for shareholders; and
- reward employees fairly and responsibly, having regard to the results of the OMH Group, individual performance and general remuneration conditions.

The Remuneration Committee works with the Board on areas such as setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Executive Chairman and the Chief Executive Officer, reviewing superannuation arrangements, reviewing the remuneration of Non-Executive Directors and undertaking an annual review of the Chief Executive Officer's performance.

The OMH Group is committed to remunerating its senior executives in a manner that is market competitive and consistent with best practice as well as supporting the interests of shareholders. The Board also administers the OM Holdings Limited Employee Share Option Plan last approved by shareholders on 20 April 2011.

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. The annual aggregate maximum amount of remuneration paid to Non-Executive Directors was last approved by shareholders on 30 May 2008 and is currently A\$750,000.

During the year ended 31 December 2012, the Remuneration Committee had three meetings and all committee members were in attendance.

## 2.3 Nomination Committee

The OMH Group does not have a nomination committee because it would not be a more efficient mechanism than the 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.

# Corporate Governance

Directors are appointed based on the specific governance skills required by the OMH Group. Given the size of the OMH Group and the 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 commercial 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 the highest 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 any real or perceived conflict of interests;
- act in the best interests of shareholders;
- by their actions contribute to the OMH Group's reputation as a good 'corporate citizen' that seeks the respect of the community and environment in which it operates;
- perform their duties in 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 such information from uses other than those for which it was provided.

## *Conflict of Interests*

Employees and Directors must avoid conflicts as well as the 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 of Ethics and Conduct.

## **4. DIVERSITY**

The OMH Group recognises the value contributed to the group's operations by employing people with varying skills, cultural backgrounds, ethnicity and experience. The OMH Group's diverse workforce is the key to continued growth, improved productivity and performance. The OMH Group actively values and embraces the diversity of its employees and is committed to creating an inclusive workplace where everyone is treated equally and fairly, and where discrimination, harassment and inequality are not tolerated.

The Company is committed to workplace diversity and to ensuring a diverse mix of skills and talent exists amongst its Directors, officers and employees to enhance Company performance. The Board has adopted a Diversity Policy which addresses equal opportunities in the hiring, training and career advancement of Directors, officers and employees. The Diversity Policy outlines the strategies and processes according to which the Board will set measurable objectives to achieve the aims of its Diversity Policy, with particular focus on gender diversity within the Company and representation of indigenous individuals. The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements, including the achievement of diversity objectives.

Information relating to the total current representation of women employees in the OMH Group, including holding senior executive positions and on the Board is as follows:

	Number of Women	%
Board of Directors	1	12.5%
Senior Executives	4	24%
Total OMH Group employees	107	13%

As at 31 December 2012, 3% of the OMH Group's mining subsidiary workforce were indigenous employees and the mining subsidiary's contractors included representation by a further 1.2% of indigenous contractors.

# Corporate Governance

## 5. KEY MANAGEMENT PERSONNEL DEALING IN COMPANY SHARES

The Company has a formal trading policy relating to the trading of securities by key management personnel (including Directors) of the Company which complies with ASX Listing Rule 12.12. A copy of the Company's Securities Trading Policy is available on the Company's website.

## 6. DISCLOSURE OF INFORMATION

### 6.1 Continuous Disclosure to ASX

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

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

The Chief Executive Officer is responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with ASX.

The Continuous Disclosure Policy requires all executives and Directors to inform the Chief Executive Officer (or in his absence the Company Secretary) of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

### 6.2 Communication with Shareholders

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

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

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

- the 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 Company's 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 Annual General Meeting to answer shareholder questions about the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

OMH's significant briefings with major institutional investors and analysts are lodged with the ASX and are made available on the Company's website.

## 7. RISK MANAGEMENT

### 7.1 Approach to Risk Management and Internal Control

The Board recognises that risk management and internal compliance and control are key elements of good corporate governance.

The OMH Group's Risk and Internal Control policy describes the manner in which the Company:

- identifies, assesses, monitors and manages business risks;
- identifies material changes to the Company's risk profile; and
- designs, implements and monitors the effectiveness of the internal compliance and control framework.

OMH considers that effective risk management is about achieving a balanced approach to risk and reward. Risk management enables the Company to capitalise on potential opportunities while mitigating potential adverse effects. Both mitigation and optimisation strategies are considered equally important in risk management.

### 7.2 Risk Management Roles and Responsibilities

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

The Board is also responsible for satisfying itself that management has developed and implemented a sound system of risk management and internal control. 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 risk and internal control policy. This responsibility includes developing business risk identification, implementing appropriate risk mitigation strategies and controls, monitoring effectiveness of controls and reporting on risk management capability.

Each business unit reports annually to the Board on its business plan, risk profile and management of risk. The Board confirms that each business unit has provided such a report for the 2012 financial year.

The Board is responsible for the oversight of the OMH Group's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the OMH Group with the Chief Executive Officer and Chief Financial Officer having ultimate responsibility to the Board for the risk management and control framework.

### 7.3 Internal Audit

Since 2009, BDO Consultants Pte Ltd has been engaged to provide internal audit services to the OMH Group. The internal audit function is tendered every two years.

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

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

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

# Corporate Governance

## 7.4 Integrity of Financial Reporting

Each year, 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.

The Board confirms that such a report was provided by the Chief Executive Officer and Chief Financial Officer for the 2012 financial year.

## 7.5 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 the independence of the external auditor and to assess whether the provision of any non-audit services by the external auditor that may be proposed is appropriate.

The services considered not acceptable for provision by the external auditor include:

- internal audit;
- acquisition accounting due diligence where the external auditor is also the auditor of the other party;
- transactional support for acquisitions or divestments where the external auditor is also the auditor of the other party;
- book-keeping and financial reporting activities to the extent such activities require decision-making ability and/or posting entries to the ledger;
- the design, implementation, operation or supervision of information systems and provision of systems integration services;
- independent expert reports;
- financial risk management; and
- taxation planning and taxation transaction advice.

It is a requirement that there is a rotation of the external audit partner at least every five years and there is a prohibition in relation to the re-involvement of a previous audit partner in the audit service for two years following rotation.

## 8. ENCOURAGE ENHANCED PERFORMANCE

Board and management effectiveness are dealt with on a continuous basis by management and the Board, with differing degrees of involvement from various Directors and management, depending upon the nature of the matter.

The Board has adopted a self-evaluation process to measure its own performance during each financial year. The Board confirms that a review, conducted in accordance with this self-evaluation process, was performed during the 2012 financial year. Also, an annual review is undertaken in relation to the composition and skills mix of the Directors.

The performance of all Directors is reviewed by the Executive Chairman on an ongoing basis and any Director whose performance is considered unsatisfactory is asked to retire. The Executive Chairman's performance is reviewed by the other Board members.



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

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

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

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

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

The Remuneration Committee reviews and makes recommendations to the Board on the criteria for and the evaluation of, the performance of the Executive Chairman and the Chief Executive Officer.

The Board confirms that a review, conducted in accordance with these arrangements, was performed in relation to the performance of the Company's Executive Directors and senior management during the 2012 financial year.

## Executive Remuneration Policy

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

- provides competitive rewards that attract, retain and motivate executives of the highest calibre;
- sets demanding levels of performance which are clearly linked to an executive's remuneration;
- structures remuneration at a level that reflects the executive's duties and accountabilities and is where required, competitive within Australia and, for certain roles, internationally;
- benchmarks remuneration against appropriate comparable groups;
- aligns executive incentive rewards with the creation of value for shareholders; and
- complies with applicable legal requirements and appropriate standards of governance.

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

Remuneration consists of the following key elements:

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

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

At the end of the calendar year the Board assesses the actual performance of the consolidated entity and individual against the key performance indicators previously set. Any cash incentives and/or options granted require Board approval. Options proposed to be granted to any Directors also require shareholder approval. The entry into hedging arrangements in respect of any unvested incentive securities is not permitted.

## Corporate Governance

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 2012.

Director	Primary			Post Employment	Equity Compensation	Total
	Base Remuneration	Directors Fees	Performance Bonus	Defined Contributions	Employee share option benefits	
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Low Ngee Tong	585	-	49	6	-	640
Peter Ivan Toth	701	-	58	-	5,160	5,919
Zainul Abidin Rasheed	-	120	-	-	-	120
Julie Wolseley	-	80	-	-	-	80
Tan Peng Chin	-	80	-	-	-	80
Thomas Teo	-	80	-	-	-	80
Peter Church OAM	-	80	-	-	-	80
Wong Yu Loon <sup>(i)</sup>	-	32	-	-	-	32
	<b>1,286</b>	<b>472</b>	<b>107</b>	<b>6</b>	<b>5,160</b>	<b>7,031</b>

(i) Mr Wong Yu Loon was appointed as a Director on 7 August 2012.

### 9. RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS

The Company has introduced a formal Privacy Policy. The Company is committed to respecting the privacy of stakeholders' personal information. This Privacy Policy sets out the Company's personal information management practices and covers the application of privacy laws, personal information collection, the use and disclosure of personal information, accessing and updating stakeholders' information and the security of stakeholders' information.

Other than the introduction of a formal Privacy Policy, the Board has not adopted any other additional formal codes of conduct to guide compliance with legal and other obligations to legitimate stakeholders, as it considers, in the context of the size and nature of the Company, that it would not improve the present *modus operandi*.

## Corporate Governance

As at 31 December 2012, the Company complied in all material respects with each of the Corporate Governance Principles and the corresponding Recommendations as published by the ASX Corporate Governance Council except as noted below:

Recommendation Reference	Notification of Departure	Explanation for Departure
2.1	A majority of the board should be independent	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. In any event, and as a result of Mr Wong not seeking re-election as a Director, the Board will comprise a majority of independent Non-Executive Directors from the end of the 2012 Annual General Meeting (ie the time when Mr Wong's position as a Director formally ceases).
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. 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 should be established	The Board considers that the Company currently cannot justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification or attributes required in new Directors. Where appropriate independent consultants are engaged to identify possible new candidates for the Board.
3.3	Disclose the measurable objectives for achieving gender diversity	The Diversity Policy outlines the strategies and process according to which the Board will set measurable objectives to achieve the aims of its Diversity Policy, with particular focus on gender diversity within the Company and representation of indigenous individuals. The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements, including the achievement of diversity objectives. The Board intends to establish appropriate measurable objectives and to report progress against them in future Annual Reports.

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 05 April 2013.

## 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	309	126,540	0.02
1,001 – 5,000	449	1,315,323	0.20
5,001 – 10,000	258	2,103,157	0.31
10,001 – 100,000	454	15,721,874	2.33
More than 100,000	125	654,156,443	97.14
<b>Totals</b>	<b>1,595</b>	<b>673,423,337</b>	<b>100.00</b>

There were 375 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	262,992,778	39.05%
STRATFORD SUN LIMITED	58,731,393	8.72%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	57,551,011	8.55%
NEWTIMES MARINE CO LTD	40,300,000	5.98%
CITICORP NOMINEES PTY LIMITED	36,259,126	5.38%
HANWA CO., LTD	32,500,000	4.83%
J P MORGAN NOMINEES AUSTRALIA LIMITED	25,886,968	3.84%
LAI SHUN HOLDINGS LTD	24,000,000	3.56%
NATIONAL NOMINEES LIMITED	19,178,812	2.85%
DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT>	9,649,570	1.43%
PHILLIP SECURITIES PTE LTD <CLIENT ACCOUNT>	9,224,573	1.37%
UOB KAY HIAN PRIVATE LIMITED <CLIENTS A/C>	9,128,889	1.36%
J P MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	8,713,447	1.29%
BNP PARIBAS NOMS PTY LTD <DRP>	6,113,463	0.91%
MS JULIE ANNE WOLSELEY	5,562,002	0.83%
ZERO NOMINEES PTY LTD	3,434,629	0.51%
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	2,325,866	0.35%
UOB KAY HIAN (HONG KONG) LIMITED <CLIENTS A/C>	2,300,000	0.34%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – GSCO ECA	1,772,679	0.26%
CHAO FAN HUANG	1,686,291	0.25%
<b>TOTAL HELD BY 20 LARGEST SHAREHOLDERS</b>	<b>617,311,497</b>	<b>91.66%</b>
<b>OTHERS</b>	<b>56,111,840</b>	<b>8.34%</b>
<b>TOTAL</b>	<b>673,423,337</b>	<b>100.00%</b>



## C. Substantial Shareholders

An extract of the Company's Register of Substantial Shareholders (who hold 5% or more of the issued capital) is set out below.

Shareholder Name	Issued Ordinary Shares	
	Number of Shares	Percentage of Shares
Huang Gang and Newtimes Marine Co Ltd	89,261,779	13.25%
Low Ngee Tong and Ramley International Ltd	67,138,500	9.97%
Heng Siow Kwee and Dino Company Limited	65,951,769	9.79%
Stratford Sun Limited	58,731,393	8.72%
Marc Chan, Amplewood Resources Ltd and Parfield International Ltd	57,564,035	8.55%

## 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 option holders
4,000,000	A\$1.755	3 September 2013	1
4,000,000	A\$1.87	3 September 2014	1
2,000,000	A\$2.49	1 January 2015	1
<b>10,000,000</b>			

## 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.

None of the options noted above carry voting rights.

## 2. TAXATION

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

# ASX Additional Information

## 3. INVESTOR INFORMATION

### (a) Stock Exchange Listing

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

### (b) Company Information Contact

For further information about OM Holdings Limited please contact the 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](mailto:om@ommaterials.com)  
Website: [www.omholdingsltd.com](http://www.omholdingsltd.com)

### (c) Share Registry Enquiries

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

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

Postal Address:  
GPO Box D182  
PERTH WA 6840

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

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

This page has been intentionally left blank.

This page has been intentionally left blank.







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