

OM HOLDINGS LIMITED

(ARBN 081 028 337)



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21 March 2011

Company Announcements Office
ASX Limited
4th Floor
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

Pursuant to the Corporations Act 2001 and ASX Listing Rule 4.5, please find attached the audited Financial Statements and Reports for the year ended 31 December 2010.

The 2010 Annual Report (including Reports and Financial Statements) will be despatched to Shareholders who have requested a copy before Friday 29 April 2011.

Yours faithfully

OM HOLDINGS LIMITED



Heng Siow Kwee/Julie Wolseley
Company Secretary



BACKGROUND PROFILE OF OM HOLDINGS LIMITED

OMH listed on the ASX in March 1998 and has its foundations in metals trading – incorporating the sourcing and distribution of manganese ore products and subsequently in processing ores into ferro-manganese intermediate products. The OMH Group now operates commercial mining operations – leading to a fully integrated operation covering Australia, China and Singapore.

Through its wholly owned subsidiary, OM (Manganese) Ltd, OMH controls 100% of the Bootu Creek Manganese Mine (“Bootu Creek”) located 110 km north of Tennant Creek in the Northern Territory.

Bootu Creek has the capacity to produce 1,000,000 tonnes of manganese product annually. Bootu Creek has further exploration potential given that its tenement holdings extend over 2,600km².

Bootu Creek’s manganese product is exclusively marketed by the OMH Group’s own trading division with a proportion of the product consumed by the OMH Group’s wholly-owned Qinzhou smelter located in south west China.

Through its Singapore based commodity trading activities, OMH has established itself as a significant manganese supplier to the Chinese market. Product from Bootu Creek has strengthened OMH’s position in this market.

OMH is a constituent of the S&P/ASX 200 a leading securities index.

OMH holds a 26% investment in Ntsimbintle Mining (Proprietary) Ltd, which holds a 50.1% interest in the world class Tshipi Borwa manganese project in South Africa.

OMH also holds the following strategic shareholding interests in ASX listed entities:

- *16% shareholding in **Northern Iron Limited** (ASX Code: NFE), a company presently producing iron ore from its Sydvaranger iron ore mine located in northern Norway;*
- *11% shareholding in **Shaw River Resources Limited** (ASX Code: SRR), a company presently exploring for manganese in Western Australia and Ghana; and*
- *19% shareholding in **Scandinavian Resources Ltd** (ASX Code: SCR), a company presently exploring for iron ore, manganese, gold and copper in Sweden and Norway.*

OMH has also announced plans for a listing on the Main Board of The Stock Exchange of Hong Kong Limited (“HKEx”) to further broaden the Company’s shareholder base internationally and give the Company access to future capital raising opportunities in the growing Asian market to support its longer term growth strategy.

Financial statements
OM Holdings Limited
and its subsidiaries

31 December 2010

Company information

Company registration number	ARBN 081 028 337
Registered office	Clarendon House 2 Church Street Hamilton, HM11 Bermuda
Directors	Low Ngee Tong (Executive Chairman) Peter Ivan Toth (Chief Executive Officer) Julie Anne Wolseley (Non-Executive Director and Joint Company Secretary) Tan Peng Chin (Independent Non-Executive Director) Wong Fong Fui (Independent Non-Executive Director) Thomas Teo Liang Huat (Independent Non-Executive Director)
Audit committee	Thomas Teo Liang Huat (Chairman) Julie Anne Wolseley
Remuneration committee	Tan Peng Chin (Chairman) Thomas Teo Liang Huat Julie Anne Wolseley
Secretaries	Heng Siow Kwee Julie Anne Wolseley I.S. Outerbridge Lo Chin Men
Bankers	National Australia Bank Ltd
Independent auditor	Foo Kon Tan Grant Thornton LLP Public Accountants and Certified Public Accountants 47 Hill Street #05-01 Singapore Chinese Chamber of Commerce & Industry Building Singapore 179365 Partner-in-charge: Mr Henry Lim

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Directors' report

for the financial year ended 31 December 2010

The Directors submit this report to the members together with the audited consolidated financial statements of the Group and of the Company for the financial year ended 31 December 2010.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 14 to the financial statements.

Results and Appropriation

The results of the Group for the year ended 31 December 2010 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 8 to 64.

Share Capital

Details of the movements in the share capital of the Company are set out in Note 20.

Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in Consolidated Statement of Changes in Equity and Note 22 to the financial statements respectively.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group are set out in Note 7 to the financial statements.

Interest in Subsidiaries

Details of the Company's interests in subsidiaries are set out in Note 14 to the financial statements respectively.

Names of Directors

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

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

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

Directors' Interests in Share Capital

As at 31 December 2010, the interests of the Directors in the share capital of the Company were as follows:

	Holdings registered in the name of Director or nominee		Holdings in which Director is deemed to have an interest	
	As at 1.1.2010	As at 31.12.2010	As at 1.1.2010	As at 31.12.2010
<u>The Company</u>	<u>Number of ordinary shares fully paid</u>			
Low Ngee Tong	13,000,000	14,750,000	⁽¹⁾ 36,395,000	⁽¹⁾ 36,395,000
	⁽²⁾ 750,000	-	-	-
Peter Ivan Toth	⁽³⁾ 250,000	⁽³⁾ 4,250,000	-	-
Julie Anne Wolseley	5,562,002	5,562,002	-	-

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 share were held by DBS Vickers Securities (Singapore) Pte Ltd on behalf of Mr Low Ngee Tong.
- (3) These shares are held by National Nominees Limited on behalf of Mr Peter Ivan Toth.

Unissued Shares under Option

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

OM Holdings Limited Unlisted Options (in '000)							
Date options granted	Balance at 1.1.2010	Lapsed/ expired during the year	Exercised during the year	Balance at 31.12.2010	A\$ Exercise price per option	No. of options holders at 31.12.2010	Period exercisable
01.06.2007	550	-	(550)	-	0.30	-	31.05.2008 - 31.05.2009
01.06.2007	870	-	(850)	20	0.30	1	31.05.2008 - 31.05.2011
02.08.2007	750	-	(750)	-	0.365	-	02.07.2007 - 30.06.2009
20.05.2008	500	-	-	500	0.72	1	20.05.2008 - 31.03.2011
20.05.2008	500	-	-	500	0.72	1	14.03.2009 - 31.03.2011
17.10.2008	4,000	-	(4,000)	-	1.405	-	17.10.2008 - 30.09.2009
17.10.2008	4,000	-	-	4,000	1.52	1	03.09.2009 - 03.09.2011
17.10.2008	4,000	-	-	4,000	1.64	1	03.09.2009 - 03.09.2012
17.10.2008	4,000	-	-	4,000	1.755	1	03.09.2011 - 03.09.2013
17.10.2008	4,000	-	-	4,000	1.87	1	03.09.2012 - 03.09.2014
17.10.2008	4,000	(4,000)	-	-	2.49	-	17.10.2008 - 31.10.2010
17.10.2008	2,000	-	-	2,000	2.49	1	01.01.2009 - 01.01.2011
17.10.2008	2,000	-	-	2,000	2.49	1	01.01.2009 - 01.01.2012
17.10.2008	2,000	-	-	2,000	2.49	1	01.01.2011 - 01.01.2013
17.10.2008	2,000	-	-	2,000	2.49	1	01.01.2012 - 01.01.2014
17.10.2008	2,000	-	-	2,000	2.49	1	01.01.2013 - 01.01.2015
17.10.2008	3,700	(700)	-	3,000	2.49	15	01.01.2009 - 01.01.2012
17.10.2008	3,700	(700)	-	3,000	2.49	15	01.01.2011 - 01.01.2013
17.10.2008	3,000	-	(3,000)	-	1.405	-	17.10.2008 - 01.08.2009
17.10.2008	3,000	-	(3,000)	-	1.52	-	01.08.2009 - 01.08.2011
17.10.2008	2,000	(2,000)	-	-	1.64	-	01.08.2009 - 01.08.2012
17.10.2008	2,000	(2,000)	-	-	1.755	-	01.08.2011 - 01.08.2013
17.10.2008	2,000	(2,000)	-	-	1.87	-	01.08.2012 - 01.08.2014
17.10.2008	1,000	-	-	1,000	2.58	1	17.10.2008 - 31.08.2011
	57,570	(11,400)	(12,150)	34,020			

There were no unissued shares of subsidiaries under option at 31 December 2010.

Since balance date, 2 million unlisted options exercisable at A\$2.49 each expired on 1 January 2011.

Mr Peter Ivan Toth, Mr Tan Peng Chin, and Mr Wong Fong Fui are interested in 16 million, 1 million and 1 million options respectively at the end of the financial year.

Audit Committee

The audit committee comprises the following members:

Thomas Teo Liang Huat (Chairman)
Julie Anne Wolseley

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

Audit Committee

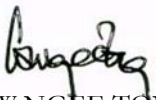
The committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any Director or executive officer to attend its meetings.

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

Independent auditor

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

On behalf of the Directors



LOW NGEE TONG



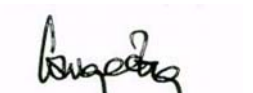
PETER IVAN TOTH

Dated: 18 March 2011

Statement by Directors for the financial year ended 31 December 2010

In the opinion of the Directors, the accompanying statements of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of financial position of the Company and of the Group as at 31 December 2010 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors



LOW NGEE TONG



PETER IVAN TOTH

Dated: 18 March 2011

Independent auditor's report to the members of OM Holdings Limited

We have audited the accompanying financial statements of OM Holdings Limited ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2010, 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRS") and for such internal control as management determines is necessary to enable the preparation of 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 of material misstatement.

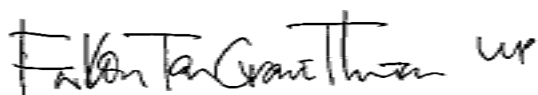
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

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

Independent auditor's report to the members of OM Holdings Limited (cont'd)

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are presented fairly, in all material respects, the financial position of the Group and the Company as at 31 December 2010, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink, appearing to read 'Foo Kon Tan Grant Thornton' followed by a stylized mark.

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

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

Singapore, 18 March 2011

Statements of financial position as at 31 December 2010

		The Company		The Group	
		31 December 2010	31 December 2009	31 December 2010	31 December 2009
	Notes	A\$'000	A\$'000	A\$'000	A\$'000
Assets					
Non-Current					
Property, plant and equipment	7	-	-	88,613	90,469
Prepaid lease payments on land use rights	8	-	-	1,276	1,092
Long-term prepayments	9	-	-	511	603
Exploration and evaluation costs	10	-	-	-	-
Mine development costs	11	-	-	19,511	20,746
Goodwill	12	-	-	2,065	2,065
Available-for-sale financial assets	13	96,448	10,457	96,448	10,457
Interests in subsidiaries	14	117,564	109,491	-	-
Interest in an associate	15	-	-	68,505	-
		214,012	119,948	276,929	125,432
Current					
Inventories	17	-	-	156,331	84,423
Derivative financial assets	26	367	-	367	-
Trade and other receivables	18	74,378	18,339	31,396	22,265
Prepayments		46	226	2,183	2,061
Cash collateral	19	-	-	26,050	9,392
Cash and cash equivalents	19	5,311	46,582	16,070	79,708
		80,102	65,147	232,397	197,849
Total assets		294,114	185,095	509,326	323,281
Equity					
Capital and Reserves					
Share capital	20	25,155	24,547	25,155	24,547
Treasury shares	21	(2,330)	(1,006)	(2,330)	(1,006)
Reserves	22	225,168	160,709	300,579	241,656
		247,993	184,250	323,404	265,197
Non-controlling interests		-	-	2,499	498
Total equity		247,993	184,250	325,903	265,695
Liabilities					
Non-Current					
Borrowings	23	-	-	43,097	411
Provisions	24	-	-	3,592	3,459
Deferred tax liabilities	16	-	-	1,254	4,212
		-	-	47,943	8,082
Current					
Trade and other payables	25	46,121	845	78,278	46,856
Derivative financial liabilities	26	-	-	375	-
Borrowings	23	-	-	49,179	912
Income tax payables		-	-	7,648	1,736
		46,121	845	135,480	49,504
Total equity and liabilities		294,114	185,095	509,326	323,281

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 2010

	Notes	Year ended 31 December 2010 A\$'000	Year ended 31 December 2009 A\$'000
Revenue	27	307,463	280,335
Cost of sales		(190,072)	(167,510)
Gross profit		117,391	112,825
Other income	27	17,139	3,337
Distribution costs		(35,557)	(26,604)
Administrative expenses		(11,643)	(10,765)
Other operating expenses		(29,387)	(50,091)
Finance costs		(2,583)	(405)
Profit from operations	28	55,360	28,297
Share of results of associate		(37)	-
Profit before income tax		55,323	28,297
Income tax	29	(6,572)	(1,267)
Profit for the year		48,751	27,030
Other comprehensive income, net of tax:			
Fair value changes on derivative financial instruments		-	(86)
Fair value changes on derivative financial instruments reclassified to profit and loss		-	14,754
Deferred tax liability on fair value changes		-	(4,401)
		-	10,267
Fair value changes on available-for-sale financial assets		13,337	2,615
Exchange differences on translation of financial statement of foreign operations		(8,862)	(23,660)
Other comprehensive income for the year, net of tax		4,475	(10,778)
Total comprehensive income for the year		53,226	16,252
Profit attributable to:			
Owners of the Company		47,215	26,933
Non-controlling interests		1,536	97
		48,751	27,030
Total comprehensive income attributable to:			
Owners of the Company		51,690	16,155
Non-controlling interests		1,536	97
		53,226	16,252
Earnings per share attributable to owners of the Company during the year		Cents	Cents
- Basic	31	9.58	5.59
- Diluted	31	9.23	5.32

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 2010

	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 2010	24,547	87,575	(1,006)	2,275	637	22,278	243	(8,822)	137,470	265,197	498	265,695
Total comprehensive income for the year	-	-	-	-	-	-	13,337	(8,862)	47,215	51,690	1,536	53,226
Purchase of treasury shares	-	-	(1,324)	-	-	-	-	-	-	(1,324)	-	(1,324)
Share options exercised (Note 33)	608	14,482	-	-	-	-	-	-	-	15,090	-	15,090
Share premium arising from share options exercised	-	14,093	-	-	-	(14,093)	-	-	-	-	-	-
Value for employee services received for grant of share options	-	-	-	-	-	8,433	-	-	-	8,433	-	8,433
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	465	465
Reversal of non-distributable reserve arising from de-registration of a subsidiary	-	-	-	(1,332)	(627)	-	-	-	-	(1,959)	-	(1,959)
Transfer to statutory reserve	-	-	-	2,749	-	-	-	-	(2,749)	-	-	-
Dividend paid (Note 30)	-	-	-	-	-	-	-	-	(13,723)	(13,723)	-	(13,723)
Balance at 31 December 2010	25,155	116,150	(2,330)	3,692	10	16,618	13,580	(17,684)	168,213	323,404	2,499	325,903

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

Consolidated statement of changes in equity (cont'd)

for the financial year ended 31 December 2010

	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 2009	23,879	76,850	(1,006)	2,275	637	18,266	(12,639)	14,838	125,078	248,178	2,552	250,730
Total comprehensive income for the year	-	-	-	-	-	-	12,882	(23,660)	26,933	16,155	97	16,252
Share options exercised (Note 33)	668	3,322	-	-	-	-	-	-	-	3,990	-	3,990
Share premium arising from share options exercised	-	7,403	-	-	-	(7,403)	-	-	-	-	-	-
Value for employee services received for grant of share options	-	-	-	-	-	11,415	-	-	-	11,415	-	11,415
Elimination of minority interest arising from disposal of subsidiary	-	-	-	-	-	-	-	-	-	-	(2,552)	(2,552)
Capital injection from minority interest due to incorporation of subsidiary	-	-	-	-	-	-	-	-	-	-	401	401
Dividend paid (Note 30)	-	-	-	-	-	-	-	-	(14,541)	(14,541)	-	(14,541)
Balance at 31 December 2009	24,547	87,575	(1,006)	2,275	637	22,278	243	(8,822)	137,470	265,197	498	265,695

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

Consolidated statement of cash flows for the financial year ended 31 December 2010

	Year ended 31 December 2010 A\$'000	Year ended 31 December 2009 A\$'000
Cash Flows from Operating Activities		
Profit before taxation	55,323	28,297
Adjustments for:		
Amortisation of prepaid lease payments on land use rights	30	28
Amortisation of long term prepayments	9	9
Amortisation of mine development costs	1,895	1,620
Depreciation of property, plant and equipment	11,031	7,998
Equity-settled share-based payments	8,433	11,415
Write off of exploration and evaluation costs	4,327	3,084
(Gain)/loss on disposal of available-for-sale financial assets	(700)	39
Loss on disposal of property, plant and equipment	13	93
Gain on disposal of a subsidiary company	(1,996)	(872)
Interest expenses	2,583	405
Interest income	(1,227)	(2,253)
Gain on bargain purchase	(185)	-
Share of results of an associate	37	-
Operating profit before working capital changes	79,573	49,863
Increase in inventories	(75,812)	(16,435)
Increase in trade and bill receivables	(1,153)	(5,361)
Increase in prepayments, deposits and other receivables	(10,113)	(1,330)
Decrease in trade and bill payables	36,158	9,422
Decrease in other payables and accruals	(2,082)	(737)
Increase in long term liabilities	133	2,801
Cash generated from operations	26,704	38,223
Interest paid	(2,583)	(405)
Overseas income tax paid	(3,394)	(14,122)
Net cash generated from operating activities	20,727	23,696
Cash Flows from Investing Activities		
Payments for exploration and evaluation	(4,327)	(3,084)
Payments for mine development costs	(660)	(1,982)
Purchase of property, plant and equipment	(9,748)	(33,394)
Purchase of available-for-sale financial assets	(78,849)	(4,017)
Purchase of derivative financial asset	(367)	-
Proceeds from disposal of property, plant and equipment	76	118
Proceeds from disposal of available-for-sale financial assets	6,895	579
Proceeds from disposal of a subsidiary company (Note 34)	-	443
Payment for prepaid land use rights	(311)	-
Acquisition of associate	(68,542)	-
Net cash outflow arising from acquisition of a subsidiary (Note 34)	(768)	-
Interest received	1,227	2,253
Net cash used in investing activities	(155,374)	(39,084)
Cash Flows from Financing Activities		
Dividends paid	(13,723)	(14,541)
Repayment of bank and other loans	(18,176)	(24)
Proceeds from bank loans	109,126	1,323
Capital contribution by non-controlling interests	-	401
(Increase)/Decrease in cash collateral	(17,260)	11,832
Purchase of treasury shares	(1,324)	-
Proceeds from share options exercised	15,090	3,990
Net cash generated from financing activities	73,733	2,981
Net decrease in cash and cash equivalents	(60,914)	(12,407)
Cash and cash equivalents at beginning of year	79,708	96,961
Exchange difference on translation of cash and cash equivalents at beginning of year	(2,724)	(4,846)
Cash and cash equivalents at end of year (Note 19)	16,070	79,708

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 2010

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2010 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 Basis of preparation

The financial statements have been 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 significant accounting policies that have been used in the preparation of the financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended IFRSs and the impacts on the Financial Information, if any, are disclosed in Note 4.

The financial statements have been prepared under the historical cost basis except for the financial instruments classified as derivatives financial assets and available-for-sale financial assets which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

3 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 14.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those adopted by the Group.

Business combination

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries (cont'd)

In the Company's statement of financial position, subsidiaries are carried 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.

Goodwill

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

Inventories

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

Raw materials at purchase cost on a weighted average basis; and

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.

Associates

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investments in a joint venture or jointly controlled entities.

In the consolidated financial statements, investments in associates is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associates recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Under the equity method, the Group's interests in associates is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associates' net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the period includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on the investment in associates recognised for the year.

Associates (cont'd)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Where unrealised losses on assets sales between the Group and its associates are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in associates equals or exceeds its interest in the associates, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associates.

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.

Foreign currency translation

The financial statements are presented in Australian Dollars (A\$), which is also the functional currency of the Company and all values are rounded to the nearest thousand except where otherwise indicated.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in the profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Australian dollars. Assets and liabilities have been translated into Australian dollars at the closing rates at the reporting date. Income and expenses have been converted into Australian dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange fluctuation reserve in equity. When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

Property, plant and equipment

Property, plant and equipment, other than construction in progress ("CIP"), are stated at acquisition cost less accumulated depreciation and any impairment losses.

Depreciation on property, plant and equipment is provided to write off the cost of the asset over its estimated useful lives, using the straight line method, at the following rates:

Leasehold building and improvements	3 to 5 years
Plant and machinery	3 to 20 years
Plant and equipment - Process Facility	Life of mine: 10 years
Computer equipment	1 year
Office equipment	3 to 5 years
Furniture and fittings	3 to 5 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 assets' depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date and changes are accounted for as a change in estimates.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

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

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

Intangible assets

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 on initial recognition. Subsequent to initial recognition, they are stated at cost less any accumulated impairment losses and no amortisation charge is recognised. 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.

Intangible assets (cont'd)

Exploration and evaluation costs (cont'd)

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 equipments 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 ore reserves.

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

Goodwill

Goodwill arising on an acquisition of a subsidiary, prepaid lease payments on land use rights, mine development costs, property, plant and equipment, interests in subsidiaries and associates are 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 purposes 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.

Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries are set out below.

Financial assets are classified into the following categories of loans and receivables and available-for-sale financial assets.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through the profit or loss, directly attributable transaction costs.

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.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(ii) Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gains or losses arising from a change in the fair value excluding any dividend and interest income, is recognised in other comprehensive income and accumulated separately in the fair value reserve for available-for-sale investments in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in the profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in the profit or loss, and other changes are recognised in other comprehensive income.

Financial assets (cont'd)

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

Impairment of financial assets

At each reporting date, financial assets other than at fair value through the profit or loss are reviewed to determine whether there is any objective evidence of impairment.

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 of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but is not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the profit or loss of the period in which the impairment occurs.

If, in subsequent periods, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss of the period in which the reversal occurs.

Impairment of financial assets

(ii) Available-for-sale financial assets

When a significant and prolonged decline in the fair value of an available-for-sale investment has been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in the profit or loss as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the profit or loss. Reversals in respect of investment in equity instruments classified as available-for-sale financial assets and stated at fair value are not recognised in the profit or loss. The subsequent increase in fair value is recognised in other comprehensive income.

(iii) Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

For financial assets other than financial assets at fair value through the profit or loss and trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the profit or loss.

Impairment losses recognised in an interim period in respect of available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of an annual period, or in subsequent period, the increase is recognised in other comprehensive income.

Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Cash and cash equivalents

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

Financial liabilities

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

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the profit or loss.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Trade and bills payables/accruals and other payables

Trade and bills payables/accruals and other payables are recognised initially at their fair values and subsequently measured at amortised costs, using the effective interest method.

Derivative financial instruments designated as hedging instrument

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

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

The carrying amount of a derivative designated as a hedging instrument 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.

Cash flow hedge

For cash flow hedges, the effective portion of the gain or loss arising from the change in fair value of the hedging instrument is recognised directly in other comprehensive income and accumulated in the fair value reserves under statement of changes in equity, while the ineffective portion is recognised immediately in the profit or loss.

Amounts recognised in other comprehensive income are transferred to the income statement in the periods when the hedged transaction affects the profit or loss. When the hedged item is the cost of a non-financial asset or non-financial liability, the gains or losses previously recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

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

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 taken directly to the profit or loss for the year.

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.

Assets acquired under finance leases

Where the Group acquires the right to use the assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such asset, are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases.

Operating lease charges as the lessee

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by the lease payments less finance charges.

Finance charges implicit in the lease payments are charged to the profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period in which they are incurred.

Operating lease charges as the lessee (cont'd)

When the Group has the right to use the assets held under operating leases, payments made under the leases are charged to the profit or loss on a straight-line method over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to the profit or loss in the accounting period in which they are incurred.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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 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.

Share capital and treasury shares

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

Any transaction costs associated with the issuing of shares are deducted from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

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 the equity attributable to the owners of the Company, until they are cancelled, sold or reissued.

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

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

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, revenue is recognised in the 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. This is usually taken as the time when the goods are delivered to customers.

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

Dividend income is recognised when the right to receive the payment is established.

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 complying 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.

Contributions are recognised as an expense in the profit or loss as employees render services during the year. 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. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

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.

The Group operates equity-settled share-based compensation plans for remuneration of its employees including Directors and senior executives.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Employee benefits (cont'd)

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

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.

At the time when the share options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in share option reserve will be transferred to share capital account, when new ordinary shares are issued, or to the "treasury share" account, when treasury shares are reissued to the employees. After 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.

Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claim from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of the tax expense in the profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in the profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Accounting for 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 entity has a legally enforceable right to set off current tax assets against current 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 amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Segment reporting

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

Mining	Exploration and mining of manganese ore
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, gain on disposal of a subsidiary, 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, prepaid lease payments for land use rights, mine development costs, inventories, receivables and operating cash and mainly exclude available-for-sale financial assets, deferred tax assets, interests 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 reporting (cont'd)

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.

Related parties

For the purposes 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 (i) 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.

Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in the profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

Stripping costs

Stripping costs incurred during the development of a mine are capitalised into mine development costs. Stripping costs incurred during the production phase are variable production costs that are included in the costs of inventory produced during the period that the stripping costs are incurred.

4 Adoption of new or amended IFRSs

The IASB has issued a number of new and revised IASs, IFRSs, amendments and related interpretations ("IFRICs") (hereinafter collectively referred to as the "new IFRSs") which were relevant to the Group.

The Group has not early adopted the following IFRSs that have been issued but are not yet effective.

IAS 24 (Revised)	Related Party Disclosures ³
IAS 32 (Amendment)	Classification of Rights Issues ¹
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters ²
IFRS 7 (Amendment)	Disclosures - Transfer of Financial Assets ⁴
IFRS 9 (as amended in 2010)	Financial Instruments ⁵
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement ³
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments ²
Improvements to IFRSs	Annual Improvements to IFRSs 2010 ³

¹ Effective for annual periods beginning on or after 1 February 2010

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 July 2011

⁵ Effective for annual periods beginning on or after 1 January 2013

IFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through the profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through the profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in the profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to the profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through the profit or loss was recognised in the profit or loss. The Directors anticipate that IFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and they are in the process of assessing the impact of other new or revised IFRSs upon initial adoption. So far, the Directors have preliminarily concluded that the initial adoption of these IFRSs are unlikely to have a significant impact on the Group's results and financial position.

4 Adoption of new or amended IFRSs (cont'd)

The directors anticipate that all the others new or revised IFRSs will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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

The Group's management exercises its judgement in estimating the useful lives of the depreciable assets. The estimated useful lives reflect the management's estimate of the periods the Group intends to derive future economic benefits from the use of these assets based on historical experience. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. The Group depreciates the property, plant and equipment in accordance with the accounting policies stated in Note 3. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete assets that have been abandoned or sold.

The mine development costs of the Group are amortised on a unit-of-production basis using estimated resources as a depletion basis in accordance with the accounting policies stated in Note 3. The estimates of the 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 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.

5 Critical accounting estimates and judgements (cont'd)

Impairment of trade receivables

The policy for the provision for impairment of trade receivables of the Group is based on the evaluation of collectability and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current credit worthiness and the past collection history of each trade debtor. If the financial conditions of the trade debtors of the Group were to deteriorate, resulting in impairment of their ability to make repayments, additional allowance may be required. 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.

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.

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 the historical experience 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 reporting date.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the amount of the provision for income taxes and the timing of payment of related taxes. There could be transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business. In such cases the Group recognises liabilities for anticipated 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 recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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 33.

6 Segment information

	Mining		Processing		Marketing and Trading		Others		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Reportable segment revenue										
Sales to external customers	-	9,684	55,864	38,472	251,599	232,179	-	-	307,463	280,335
Inter-segment sales	147,854	144,442	-	13,217	105,760	134,296	-	-	253,614	291,955
Elimination									(253,614)	(291,955)
	147,854	154,126	55,864	51,689	357,359	366,475	-	-	307,463	280,335
Reportable segment profit	12,115	9,252	7,517	5,729	36,077	13,313	1,007	(1,845)	56,716	26,449
Reportable segment assets	175,180	157,648	103,865	83,424	191,449	84,355	201,718	180,194	672,212	505,621
Elimination									(356,321)	(204,254)
Interests in an associate									68,505	-
Available-for-sale financial assets									96,448	10,457
Derivative financial assets									367	-
Goodwill									2,065	2,065
Cash collateral									26,050	9,392
Total assets									509,326	323,281
Reportable segment liabilities	150,926	139,491	41,274	37,103	88,609	37,558	116,316	3,283	397,125	217,435
Elimination									(314,880)	(167,120)
Borrowings									92,276	1,323
Deferred tax liabilities									1,254	4,212
Income tax payables									7,648	1,736
Total liabilities									183,423	57,586
Other segment information										
Purchase of property, plant and equipment	3,993	19,966	5,494	13,053	260	375	1	-	9,748	33,394
Depreciation of property, plant and equipment	9,065	6,881	1,840	965	122	148	4	4	11,031	7,998
Amortisation of prepaid lease payments on land use rights	-	-	30	28	-	-	-	-	30	28
Amortisation of long term prepayments	-	-	-	-	9	9	-	-	9	9
Amortisation of mine development costs	1,895	1,620	-	-	-	-	-	-	1,895	1,620
Write off of evaluation and exploration costs	4,096	3,366	-	-	118	(470)	113	188	4,327	3,084

6 Segment information (cont'd)

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

	2010	2009
	A\$'000	A\$'000
Reportable segment profit	56,716	26,449
Finance income	1,227	2,253
Share of results of associate	(37)	-
Finance costs	(2,583)	(405)
Profit before income tax	55,323	28,297

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

	Revenue from external customers		Non-current assets	
	2010	2009	2010	2009
	A\$'000	A\$'000	A\$'000	A\$'000
Principal markets				
PRC	295,865	256,791	25,205	21,574
Korea	-	11,688	-	-
Australia	-	9,684	83,854	90,159
Mauritius	-	-	68,505	-
Others (including Bermuda and Madagascar)	11,598	2,172	2,917	3,242
	307,463	280,335	180,481	114,975

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\$34,416,000 (2009 - A\$56,083,000) was derived from a single external customer. This revenue is attributable to the Marketing and Trading segment (2009 - Marketing and Trading segment).

Notes to the financial statements for the financial year ended 31 December 2010

7 Property, plant and equipment

	Construction in-progress A\$'000	Leasehold buildings and improvements A\$'000	Plant and machinery A\$'000	Computer equipment, office furniture A\$'000	Motor vehicles A\$'000	Total A\$'000
The Group						
Cost						
At 1 January 2009	8,336	8,056	72,513	2,350	1,383	92,638
Additions	18,669	1	14,200	27	497	33,394
Transfers	(10,125)	134	9,842	149	-	-
Disposals	-	(15)	-	(138)	(241)	(394)
Disposal of a subsidiary	(2)	(1,862)	(2,978)	-	(411)	(5,253)
Exchange realignment	(49)	(1,401)	(1,840)	(53)	(220)	(3,563)
At 31 December 2009	16,829	4,913	91,737	2,335	1,008	116,822
Additions	8,680	351	479	147	91	9,748
Transfers	(18,909)	7,550	10,969	390	-	-
Disposals	-	(27)	-	(31)	(124)	(182)
Acquisition of a subsidiary	203	380	519	5	164	1,271
Exchange realignment	(1,135)	(450)	(574)	(17)	(117)	(2,294)
At 31 December 2010	5,668	12,717	103,130	2,829	1,022	125,366
Accumulated depreciation						
At 1 January 2009	-	2,303	19,127	984	491	22,905
Depreciation for the year (Note 28)	-	311	6,982	570	135	7,998
Disposals	-	(15)	-	(92)	(76)	(183)
Disposal of a subsidiary	-	(982)	(1,984)	-	(286)	(3,252)
Exchange realignment	-	(335)	(688)	(38)	(54)	(1,115)
At 31 December 2009	-	1,282	23,437	1,424	210	26,353
Depreciation for the year (Note 28)	-	577	9,888	454	112	11,031
Disposals	-	(27)	-	(31)	(35)	(93)
Exchange realignment	-	(160)	(331)	(19)	(28)	(538)
At 31 December 2010	-	1,672	32,994	1,828	259	36,753
Net book value						
At 31 December 2010	5,668	11,045	70,136	1,001	763	88,613
At 31 December 2009	16,829	3,631	68,300	911	798	90,469

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

As at 31 December 2010, there are certain leasehold buildings located in the PRC with a net carrying value of A\$3,925,000 (2009 - A\$Nil) respectively for which the Group is still in the process of obtaining the building ownership certificates. These buildings are erected on land for which the relevant land use rights certificates have been obtained by the Group. In the opinion of the Directors, the Group has obtained the rights to use the leasehold buildings legally.

As at 31 December 2010, certain plant and building located in the PRC with a net carrying value of A\$1,271,000 are enacted on lands for which the relevant land use rights certificates have not yet been obtained by the Group.

8 Prepaid lease payments on land use rights

	2010	2009
The Group	A\$'000	A\$'000
At beginning of year	1,092	1,577
Additions	311	-
Disposal of a subsidiary	-	(133)
Amortisation for the year (Note 28)	(30)	(28)
Exchange realignment	(97)	(324)
At end of year	1,276	1,092
At end of year		
Cost	1,442	1,246
Accumulated amortisation	(166)	(154)
Net carrying value	1,276	1,092

The land use rights are situated in PRC and are held under a medium-term lease.

9 Long term prepayments

	2010	2009
The Group	A\$'000	A\$'000
At beginning of year	603	818
Amortisation for the year (Note 28)	(9)	(9)
Exchange realignment	(83)	(206)
At end of year	511	603
At end of year		
Cost	573	656
Accumulated amortisation	(62)	(53)
Net carrying value	511	603

This relates to a leasehold office premise situated in Singapore and is held under a long-term lease. . The full cost of acquiring the leasehold property is therefore amortised over the remaining lease period.

10 Exploration and evaluation costs

	2010	2009
The Group	A\$'000	A\$'000
At beginning of year	-	-
Costs incurred during the year	4,327	3,084
Impairment for the year (Note 28)	(4,327)	(3,084)
At end of year	-	-

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

11 Mine development costs

	2010	2009
	A\$'000	A\$'000
The Group		
At beginning of year	20,746	20,384
Costs incurred during the year	660	1,982
Amortisation for the year (Note 28)	(1,895)	(1,620)
At end of year	19,511	20,746
At end of year		
Cost	26,843	26,183
Accumulated amortisation	(7,332)	(5,437)
Net carrying value	19,511	20,746

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

12 Goodwill

	2010	2009
	A\$'000	A\$'000
The Group		
Cost	2,065	2,190
Disposal	-	(125)
Net carrying value	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:

	2010	2009
	A\$'000	A\$'000
Mining	2,065	2,065

As described in Note 3, the recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the years as stated as follows:

	2010	2009
Gross margin	10% - 20%	10% - 20%
Growth rate	0% - 10%	0% - 10%
Discount rate	10%	10%

12 Goodwill (cont'd)

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 determined the budgeted gross margin based on past performance and its expectations for market development. The weighted average growth rates used are consistent with industry reports.

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.

13 Available-for-sale financial assets

	2010 A\$'000	2009 A\$'000
The Company and The Group		
Quoted equity investments, at fair value		
At beginning of year	10,457	4,443
Additions	78,849	4,017
Disposals	(6,195)	(618)
Fair value gain recognised directly in other comprehensive income	13,337	2,615
At end of year	96,448	10,457

The fair value of quoted equity investments is determined by reference to quoted closing share prices on the ASX at the financial reporting dates.

14 Interests in subsidiaries

	2010 A\$'000	2009 A\$'000
The Company		
Unquoted equity investments, at cost	8,014	8,013
Amounts due from subsidiaries:		
- Interest-free	5	5
- Interest-bearing	109,545	101,473
	117,564	109,491

The amounts due from subsidiaries are unsecured and are not expected to be repaid within one year. The amounts include a balance of A\$101,473,000 and A\$109,545,000 which is interest-bearing at a weighted average effective interest rate of 9.78% per annum and 10.16% per annum for the years ended 31 December 2009 and 2010 respectively. The remaining balances are interest-free. As these amounts represent net investments with indeterminable repayments, fair valuation is not appropriate.

14 Interests in subsidiaries (cont'd)

The subsidiaries are:

Name	Country of incorporation/principal place of business	Percentage of equity held		Principal activities
		2010	2009	
<u>Held by the Company</u>				
OM Holdings (B.V.I.) Ltd (“OMBVI”) ⁽¹⁾	The British Virgin Islands (Incorporated on 13 November 1997)	100%	100%	Investment holding
OM (Manganese) Ltd (“OMM”) ⁽²⁾	Australia (Incorporated on 11 June 2001)	100%	100%	Operation of manganese mine
OM Holdings Investment Ltd (“OMHI”) ⁽¹⁾	The British Virgin Islands (Incorporated on 18 October 2007)	100%	100%	Investment holding
OMH (Mauritius) Corp. ⁽⁹⁾	Mauritius (Incorporated on 2 March 2010)	100%	-	Investment holding
<u>Held by OMHI</u>				
Capricorn Enterprises Madagascar (“CEM”) ⁽¹⁾	Madagascar (Incorporated on 12 May 2003)	88%	88%	Exploration and evaluation activities
<u>Held by OMBVI</u>				
OM Resources (HK) Limited (“OMR”) ⁽³⁾ (previously known as OM Manufacturing (China) Ltd)	Hong Kong (Incorporated on 10 December 1991)	100%	100%	Investment holding
<u>Held by OMR</u>				
OM Materials (S) Pte Ltd (“OMS”) ⁽⁴⁾	Singapore (Incorporated on 13 February 1999)	100%	100%	Investment holding and trading of metals and ferroalloy products
OM Materials (Johor) Sdn Bhd ⁽¹⁾	Malaysia (Incorporated on 21 September 2010)	100%	-	Sales and processing of ferroalloys and ores
OM Materials (Sarawak) Sdn Bhd ⁽¹⁾	Malaysia (Incorporated on 21 September 2010)	100%	-	Sales and processing of ferroalloys and ores
<u>Held by OMS</u>				
OM Materials (Tianjin) Ltd (“OMT”) ⁽⁵⁾	PRC (Established on 25 May 1999)	-	100%	Trading of metals and fabricated metals
OM Materials (Qinzhou) Co Ltd (“OMQ”) ⁽⁶⁾	PRC (Established on 1 June 2001)	100%	100%	Sales and processing of ferroalloys and ores
OM Materials (PNG) Limited ⁽⁷⁾	Papua New Guinea (Incorporated on 27 February 2001)	100%	100%	Exploration and evaluation activities
OM Tshipi (S) Pte Ltd ⁽⁴⁾	Singapore (Incorporated on 3 March 2010)	70%	-	Trading of metals and ferroalloy products
OM Materials Trading (Qinzhou) Co Ltd ⁽⁶⁾	PRC (Established on 13 October 2010)	100%	-	Trading of metals and ferroalloy products
OM Hujin Science & Trade (Shanghai) Co. Ltd (“OMA”) ⁽⁸⁾	PRC (Established on 10 October 2008)	70%	50%	Trading of metals and ferroalloy products
OM Materials (M) Sdn Bhd ⁽¹⁾	Malaysia (Incorporated on 21 September 2010)	100%	-	Trading of metals and ferroalloy products

Notes to the financial statements for the financial year ended 31 December 2010

14 Interests in subsidiaries (cont'd)

Name	Country of incorporation/principal place of business	Percentage of equity held		Principal activities
		2010	2009	
<u>Held by OMA</u>				
Guizhou Jiahe Weiye Smelter Co. Ltd (OMG) ⁽⁸⁾	PRC (Established on 8 March 2004)	75%	-	Sales and processing of ferroalloy and ores
Flores Mineral Waste Processing (S) Pte Ltd ⁽¹⁾	Singapore (Incorporated on 16 December 2010)	50%*	-	Processing of mineral waste, mineral ores and other mining related activities

* The Directors of the Company are of the view that it should be treated as a subsidiary rather than a joint venture as the Group has control over the entities.

Note:

- (1) no audit required in the country of incorporation and operations are not material to the Group for the year ended 31 December 2010
- (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 Tianjin Zhenze Certified Public Accountants. The company was de-registered in 2010
- (6) audited by Guangxi JiaHai Accountant Affairs Office Co. Ltd
- (7) audited by DFK Hill Mayberry
- (8) audited by Shanghai Shenzhou Datong Certified Public Accountants Co. Ltd
- (9) audited by Grant Thornton Mauritius

15 Interest in an associate

	2010 A\$'000	2009 A\$'000
The Group		
Unquoted equity investment, at cost	68,542	-
Share of post-acquisition losses and reserves	(37)	-
	68,505	-

Particulars of the associate as at 31 December 2010 are as follows:

Name of company	Country of incorporation	Percentage of equity held		Principal activities
		2010	2009	
Main Street 774 (Pty) Limited ⁽¹⁾	South Africa (incorporated on 18 September 2009)	26%	-	Investment holding in mining and exploration industry
(1) audited by KPMG South Africa				

The investment in the associate is held by a wholly-owned subsidiary, OMH (Mauritius) Corp.

The summarised financial information of the Group's associate is as follows:

	2010 A\$'000	2009 A\$'000
- Assets	15,951	-
- Liabilities	(5)	-
- Loss for the year	(142)	-

16 Deferred taxation

		2010	2009
		A\$'000	A\$'000
The Group			
Deferred tax assets			
Balance at beginning of year		3,332	4,844
Credited to income statement (Note 29)		2,626	2,889
Charged to equity		-	(4,401)
Balance at end of year	(i)	5,958	3,332
Deferred tax liabilities			
Balance at beginning of year		(7,544)	(4,531)
Charged/(Credited) to income statement (Note 29)		328	(3,013)
Exchange difference on translation		4	-
Balance at end of year	(ii)	(7,212)	(7,544)
Net deferred tax liabilities (i) + (ii)		(1,254)	(4,212)

The balance comprises tax arising from the following temporary differences:

	Depreciation allowance A\$'000	Others A\$'000	Total A\$'000
The Group			
At 1 January 2010	5,988	(1,776)	4,212
Charged/(credited) to			
- income statement (Note 29)	3	(2,957)	(2,954)
Exchange difference on translation	-	(4)	(4)
At 31 December 2010	5,991	(4,737)	1,254

As at 31 December 2010, the Group had tax losses arising in Hong Kong of A\$296,263 (2009 - A\$338,185) 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.

17 Inventories

	2010	2009
	A\$'000	A\$'000
The Group		
Raw materials, at cost	61,059	27,358
Work-in-progress, at cost	15,491	11,251
Work-in-progress, at net realisable value	39,748	33,450
Finished goods, at cost	40,033	12,364
	156,331	84,423

For the year ended 31 December 2010, the inventories of raw materials included pre-strip mining costs of A\$12,757,000 incurred during the cut-back of a pit located at the Group's mine operation. The pre-strip mining costs associated with the cut-back activity will be expensed as ore is accessed from the relevant operating pit. Further details of the pre-strip mining costs are set out in Note 3.

Included in inventory is an amount of A\$31,472,048 (2009 - A\$29,349,968) of ore requiring re-treatment that is expected to be processed for sale within the next 5 years based on the expected production reate of the secondary processing plant.

Notes to the financial statements for the financial year ended 31 December 2010

18 Trade and other receivables

	The Company		The Group	
	2010	2009	2010	2009
	A\$'000	A\$'000	A\$'000	A\$'000
Trade receivables	-	-	10,211	11,844
Bills receivable	-	-	5,076	3,767
	-	-	15,287	15,611
Allowance for impairment of trade receivables				
Balance 1 January	-	-	-	(1,563)
Disposal of a subsidiary during the year	-	-	-	1,563
Balance at 31 December	-	-	-	-
Net trade receivables (i)	-	-	15,287	15,611
Other receivables				
Amounts due from subsidiary companies	74,374	18,287	-	-
Deposits and other receivables	4	52	16,109	6,654
Net other receivables (ii)	74,378	18,339	16,109	6,654
Total (i) + (ii)	74,378	18,339	31,396	22,265

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

Trade and other receivables are denominated in the following currencies:

	The Company		The Group	
	2010	2009	2010	2009
	A\$'000	A\$'000	A\$'000	A\$'000
Australian dollar	74,378	18,339	2,012	3,658
Renminbi	-	-	18,682	12,207
United States dollar	-	-	10,560	6,245
Others	-	-	142	155
	74,378	18,339	31,396	22,265

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

	The Company		The Group	
	2010	2009	2010	2009
	A\$'000	A\$'000	A\$'000	A\$'000
<u>By geographical areas</u>				
Australia	-	-	310	1,412
People's Republic of China	-	-	6,691	8,161
Singapore	-	-	8,286	6,038
	-	-	15,287	15,611

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

	The Company		The Group	
	2010	2009	2010	2009
	A\$'000	A\$'000	A\$'000	A\$'000
Past due 0 to 3 months	-	-	316	-
Past due 3 to 6 months	-	-	-	-
	-	-	-	-

18 Trade and other receivables (cont'd)

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 customer 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.

19 Cash and cash equivalents

	The Company		The Group	
	2010	2009	2010	2009
	A\$'000	A\$'000	A\$'000	A\$'000
Cash at bank and on hand	549	49	34,181	24,569
Short-term bank deposits	4,762	46,533	7,939	64,531
Total cash and cash equivalents [Notes (a) and (b)]	5,311	46,582	42,120	89,100
Less: Cash collateral [Note (c) and (d)]	-	-	(26,050)	(9,392)
	5,311	46,582	16,070	79,708

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 2010, 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\$19,350,000 (2009 - A\$7,874,000). 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 23). The cash collateral has an average maturity of 3 to 12 months (2009 - 3 months) with the weighted average effective interest rates of 0.19% (2009 - 0.57%) per annum.
- (d) Certain bank deposits held by the Australian subsidiary were pledged to secure the issuance of environmental bonds. The A\$ cash collateral has an average maturity of 1 month (2009 - 1 month) with the weighted average effective interest rate of 4.75% (2009 - 4.25%) per annum.

Cash and bank balances are denominated in the following currencies:

	The Company		The Group	
	2010	2009	2010	2009
	A\$'000	A\$'000	A\$'000	A\$'000
Australian dollar	5,311	46,582	10,262	53,700
Renminbi	-	-	19,350	7,874
Singapore dollar	-	-	123	2,171
United States dollar	-	-	12,310	25,281
Others	-	-	75	74
	5,311	46,582	42,120	89,100

20 Share capital

	No. of ordinary shares		Amount	
	2010 '000	2009 '000	2010 A\$'000	2009 A\$'000
The Company				
Authorised:				
Ordinary shares of A\$0.05 (2009 - A\$0.05) each	2,000,000	2,000,000	100,000	100,000
Issued and fully paid:				
Ordinary shares of A\$0.05 (2009 - A\$0.05) each as at 1 January	490,935	477,579	24,547	23,879
Options exercised [Note (a)]	12,150	13,356	608	668
Ordinary shares of A\$0.05 (2009 - A\$0.05) each as at 31 December	503,085	490,935	25,155	24,547

Notes:

- (a) During the year 12,150,000 (2009 - 13,356,000) ordinary shares were issued following the exercise of unlisted employee share options. As at 31 December 2010, the Company had 34,020,000 (2009 - 57,570,000) 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.
- (b) 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.

21 Treasury shares

	No. of ordinary shares		Amount	
	2010 '000	2009 '000	2010 A\$'000	2009 A\$'000
The Company and The Group				
At beginning of year	983	983	1,006	1,006
Repurchased during the year	950	-	1,324	-
At end of the year	1,833	983	2,330	1,006

The Company acquired 950,000 (2009 - Nil) of its own ordinary shares through on-market purchases on the Australian Securities Exchange during the financial year. The total amount paid to acquire the shares was A\$1,324,000 (2009 - A\$Nil) and has been deducted from shareholders' equity. The shares are held as "treasury shares" in accordance with Bermudan corporate law.

22 Reserves

	The Company		The Group	
	2010	2009	2010	2009
	A\$'000	A\$'000	A\$'000	A\$'000
Share premium	116,150	87,575	116,150	87,575
Non-distributable reserves [Note (i)]	-	-	3,692	2,275
Capital reserve [Note (ii)]	-	-	10	637
Share option reserve [Note (a)]	16,618	22,278	16,618	22,278
Fair value reserve [Note (iii)]	13,580	243	13,580	243
Contributed surplus [Note (iv)]	3,312	3,312	-	-
Exchange fluctuation reserve	-	-	(17,684)	(8,822)
Retained profits	75,508	47,301	168,213	137,470
	225,168	160,709	300,579	241,656

Notes:

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

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

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

- (ii) This arose from the capitalisation of various reserves and retained profits in one of the Sino-foreign joint ventures of the Group. The purpose of the capitalisation is to increase the registered capital of the joint venture.
- (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 2010

22 Reserves (cont'd)

	2010	2009
	A\$'000	A\$'000
The Company		
Share premium:		
At 1 January	87,575	76,850
Share options exercised	14,482	3,322
Share premium arising from share options exercised	14,093	7,403
At 31 December	116,150	87,575
Contributed surplus		
At 1 January and 31 December	3,312	3,312
Share option reserve:		
At 1 January	22,278	18,266
Equity settled share-based transactions [Note (a)]	8,432	11,415
Share premium arising from share options exercised	(14,092)	(7,403)
At 31 December	16,618	22,278
Fair value reserve		
At 1 January	243	(2,371)
Fair value gain on available-for-sale financial assets	13,337	2,614
At 31 December	13,580	243
Retained profits		
At 1 January	47,301	56,769
Profit for the year	41,930	5,073
Dividends	(13,723)	(14,541)
At 31 December	75,508	47,301
Total reserves	225,168	160,709

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 33).

Notes to the financial statements for the financial year ended 31 December 2010

23 Borrowings

	2010 A\$'000	2009 A\$'000
The Group		
Non-current		
Other loans, unsecured [note (a)]	452	411
Bank loans, secured [note (b)]	42,645	-
	43,097	411
Current		
Other loans, unsecured [note (c)]	747	411
Bank loans, secured [note (b)]	29,526	-
Bank loans, secured [note (d)]	15,562	501
Other bank borrowings [note (e)]	3,344	-
	49,179	912
	92,276	1,323
Borrowings are repayable:		
Within one year	49,179	912
In the second year	29,526	-
In the third to fifth years, inclusive	13,571	411
	92,276	1,323

Notes:

(a) The unsecured loans are interest free and are not expected to be repayable within one year.

(b) The loans are secured by:

- charge over certain bank deposits as disclosed in Note 19 (c); and
- irrevocable and unconditional corporate guarantees provided by the Company and a subsidiary.

The loans are repayable in monthly instalments of A\$1,817,000 over 36 months which commenced on 10 May 2010 and further monthly instalments of A\$908,000 over 36 months commenced from 2 September 2010. The weighted average effective interest rate was 3.49% per annum.

(c) The unsecured loans are interest free and are repayable on demand.

(d) The loans are secured by charges over certain bank deposits as disclosed in Note 19 (c), and the weighted average effective interest of the bank loan was 8.37% per annum.

(e) The weighted average effective interest rate of the bank loan was charged at 2.37% per annum and 1.89% per annum for 2009 and 2010 respectively.

The Group's borrowings were denominated in the following currencies:

	2010 A\$'000	2009 A\$'000
The Group		
United States dollar	75,515	-
Renminbi	16,761	1,323
	92,276	1,323

23 Borrowings (cont'd)

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

	2010	2009
The Group		
Bank loans	4.6%	2.7%

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

24 Provisions

	2010	2009
	A\$'000	A\$'000
The Group		
Rehabilitation		
At beginning of year	3,379	622
Provision made for the year (Note 28)	1,187	3,521
Payments during the year	(1,115)	(764)
At end of year (i)	3,451	3,379
Employee long service leave		
At beginning of year	80	35
Provision made for the year (Note 28)	61	45
At end of year (ii)	141	80
Total (i) + (ii)	3,592	3,459

According to the Mine 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.

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 remained 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.

25 Trade and other payables

	The Company		The Group	
	2010	2009	2010	2009
	A\$'000	A\$'000	A\$'000	A\$'000
Trade payables	-	-	49,511	14,419
Amount due to related parties	45,115	219	-	-
Accruals and other payables	1,006	626	28,091	31,918
Welfare expense payable	-	-	676	519
	46,121	845	78,278	46,856

Included in the amount due to related parties is an amount due to a wholly-owned subsidiary of A\$30,000,000 (2009 - A\$Nil) which bears interest of 3.49% (2009 - Nil) per annum.

Notes to the financial statements for the financial year ended 31 December 2010

26 Derivative financial instruments

	2010		2009	
	Assets A\$'000	Liabilities A\$'000	Assets A\$'000	Liabilities A\$'000
The Group				
Foreign currency forward contracts not designated as hedging instruments	-	375	-	-
	2010		2009	
	Assets A\$'000	Liabilities A\$'000	Assets A\$'000	Liabilities A\$'000
The Company and The Group				
Quoted share options	367	-	-	-

27 Revenue and other income

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

Other income recognised during the years is as follows:

	2010 A\$'000	2009 A\$'000
The Group		
Gain on bargain purchase	185	-
Interest income from banks	1,227	2,253
Gain on disposal of a subsidiary	1,996	872
Sundry income	164	212
Gain on disposal of available-for-sale financial assets	700	-
Exchange gain, net	12,867	-
	17,139	3,337

28 Profit before income tax

	Note	2010 A\$'000	2009 A\$'000
The Group			
Profit before tax has been arrived at after charging/(crediting):			
Amortisation of prepaid lease payment on land use rights	8	30	28
Amortisation of long-term prepayments	9	9	9
Amortisation of mine development costs	11	1,895	1,620
Cost of inventories recognised as expenses #		190,072	167,510
Depreciation of property, plant and equipment	7	11,031	7,998
Equity-settled share-based payments *		8,433	11,415
Exchange losses		-	14,871
Exploration and evaluation costs written off	10	4,327	3,084
Interest expense:			
- bank loans		2,583	405
Loss on disposal of property, plant and equipment		13	93
Loss on disposal of available-for-sale financial assets		-	39
Operating lease charges in respect of land and buildings		153	143
Provision for rehabilitation	24	1,187	3,521
Provision for long service leave	24	61	45
Employees benefits expenses (including Directors' remunerations) (Note 32)		15,458	15,271
Write-back of inventories to net realisable value		-	(33,450)
Fair value loss on derivative financial instruments		375	-

Notes to the financial statements for the financial year ended 31 December 2010

28 Profit before income tax (cont'd)

Cost of inventories included amounts of A\$10,741,000 and A\$1,544,000 (2009 - A\$9,453,000 and A\$807,000) related to staff costs and depreciation respectively.

* Included in other operating expenses.

29 Income tax

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, the Singapore Ministry of Trade and Industry approved the award of Global Trade Programme status to the subsidiary and therefore OMS is entitled to a concessionary rate of 10% for a period of 5 years with effect from 1 July 2004, subject to fulfilment of the specific conditions. OMS was awarded the Global Trade Programme for a further five year period from 1 July 2009. OMQ, being a wholly owned foreign enterprise, also enjoyed a concessionary tax rate of 50% of the statutory tax rate in 2010 having satisfied the requirement for such concession in 2010.

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 and OMQ enjoyed concessionary tax rates of 10% and 12.5% during the period.

	2010 A\$'000	2009 A\$'000
The Group		
Current taxation		
- Singapore income tax	3,485	2,112
- PRC tax	1,770	1,265
- Australian tax	4,374	-
	9,602	3,377
Over provision in prior years	(76)	(934)
	9,526	2,443
Deferred taxation (Note 16)		
Origination and reversal of temporary differences	(2,618)	124
Over provision in prior year	(336)	(1,300)
	(2,954)	(1,176)
	6,572	1,267

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

	2010 A\$'000	2009 A\$'000
The Group		
Profit before income tax	55,323	28,297
Tax at applicable tax rates	13,352	9,362
Utilisation of unrecognised tax losses and temporary differences arising from previous year	(4)	(44)
Tax effect of non-taxable revenue	(3,774)	(4,911)
Tax effect of non-deductible expenses	431	554
Tax effect of allowances given by tax jurisdiction	(3,021)	(1,460)
Over provision in prior years	(412)	(2,234)
Actual tax expense	6,572	1,267

Notes to the financial statements for the financial year ended 31 December 2010

30 Dividends

	2010 A\$'000	2009 A\$'000
The Company and The Group		
Ordinary dividends paid:		
- final dividend of A\$0.02 (2009 - A\$ 0.03) per ordinary share paid in respect of the previous financial year	9,950	14,541
- interim dividend of A\$0.0075 (2009 - A\$Nil) per ordinary share paid in respect of the current financial year	3,773	-
	13,723	14,541

The Board has proposed a final tax-exempt (one-tier) dividend of A\$0.02 per ordinary share amounting to approximately A\$10,062,000 subject to shareholder approval at the Annual General Meeting to be held in April 2011. These financial statements do not reflect this dividend payable, which will be accounted for as a reduction in equity as a distribution of retained profits in the financial year ending 31 December 2011.

31 Earnings per share

The calculations of the basic and diluted earnings per share attributable to owners of the Company are based on the following data:

	2010 '000	2009 '000
Profit		
Net profit attributable to owners of the Company	47,215	26,933
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	492,784	482,220
Effect of dilutive potential ordinary shares in respect of share options	18,596	24,102
Weighted average number of ordinary shares for the purpose of diluted earnings per share	511,380	506,322

32 Employee benefits expense (including Directors' emoluments)

	2010 A\$'000	2009 A\$'000
Directors' remuneration other than fees		
- Directors of the Company	2,478	2,026
- Directors of the subsidiaries	1,881	1,682
- Defined contributions plans	137	102
Directors' fees	320	545
Key management personnel (other than Directors)		
- Salaries, wages and other related costs	1,282	1,470
- Defined contributions plans	110	93
Other than key management personnel		
- Salaries, wages and other related costs	8,403	8,755
- Defined contributions plans	847	598
	15,458	15,271

33 Employee share option plan

The Company

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

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

All other unlisted option 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 of the Group's employees (including directors) have been granted share options. Details of the movements in Company's share options granted were as follows:

	Options 2010 '000	Weighted Average Exercise Price 2010 A\$	Options 2009 '000	Weighted Average Exercise Price 2009 A\$
Outstanding at 1 January	57,570	1.90	72,226	1.61
Expired/lapsed	(11,400)	1.14	(1,300)	2.41
Exercised ⁽¹⁾	(12,150)	1.24	(13,356)	0.30
Outstanding at 31 December	34,020	2.07	57,570	1.90
Exercisable at 31 December	17,220	1.97	24,170	1.63

Consideration received from options exercised during the year was A\$15,090,000 (2009 - A\$3,990,000).

The following table summarises information about options outstanding and exercisable at 31 December 2010:

Exercise Price A\$	Outstanding Options '000	Average Life ⁽²⁾ Years	Exercisable Options '000	Average Exercise Price A\$
2.58	1,000	2.87	1,000	2.58
2.49	16,000	2.01	7,200	2.49
1.87	4,000	2.00	-	-
1.755	4,000	2.00	-	-
1.64	4,000	2.00	4,000	1.64
1.52	4,000	2.00	4,000	1.52
0.72	1,000	2.45	1,000	0.72
0.30	20	2.33	20	0.30
Total	34,020		17,220	

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

Since balance date, 2 million unlisted options exercisable at A\$2.49 each expired on 1 January 2011.

33 Employee share option plan (cont'd)

In 2008 the Board and where relevant shareholders of the Company approved the grant of 56,650,000 unlisted options to Directors and employees of the Company and its subsidiaries. The vested amount of A\$11,415,000 and A\$8,433,000 for the year ended 31 December 2009 and 2010 respectively was expensed through the profit or loss.

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

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

34 Acquisition and disposal of a subsidiary

Acquisition of a subsidiary

In March 2010, the Group acquired 75% of the issued share capital of Guizhou Jiahe Weiye Smelter Co. Ltd ("Jiahe Weiye"), for cash consideration of RMB5,250,000 (equivalent to A\$770,000). The principal activity of Jiahe Weiye was the sales and processing of manganese ores and manganese ferroalloys. Based on the Directors' valuation performed at the date of acquisition, the fair value of the net assets acquired was RMB6,397,000 (equivalent to A\$955,000). The acquisition is expected to provide the Group with access to a production plant as well as the skilled work force of the acquired business, and the synergies expected to be achieved from integrating the acquired entity into the Group's existing production activities. Since the acquisition, Jiahe Weiye contributed revenue of RMB3,551,000 (equivalent to A\$573,000) and the net loss of RMB2,331,000 (equivalent to A\$376,000) to the Group for the year ended 31 December 2010. Had the acquisition taken place on 1 January 2010, the Group's revenue and net profit would have been A\$307,463,000 and A\$49,652,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010 nor are they intended to be a projection of future results.

34 Acquisition and disposal of a subsidiary (cont'd)

As at the date of acquisition, the fair values of net identifiable assets acquired were as follows:

	2010 A\$'000	2009 A\$'000
Property, plant and machinery	1,418	-
Cash and cash equivalents	2	-
Gain on bargain purchase	(185)	-
Non-controlling interest	(465)	-
Cash consideration	770	-
Cash and bank balance acquired	(2)	-
Net cash outflow arising from acquisition of a subsidiary	768	-

Disposal of a subsidiary

During the year 2010, a subsidiary of the Group was de-registered. The net assets disposed of were as follows:

	2010 A\$'000	2009 A\$'000
Net assets disposed of		
Goodwill	-	125
Property, plant and machinery	-	2,001
Land occupancy rights	-	133
Trade and other receivables	-	4,771
Inventories	-	4,787
Cash and cash equivalents	1,724	1,472
Trade and other payables	(37)	(5,809)
Interest bearing loans and borrowings	-	(2,146)
Non-controlling interest	-	(2,552)
	1,687	2,782
Gain on disposal	1,996	872
Release of reserves upon disposal	(1,959)	(1,739)
Sales proceeds received	1,724	1,915
Net cash inflow arising on disposal:		
Cash consideration received	1,724	1,915
Cash balance in subsidiary disposed of	(1,724)	(1,472)
	-	443

35 Commitments

35.1 Operating lease commitments in respect of office premises

The Group had total future minimum lease payments under non-cancellable operating leases in respect of office premises payable as follows:

	2010 A\$'000	2009 A\$'000
The Group		
Not later than one year	129	147
Later than one year and not later than five years	7	106
	136	253

The leases on the Group's office premises on which rental payment are payable will expire within one to two years subject to options to renew. The current rent payable on the leases are A\$3,531 and A\$10,908 per month respectively which are subject to revision on renewal.

35.2 Other operating lease 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.

	2010 A\$'000	2009 A\$'000
The Group		
Not later than one year	87,904	88,120
Later than one year and not later than five years	26,111	104,669
Later than five years	431	3,600
	114,446	196,389

35.3 Mineral Tenements

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

	2010 A\$'000	2009 A\$'000
The Group		
Mineral tenements commitments	1,123	912

35.4 Capital commitments

The following table summarises the Group's capital commitment:

	The Company		The Group	
	2010 A\$'000	2009 A\$'000	2010 A\$'000	2009 A\$'000
Capital expenditure contracted but not provided for in the financial statements				
- capital injection to an associate for mine development	-	-	25,587	-
- purchase of interests in an associate	-	63,800	-	63,800
- acquisition of land located in Malaysia and related professional expenses	-	-	19,519	-

35 Commitments (cont'd)

35.5 Other commitments

	2010 A\$'000	2009 A\$'000
The Group		
<u>Monax Mining Limited Farm-in Agreement</u> ⁽¹⁾		
Not later than one year	250	250
Later than one year and not later than five years	1,500	1,750
	1,750	2,000
<u>Archer Exploration Ltd Farm-in Agreement</u> ⁽²⁾		
Not later than one year	75	75
Later than one year and not later than five years	450	525
	525	600
Total	2,275	2,600

In 2009,

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.

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.

35.6 Environmental bonds

A subsidiary has environmental bonds to the value of A\$4,200,000 (2009 - A\$4,200,000) lodged with the Northern Territory Government (Department of Resources – Primary Industry, Fisheries and Resources) to secure environment rehabilitation commitments.

36 Contingent liabilities

A subsidiary of the Group (the "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 the design services provided by Promet for a process plant for the Subsidiary's mining operation at Bootu Creek Manganese Mine.

A trial was held in the period of May to August 2010 and the court has reserved the delivery of its judgement in these matters. It is a matter of the Court's discretion as to when the Court delivers its judgement. If the Subsidiary is unsuccessful in its defence of the claims made by Promet, the Subsidiary will have to pay the amount of A\$533,156, together with Promet's legal costs in pursuing the claim. If the Subsidiary is successful in the prosecution of its claim, it will recover the amount up to A\$7,840,151. If it is unsuccessful in proving its claim, it will have to pay Promet's legal costs. In addition, because the Subsidiary did not pursue one of its claims at trial, the Subsidiary is required to pay Promet's costs incurred up to that point in defending that claim. It is not possible to provide an estimate of these costs at this time, because Promet has not advised the Subsidiary of what costs it is seeking. The Directors are of the view that the operational and financial impacts of the legal proceedings against the Group are not material.

36 Contingent liabilities (cont'd)

There is a dispute between the Subsidiary and the Territory Revenue Office (the "TRO"). The TRO is responsible for administering the Northern Territory Mineral Royalty Act (the "Act"), which 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 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 products are related party transactions.

The Subsidiary, in consultation with its professional advisers, has proposed a valuation policy and provided supporting transfer pricing reports to the TRO to derive a gross realisation that accords with the requirements of the Act. To date the TRO have not accepted such calculations and has provided an alternative transfer pricing proposal which would result in a greater gross realisation, a greater net value and a greater liability to royalties under the Act. The Subsidiary has advised the TRO that it disagrees with the transfer pricing proposal proposed by the TRO.

As at 31 December 2010, the Subsidiary considers that it is entitled to a refund from the TRO of an amount in the order of A\$6.19 million whereas the TRO may seek to issue assessments that require the Subsidiary to pay an additional A\$3.29 million in royalties up to 31 December 2010. No provision is made in the financial statements as the Directors are confident that the Subsidiary's calculation of gross realisation accords with the requirements of the Act.

37 Related party transactions

The following continuing transactions were carried out with related parties:

	2010	2009
	A\$'000	A\$'000
The Group		
Ocean freight charge paid to a company of which a director is a beneficial shareholder	31,881	23,462
Company secretarial fees paid to a company of which a Director is a director and beneficial shareholder	234	267
Legal fees paid to a company of which a Director is a director	89	41
Operating lease charge paid to a minority shareholder of a subsidiary in respect of an office premise	9	8
The Company		
Company secretarial fees paid to a company of which a Director is a director and beneficial shareholder	234	267
Management fees charged to subsidiaries	5,720	8,820
Interest charged to subsidiaries	8,970	6,805
Interest charged by subsidiary	656	-

37 Related party transactions (cont'd)

Key management personnel remuneration (other than Directors)

Included in staff costs are key management personnel compensation and comprises the following categories:

	2010	2009
	A\$'000	A\$'000
Salaries, wages and other related costs	3,163	3,152
Defined contributions plans	237	186
Equity-settled share-based payments	3,351	1,772
	6,751	5,110

38 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 ongoing 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:

	2010	2009
	A\$'000	A\$'000
Borrowings	92,276	1,323
Less: Cash and cash equivalents	(16,070)	(79,708)
	76,206	(78,385)
Total equity	325,903	265,695
Gearing ratio	0.23	-

The Group has complied with the covenants imposed by the bank.

39 Financial risk management objectives and policies

The Group's and the Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and market price risk), credit risk and liquidity risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's and the Company'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.

39.1 Currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group operates and sells its products in several countries and transacts in foreign currencies. As a result, the Group is exposed to movements in foreign currency exchange rates arising from normal trading transactions, primarily with respect to USD, RMB and SGD.

For the year ended 31 December 2010, the foreign currency forward contracts were entered into for trading purpose, details of which were set out in Note 26. As at 31 December 2010, the settlement dates on open foreign currency forward contracts were 4 months.

The following table demonstrates the sensitivity to a reasonably possible change in the USD, RMB and SGD exchange rates against A\$, with all other variables held constant, of the Group's profit after income tax and equity.

		The Group			
		2010		2009	
		Profit net of tax A\$'000	Equity A\$'000	Profit net of tax A\$'000	Equity A\$'000
United States dollars	- strengthened 5% (2009 - 5%)	(4,932)	(4,407)	1,107	928
	- weakened 5% (2009 - 5%)	4,932	4,407	(1,107)	(928)
RMB	- strengthened 5% (2009 - 5%)	596	589	(6)	(6)
	- weakened 5% (2009 - 5%)	(596)	(589)	6	6
SGD	- strengthened 5% (2009 - 5%)	8	8	109	100
	- weakened 5% (2009 - 5%)	(8)	(8)	(109)	(100)

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

39.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables, cash and cash equivalents and other financial assets. The carrying amounts of these financial assets presented in the consolidated statement of financial position are net of impairment losses. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of 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. Normally, the Group does not obtain collateral from other customers. For further detail refer to Note 18.

The Group has deposited its cash with various banks. The credit risk on bank deposits at escrow account, and cash and bank balances is limited as the Group's cash and bank balances are held with reputable financial institutions.

For other financial assets, the Group and the Company adopt the policy of dealing only with high credit quality counterparties.

The policies to manage credit risk have been followed by the Group during the reporting period and are considered to have been effective.

39.3 Liquidity risk

Liquidity risk relates to the risk that the Group and the Company will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of fund and flexibility through the use of stand-by credit facilities.

The liquidity policies have been followed by the Group and the Company during the reporting periods and are considered to have been effective in managing liquidity risks.

The tables below summarise the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted payments:

The Group	As at 31 December 2010			Total A\$'000
	Less than 1 year A\$'000	Between 2 and 5 years A\$'000	Over 5 years A\$'000	
Non-derivative financial liabilities				
Trade and other payables	78,278	-	-	78,278
Provisions	-	-	3,592	3,592
Borrowings	49,179	43,097	-	92,276
	127,457	43,097	3,592	174,146
Derivative financial liabilities				
Gross settled forward foreign exchange contracts	375	-	-	375

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

39.3 Liquidity risk (cont'd)

	As at 31 December 2009			
	Less than 1 year A\$'000	Between 2 and 5 years A\$'000	Over 5 years A\$'000	Total A\$'000
The Group				
Non-derivative financial liabilities				
Trade and other payables	46,856	-	-	46,856
Provisions	-	-	3,459	3,459
Borrowings	912	411	-	1,323
	<u>47,768</u>	<u>411</u>	<u>3,459</u>	<u>51,638</u>

	As at 31 December	
	2010 A\$'000	2009 A\$'000
The Company		
Trade and other payables		
- less than one year	46,121	845

39.4 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 instrument will fluctuate because of changes in market interest rates. All of the Group's and Company's interest bearing financial assets and liabilities carry fixed interest rates and are therefore not exposure to any interest rate risk.

39.5 Market price risk

Market price risk relates to the risk that the fair values or future cash flows of the Group's or the Company's financial instrument 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 change in market prices relating to its equity investments quoted on the ASX in Australia that classified as "available-for-sale financial assets".

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 has been 2% higher/lower, with all the other variables held constant, the Group's fair value reserve in equity would have been A\$209,000 and A\$1,936,000 higher/lower as at 31 December 2009 and 2010 respectively, 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 during the reporting period.

40 Financial instruments

Fair value measurements recognised in the consolidated statement of financial position

The Group adopted the amendments to IFRS 7 Improving Disclosures about Financial Instruments effective from 1 January 2009. These amendments introduced a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- 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 form prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 statement 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
The Group					
At 31 December 2010					
Assets					
Available-for-sale financial assets	(a)	96,448	-	-	96,448
Quoted share options	(a)	367	-	-	367
		96,815	-	-	96,815
Liabilities					
Forward foreign exchange contracts	(b)	-	375	-	375
The Company					
At 31 December 2010					
Assets					
Available-for-sale financial assets	(a)	96,448	-	-	96,448
Quoted share options	(a)	367	-	-	367
		96,815	-	-	96,815
The Group and The Company					
At 31 December 2009					
Assets					
Available-for-sale financial assets	(a)	10,457	-	-	10,457

There have been no significant transfers between levels 1 and 2 in the reporting periods. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

40 Financial instruments (cont'd)

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 bid prices at the reporting date.
- (b) *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.

Categories of financial assets and liabilities

The carrying amounts of the Group's and the Company's financial assets and liabilities as presented in the consolidated statements of financial position are categorised as follows:

The Group	As at 31 December	
	2010 A\$'000	2009 A\$'000
Financial assets:		
Available-for-sale financial assets	96,448	10,457
Derivative financial assets	367	-
At amortised cost		
- Trade and other receivables	31,396	22,265
Cash collateral	26,050	9,392
Cash and cash equivalents	16,070	79,708
	170,331	121,822
Financial liabilities:		
Derivative financial liabilities - foreign currency forward contracts	375	-
At amortised cost		
- Trade and other payables	78,278	46,856
- Borrowings	92,276	1,323
- Provisions	3,592	3,459
	174,521	51,638
The Company		
Financial assets:		
Available-for-sale investments	96,448	10,457
Derivative financial assets	367	-
At amortised cost		
- Other receivables	74,378	18,339
Cash and cash equivalents	5,311	46,582
	176,504	75,378
Financial liabilities:		
At amortised cost		
- Other payables	46,121	845

41 Comparative figures

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

	As restated	As previously reported
The Group	A\$'000	A\$'000
Consolidated statement of comprehensive income		
Cost of sales	(167,510)	(185,372)
Other income	3,337	21,199

42 Events after reporting date

- (i) Subsequent to 31 December 2010, the Company participated in a share placement in ASX listed exploration company, Shaw River Resources Limited, subscribing to an additional 8.2 million ordinary shares at A\$0.135 per share. Following the share placement and combined with its existing holding, the Company holds an 11% equity interests in this investment.
- (ii) A binding term sheet dated 8 February 2011 was executed between the Company (as lender) and Kiruna Iron AB ("Kiruna"), a wholly-owned subsidiary of ASX listed explorer, Scandinavian Resources Limited ("SCR") (as borrower), in connection with a loan facility provided by the Company of up to A\$5,000,000 for the acquisition of new potential iron ore tenements and assets and to fund exploration works programs for iron within the tenements and joint ventures held by Kiruna. Under the loan arrangement, the Company can elect to convert the total amount of loan drawn by Kiruna (including interest owed at the relevant time) to fully paid ordinary shares in SCR, at a conversion rate of one share of SCR for every A\$0.66 drawn down or owed. As at the date of signing the financial statements no amounts had been drawn down with respect to the loan.
- (iii) The Company is in the process of seeking a dual listing on the Hong Kong Stock Exchange.