

OM HOLDINGS LIMITED

(ARBN 081 028 337)



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26 April 2012

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

Dear Sir/Madam

2011 ANNUAL REPORT

Please find attached a copy of the 2011 Annual Report for OM Holdings Limited, which has been dispatched to Shareholders who have elected to receive a hard copy.

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 2,400km².

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 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:

- 14% shareholding in **Northern Iron Limited** (ASX Code: NFE), a company presently producing iron ore from its Sydvaranger iron ore mine located in northern Norway; and*
 - 8% shareholding in **Shaw River Manganese Limited** (ASX Code: SRR), a company presently exploring for manganese in Namibia, Western Australia and Ghana.*
-

Expanding the

Annual Report 2011

Possibilities



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



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The record breaking production and sales performance across all operating units in 2011 is a strong manifestation of the strength, experience and commitment of our management teams and workforce.

For most of us 2011 will be remembered as a roller coaster year - in terms of the economic turmoil engulfing the US and Europe, geopolitical developments in the Middle East and the devastation of the Japanese tsunami in Fukushima.

The manganese industry can also be best characterised as turbulent and challenging during 2011.

A challenging year in manganese – industry overview

Overall manganese demand driven by Chinese crude steel production remained exceptionally strong. However, supply side developments influenced by increasing production from major and marginal producers together with increasing port stockpiles put considerable pressure on manganese ore spot prices during the year.

The high grade Mn ore benchmark spot price at the end of 2011 stood at US\$5.30/dmtu CIF China. Subsequently, the January 2012 benchmark price fell by a further 10% to US\$4.75/dmtu CIF China. However, recently published announcements have confirmed an increase in the May 2012 spot price to US\$5.00/dmtu CIF China. While this spot price level puts considerable pressure on most manganese ore producers, it also underpins strong demand for seaborne high grade ores, on both technical and commercial grounds, in favour of higher cost and lower grade Chinese domestic alternatives.

The continued strength of imported high grade ore demand in China is well represented by the 13 million tonnes of high grade ore imports during 2011, an all-time record. China's ongoing demand for construction grade steel underpins a robust demand for Silico Manganese alloys which further supports strong demand for high grade siliceous ores of which Bootu Creek is a major supplier.

Imported Chinese high grade manganese ore stocks have fluctuated between 3.5 to 4 million tonnes during 2011, representing three to four months of import consumption. Currently, the Chinese port stock levels have significantly reduced closer to 3 million tonnes, providing clear evidence of a destocking process taking place.

The industry supply, demand and pricing dynamics, together with production cost pressures caused by the strengthening producer currencies, including the Australian dollar, significantly impacted on industry and producer margins during 2011.

The average manganese ore benchmark price in 2011 was US\$5.62/dmtu CIF China, down by 25% from the 2010 average price of US\$7.45/dmtu CIF China. The Australian dollar strengthened considerably during 2011, crossing parity against the USD in January 2011. The average AUD/USD exchange rate in 2011 was USD1: AUD0.97 as compared to USD1:

AUD1.09 in 2010, representing an 11% appreciation. Both of these factors had a significant negative impact on OMH's 2011 financial results when compared to the previous year.

Record operating performance and progress with major projects

While oversupply, high stock levels and falling prices have characterised the industry in 2011, the year has been very successful for the OMH Group from an operational perspective.

The Company achieved new production records at the Bootu Creek manganese mine and at the Qinzhou alloy smelter. The Marketing and Trading division has also exceeded previous shipping and sales records. These results from all three operating divisions are a strong manifestation of the strength, experience and commitment of our management teams and workforce.

The Company has also made significant progress with regards to the development of its world-class growth projects in Malaysia and in South Africa, laying a strong foundation for the future production and revenue profile of OMH.

These world-class projects together with the operating assets will provide a platform for the Company to achieve its vision of becoming a leading world-class manganese producer.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT



Earthworks at the Sarawak site

Corporate developments

In mid 2011 the Company announced that in light of the unfavourable market conditions, global market volatilities, the state of the manganese market and the Company's share price performance the proposed dual listing on the Hong Kong Stock Exchange (HKSE) was not in the best interests of the Company, and decided to discontinue with its plans to pursue a dual listing on the HKSE.

Regrettably, in April 2011 the Company was served with an application made in the Federal Court of Australia by one of its Shareholders, Consolidated Minerals Ltd ("ConsMin"), who sought orders to stop the Company from submitting certain resolutions at its 20 April 2011 AGM to approve the Company's plans to dual-list in Hong Kong. The injunction was rejected and in November 2011 the Federal

Court of Australia delivered its decision in the proceedings dismissing all claims and making a costs order in favour of the Company.

In terms of changes to the OMH Board during the year, Mr Zainul Abidin Rasheed and Mr Peter Church OAM were appointed as independent non-executive Directors of the Company. We are delighted to work with directors of the calibre and experience of Messrs Zainul and Church. During the year Mr Wong Fong Fui retired from the Board due to his increasing personal and business commitments and we will miss him both in a personal and professional capacity.

The appointment of Messrs Zainul and Church brings appropriate independent OMH Board composition in line with our continued commitment to good corporate governance.

A disappointing year for the OMH share price

Despite the Company outperforming its production and sales targets, the prevailing depressed market prices and the strengthening AUD negatively impacted on the Group's financial performance.

The increasingly negative investor sentiment towards the manganese market, lack of clarity with regards to the Company's funding strategy associated with the Sarawak smelting project coupled with generally difficult global financial and capital markets have all contributed towards the OMH share price taking a real beating during the year, making 2011 a difficult and disappointing year for OMH shareholders.



However, we remain confident that our continued focus and commitment, together with a strategy revolving around:

- the long-term structural strength of the manganese industry, sustained strong demand and the recovery of the manganese spot prices,
- the implementation of a robust low-cost mining and smelting operating strategy,
- the strengthening of the Company's balance sheet,
- the commissioning of the Tshipi mine (South Africa), and
- the funding execution of the world-class Sarawak (Malaysia) smelting project.

will contribute to restoring investor confidence in OMH during 2012 and beyond.

Robust operating strategy for 2012

The current record high Chinese imported manganese ore demand environment along with a near-record low benchmark price for high grade ore required the Bootu Creek mine's operating strategy for 2012 to be further optimised, so as to further reduce operating costs while achieving budgeted production targets. The Bootu Creek mine's operating strategy for 2012 centers around a low cost, low strip ratio mining operation focused on accessing previously pre-stripped high grade ore utilising a single mining fleet. This operating strategy will be sustainable for a 24-month period, before a further large pre-stripping campaign will be required. This revised strategy ensures a solid operating platform during the current market environment whilst allowing maximum production flexibility once manganese market conditions continue to improve.

Focus on the Sarawak smelting project

We would like to draw specific attention to the unique competitive advantages and underlying strategic strength of the 600ktpa Sarawak smelting project, its ability to fundamentally change the Company's future financial performance, valuation metrics as well as its ability to propel OMH into a global industry leadership position.

This project's unique competitive advantages include a 500MW 20-year competitively priced hydro power contract, executed during February 2012, which in an environment of less and less reliable and more and more expensive power in the 'traditional' alloy producing countries of China, South Africa, Australia, India and Ukraine, represents a major long-term structural advantage. The power contract will underpin the project

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT



Power Purchase Agreement Signing Ceremony between Syarikat SESCO Berhad and OM Materials (Sarawak) Sdn Bhd

within the lowest cost quartile production of 300,000 tonnes of manganese ferro alloys and 300,000 tonnes of ferro silicon alloys.

A highly regarded local partner, strategic and off-take investor relationships, coastal industrial land with dedicated infrastructure, captive manganese ore supply, geographical proximity to raw materials and Asian steel mills as well as other tax incentives provide further competitive advantages to this unique project.

The project is owned by OM Materials (Sarawak) Sdn Bhd ("OM Sarawak") with the OMH Group holding an 80% equity interest. Cahya Mata Sarawak Berhad (CMS) is OMH's strategic partner in the

Sarawak project with a 20% equity investment in OM Sarawak.

The feasibility study of the proposed Sarawak smelter indicates a strategically and financially robust project with attractive metrics including US\$502m CAPEX, a project NPV of US\$667m and a project IRR of 30%.

Our project execution timetable targets the commencement of construction during H2 2012, a progressive ramp-up and cash-flow generation commencing in early 2014 and reaching full capacity production by early 2015.

A critical component of the Sarawak project's execution strategy is to secure project financing for up-

to 70% of the Project's capital expenditure requirements. OM Sarawak is working closely with its financial advisor with a view of releasing a full information package in Q2 2012, with the objective of securing credit approved commitments for the financing as soon as possible thereafter.

The Company is clear in its objective of exploring and executing equity and debt funding options for this project without causing excessive dilution to existing Shareholders.

The Tshipi Borwa project

OMH has an effective 13% interest in the Tshipi project in South Africa through its 26% strategic partnership with Ntsimbintle

Mining (Proprietary) Limited, the majority 50.1% owner of Tshipi. The remaining 49.9% share is owned by Jupiter Mines Limited. Tshipi owns two manganese prospects in the world class Kalahari Manganese field, namely Tshipi Borwa and Tshipi Bokone, adjacent to the operating Mamatwan and Wessels mines respectively.

Tshipi Borwa has commenced pre-stripping activities during 2011 and the construction of a 2.4 million tonne per annum mine is progressing on schedule. The project remains on track to commence production during H2 2012.

The capital budget for the construction of the Tshipi Borwa Mine remains in line with forecasts. During 2011 OMH contributed a total A\$11.3 million of its approved US\$34 million CAPEX funding requirement towards the Tshipi project's development expenditure commitments and will continue to make its required capital contributions from its operating cash flows during 2012.

Improving the OMH balance sheet

Management is focused on improving the Company's balance sheet to ensure a solid financial foundation for its short term operating and longer term growth objectives.

The Company has worked closely with its banker to restructure its US\$90m loan book into a consolidated longer term facility and we are pleased to report that this process has now been concluded.

The Company has also embarked on a structured process of monetising its financial investments. The process commenced in 2011 and has resulted in the divestment of the Scandinavian Resources (ASX Code: SCR) shares in January 2012. The Company has also provided its support to Northern Iron's (ASX Code: NFE) 'strategic review' process conducted by Goldman Sachs. It is our expectation that this process will also assist OMH to realise a return from its NFE investment exceeding its original investment cost. The value of OMH's investment in NFE has significantly reduced towards the end of 2011 due to a collapse in NFE's share price driven by short term operational problem and a fall in iron ore spot price. However, we are pleased to note that at the time of writing this report NFE's share price continues to be on a path of recovery.

Attracting new strategic investors

During Q1 2012 the Company raised A\$56 million from strategic investors supporting the Company's downstream beneficiation and geographic diversification strategy. The net proceeds of the placements will finance development activities of the Sarawak project and assist in the timely financial close of the project.

The placement to a group of Singapore based institutional investors demonstrates strong strategic support for OMH's growth strategy, downstream processing expansion and geographic diversification into South-East Asia.

In addition to facilitating the timely development of the Sarawak project, the placement to Boustead Singapore represents the formalisation of a strong strategic relationship with one of South-East Asia's most successful and experienced engineering services businesses. The involvement of Boustead will assist in the on-time and on-budget delivery of the Sarawak project. The strategic relationship between OMH and Boustead brings together accumulated international experience in the development and commissioning of world-class engineering and infrastructure-related projects and OMH's growth plans in the manganese industry.

Hanwa Co., Ltd is a highly successful Japanese international trading company with significant operations specialising in the marketing and distribution of steelmaking ferro alloys. Hanwa ranks among the leading specialist suppliers of metals in the world. The establishment of this highly prospective long-term strategic and marketing relationship with Hanwa represents a major milestone in the evolution of the Company's Shareholder base and consummates a long-term shareholding and marketing relationship and a specific off-take commitment for products from the Sarawak project. OMH and Hanwa have entered into a strategic marketing relationship covering the sales and marketing of 80,000 tonnes of Ferro Silicon and 80,000 tonnes of Silico Manganese product from the Sarawak project.

A focused and disciplined operating strategy during 2012 will manage the Company through the current manganese commodity cycle and a clear and transparent growth strategy will position OMH for significant shareholder value creation as it takes advantage of the structural shift in the manganese ore and alloy industries.



Looking forward positively

The Company's operating strategy is well placed to withstand the current market conditions, its sales and distribution strategy is well placed to ensure that it can immediately benefit from improvements in manganese prices while management remains laser focused on successfully executing the Company's strategically and financially robust growth strategy.

A focused and disciplined operating strategy during 2012 will manage the Company through the current manganese commodity cycle and a clear and transparent growth strategy will position OMH for significant shareholder value creation as it takes advantage of the

structural shift in the manganese ore and alloy industries.

The Company's vision to become the world's leading manganese company through participation and maximum value extraction across the entire industry value chain, from exploration to mining, smelting and marketing, by identifying, developing and operating world class assets, complimented by world class execution capabilities.

In order to progress the Company towards this objective the specific strategic initiatives during the next 12-24 months we will focus on continued exploration activities, executing the Company's optimised operating strategy at Bootu Creek and Qinzhou, strengthening the

Company's balance sheet, divestment of non-core investments and focused execution of the Company's growth projects – the development and successful market entry of the Tshipi Borwa project in South Africa and the financing and development of the Company's flagship Sarawak ferro alloy smelting project.

LOW NGEETONG

Executive Chairman

PETER IVAN TOTH

Chief Executive Officer

所有业务部门在2011年突破生产和销售纪录，印证了各管理团队和我们的全体员工的实力、经验和尽责忠诚的工作态度。

对大部分人而言，2011年是高低起伏、动荡不安的一年。无论是笼罩美国和欧洲的经济乱势，中东的地缘政治发展变化，以及海啸对日本福岛所造成的破坏，过去一年的风云变幻，都叫人历历在目。

2011年，锰产业的发展也同样变幻莫测，波折重重。

充满挑战的一年 —— 锰产业发展回顾

虽然由中国的粗钢产量带动的整体锰需求仍然异常强劲，但在主要和边际生产者增加产量，以及港口库存增加影响之下，锰矿的现货价格在去年间承受了一定的压力。

2011年底，富锰矿的基准现货价格为每干吨度5.30美元（中国港口到岸价格）。随后，在2012年1月，基准现货价格进一步下跌10%至每干吨度4.75美元（中国港口到岸价格）。最近的公告已证实2012年5月基准价已回升至每干吨度5.00美元（中国港口到岸价格）。虽然这现货价格水平对大多数锰矿生产商而言造成相当大的压力，但它也在技术和商业基础上支撑起对海运富矿的强劲需求，使之比成本较高、品位较低的中国国内替代矿更具吸引力。

2011年，中国的富矿进口量达1,300万公吨，创下前所未有的记录。这证明了中国对进口富矿持续维持强劲需求。中国对建筑等级钢的持续需求，巩固了对硅锰合金的强劲需求，从而进一步支持对高品位硅锰矿的大量需求。Bootu Creek正是高品位硅锰矿的其中一个主要供应商。

中国进口富锰矿库存水平在2011年波动于350至400万公吨之间，相当于3至4个

月的进口消耗量。在撰写本报告之时，中国港口的库存水平已显著降低至近300万公吨，明显表明去库存过程正在进行之中。

2011年，产业的供应量、需求量和价格变动，加上因生产商货币升值（包括澳元）对生产成本所造成的压力，显著影响产业和生产商的利润和盈利能力。

2011年度的锰矿平均基准价格是每干吨度5.62美元（中国港口到岸价格），比2010年度的平均价格每干吨度7.45美元（中国港口到岸价格）下跌了25%。在2011年期间，澳元汇率显著走强，在2011年1月与美元达至平价水平。2011年的澳元/美元平均汇率为1美元兑0.97澳元，与2010年的汇率1美元兑1.09澳元相比，升值11%。与上年相比，这两项因素对OM控股公司的2011年财务业绩有着重大的负面影响。

创纪录的经营表现和重大项目的进展

虽然2011年供过于求、高库存水平和价格下降的现象非常显著，但OM控股集团的经营方面取得空前成功。

公司分别打破了Bootu Creek锰矿和中国钦州合金冶炼厂的生产纪录，也突破了市场及贸易部以往的运输和销售纪录。这三个业务部门所创造的佳绩印证了各管理团队和我们的全体员工的实力、经验和尽责忠诚的工作态度。

公司在马来西亚和南非的世界级发展项目也分别取得重大进展，为OM控股的未来生产和收益奠定了坚实的基础。

这些符合国际水平的项目与经营资产将为公司提供一个平台，去实现其成为首屈一指的世界级锰生产商的目标。

企业发展

在2011年第二季度结束前，公司宣布鉴于不利的市场条件、全球市场的波动、锰市场的状况欠佳和公司股价的表现，提议中的香港联合交易所（HKSE）双重上市计划将无法对公司带来最佳利益，并因此决定终止计划。

令人遗憾的是，公司在2011年4月接获其股东之一Consolidated Mineral Limited（“ConsMin”）通过澳洲联邦法院所提出的禁制令申请，寻求制止公司在2011年4月20日举行的年度股东大会上，提交某些批准公司在香港双重上市的决议。最终禁制令被驳回。澳洲联邦法院在2011年11月就ConsMin所提出的诉讼进行裁决，驳回其所有索赔申请，并判决对公司有利的讼费命令。

至于OM控股董事会的变化方面，Zainul Abidin Rasheed先生和澳洲荣誉勋章得主Peter Church先生分别获委任为公司的非执行独立董事。对于能够与充满才干和经验丰富的Zainul先生和Church先生共事，我们深感荣幸。去年，Wong Fong Fui先生因公务与私务都日益繁重，决定离开董事会。无论是在专业层面或私交上，我们都怀念他为董事会服务的日子。

Zainul先生和Church先生的任命构成OM控股董事会的适当独立性，有助于我们持续致力维持良好的公司治理水平。

OM控股股价令人失望的一年

尽管公司超额完成其产量和和销售目标，可是目前低迷的市场价格和澳元不断升值的趋势，都对集团的财政表现产生了负面影响。

OM控股的股价在2011年严重受挫的原因，包括投资者对锰市场持有越来越消极的情绪，公司在砂拉越进行的冶炼项目的筹资策略缺乏透明度，以及全球金融和资本市场整体经历了艰难的时刻。这也使得OM控股的股东度过了困难和失望的一年。

然而，我们还是很有信心，我们从未动摇的目标和承诺，加上下列的策略：

- 锰产业的长期结构性走强，将维持锰矿现货价格的强劲需求和复苏，
- 执行高效率、低成本的开采和冶炼经营策略，
- 强化公司的资产负债表，
- 促使位于南非的Tshipi锰矿投产，以及
- 执行全面性的筹资计划和项目融资结构，以确保世界级的砂拉越（马来西亚）冶炼项目如期进行。

将会在2012年恢复投资者对OM控股今后的信心。

2012年的健全经营策略

基于目前中国对进口锰矿的需求正处于新高，而富锰矿的基准价格却下跌至近乎历史性的新低，Bootu Creek锰矿在2012年必须继续优化经营策略，在实现符合预算的生产目标的同时，进一步降低经营成本。Bootu Creek锰矿的2012年经营策略主要围绕着一套低成本、低剥采比的运作方式进行，集中采用单一的采矿车队，开采之前预剥离出来的高品位矿床，同时研究由自主采矿的策略是否可行。这项经营策略将可持续进行24个月，然后才进一步开展大型的预剥离工作。在目前的市场环境下，这项经过修改的策略确保经营平台稳定可靠，同时确保最大的生产灵活性，一旦锰市场的条件改善，亦可妥善应对。

着重发展砂拉越冶炼项目

我们希望在此特别强调，每产60万吨的砂拉越冶炼项目的独特竞争优势和潜在策略性力量，其完全改变公司的未来财政表现和评估指标的能力，以及其推动OM控股成为全球性业界领袖的能力。

这项项目的独特竞争优势包括一份为期20年、价格具有竞争力的500兆瓦水电电力供应合同。从2012年2月起，合同已开始生效。随着“传统”合金生产国包括中国、南非、澳洲、印度和乌克兰的环境变得越来越不稳定，电力供应也越来越昂贵，这合同代表着长期的结构性优势。这份电力合同将确保这项30万吨锰系合金和30万吨硅铁合金的低生产成本。

此外，这独一无二的项目还拥有其他更深入的竞争优势，其中包括一个被高度推崇的当地合作伙伴、策略性的承购投资者关系、设有完善基础设施的沿海工业用地、锰矿供应、与原材料和亚洲钢厂的地缘优势，以及其他税务上的激励措施。

OM控股集团旗下的公司OM Materials (Sarawak) Sdn Bhd (“OM Sarawak”) 持有这项目的80%股权，为项目的所有人。Cahya Mata Sarawak Berhad (CMS) 是OM控股的砂拉越项目的策略性合作伙伴，持有OM Sarawak的20%股权。

建议中的砂拉越冶炼厂的可行性研究报告显示，这是一个具有策略性和财政状况健全的项目，其富有吸引力的指标包括5.02亿美元的资本开支、6.7亿美元的项目净现值和30%的项目内部收益率。

我们的项目执行时间表上的目标包括在2012年下半年开始动工，在2014年初逐渐开始投产和产生现金流，并在2015年初全面投产。

砂拉越项目的执行策略的其中一个重要部分，是保证项目的融资达到项目的资本开支要求的70%。OM Sarawak正与其财务顾问紧密合作，以满足潜在的马来西

亚和国际项目融资方的所有要求，并以在2012年上半年取的融资许可。

公司在探讨和执行这项目的股权和债务融资选择上具有清晰明确的目标，不会造成现有股东股权被过度稀释。

Tshipi Borwa项目

由于OM控股与持有Tshipi项目的50.1%股权的大股东Ntsimbintle Mining (Proprietary) Limited拥有策略性伙伴关系，并占有其26%的股权，因此，OM控股实际上持有Tshipi项目的13%股权。至于余下的49.9%股权，则由Jupiter Mines Limited持有。在世界级的卡拉哈里锰矿区，Tshipi拥有两个有开采价值的矿床，即分别毗邻正在运作中的Mamatwan和Wessels锰矿的Tshipi Borwa和Tshipi Bokone。

Tshipi Borwa在2011年期间开始预剥离工作，而其每年产量达240公吨的矿厂建设工程也正如期进行。这项目现时正按计划发展，并将于2012年下半年开始投产。

建设Tshipi Borwa锰矿的资本预算仍符合公司预期。在2011年期间，OM控股总共拨出了3400万美元的融资需求资本开支之中的1130万澳元，以支付Tshipi项目的开发支出，并将继续在2012年利用其经营性现金流，支付所需的资本贡献。

改善OM控股的资产负债表

为确保公司拥有一个稳定的财政基础，以达成其短期经营和长期增长目标，公司管理层致力集中改善公司的资产负债表。

公司与其银行密切合作，务求把其9000万美元的贷款帐册重组为综合性的长远贷款协定。我们很高兴地向大家报告，此商讨过程已经圆满结束。

公司在2012年采取的专注集中性和富有纪律性的经营态度，将协助公司过渡目前的锰商品周期。公司的明确和透明的策略性增长发展方针，将趁锰矿及合金产业的结构性转变优势，为OM控股创造显著的股东价值。

同时，公司在2011年展开了套现金融投资的结构性过程，并因此在2012年1月撤资Scandinavian Resources Limited (SCR) 的股份。此外，公司还为由高盛进行的Northern Iron's (NFE) “策略性审查” 提供了支援，预期这将导致该公司的控制权出现变化。我们预期，这个过程也将协助OM控股实现其在NFE上超过原始投资成本的投资回报。由于NFE的股价因短期业务和铁矿价格因素而暴跌，OM控股对NFE的投资价值在2011年年底被大幅度降低。不过，我们注意到在撰写本报告之时，NFE的股价已开始回升，也为此感到满意。

吸引全新的策略性投资者

在2012年第一季度，公司向多个策略性投资者筹集了5600万澳元。这笔款项有助于支持公司的下游选矿和地域多元化发展策略。公司所得的款项净额将为砂拉越项目的开发活动提供资金，并协助项目及时完成财务结算。

向新加坡的机构投资者募资的安排显示OM控股的发展策略、下游加工扩展和在东南亚地区的地域多元化计划获得强大的策略性支持。

除了促进砂拉越项目的及时开发，新加坡宝德集团的投资意味着公司与东南亚的其中一个最成功和最经验的工程技术服务企业所组成的强大策略性合作伙伴关系正规化，而新加坡宝德集团的参与将有助于砂拉越项目按照预算及时竣工。OM控股与宝德集团之间的策略性合作伙伴关系，汇集了后者在开发和受托

进行世界一流的工程和基础设施的相关项目上所积累的国际经验，以及OM控股在锰产业上的未来发展计划，形成双赢的局面。

Hanwa是日本一家非常成功的国际化贸易公司，其主要业务为营销和分销炼钢用铁合金，为领先全球的专业金属供应商之一。公司与Hanwa组成这种具有高度前瞻性的长期策略性和市场营销合作关系，代表着公司的股东基础进化过程的一个重要里程碑，完善了一段长期的股权和营销关系，并为砂拉越项目的产品形成具体的承购承诺。OM控股和Hanwa已经达成协议，组成策略性营销合作关系，销售和营销砂拉越项目的8万公吨硅铁产品和8万公吨硅锰产品。

积极面向未来

公司的经营策略部署得宜，能够承受目前的市场条件，其销售及分销策略也部署妥当，以确保一旦锰价格和管理状况有所改善时，公司将可立即受益。此外，董事会将继续聚焦在成功融资和执行其策略性和财政稳健的增长策略之上，以确保公司的最大利益。

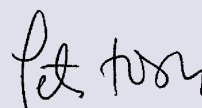
公司在2012年采取的专注集中性和富有纪律性的经营态度，将协助公司过渡目前的锰商品周期。公司的明确和透明的策略性增长发展方针，将趁锰矿及合金产业的结构性转变优势，为OM控股创造显著的股东价值。

公司期望通过积极参与勘探、开采、冶炼和销售等整个产业价值链的过程，并从中发掘其最大价值，同时识别、开发和经营世界一流的资产，加上首屈一指的执行能力，成为领先世界的锰产业企业。

为了朝这目标推进，公司将在未来的12至24个月期间，实施具体的策略性措施，专注于持续的勘探活动，执行公司对Bootu Creek和钦州的优化经营策略，强化公司的资产负债表，撤资非核心性投资，以及重点执行公司的增长发展项目，即开发南非的Tshipi Borwa项目并打入该市场，以及为公司的砂拉越铁合金冶炼旗舰项目进行融资和开发。



刘义东
执行主席



PETER IVAN TOTH
首席执行官

DIRECTORS



Low Ngee Tong
Executive Chairman

Mr Low is a qualified Mechanical Engineer, having graduated from the National University of Singapore. He has over 32 years experience in the steel, ferro alloy and building materials industries in Asia. That experience was gained with Chiyoda Limited, a global Japanese civil engineering group, Intraco Limited, Intraco Resources Pte Limited, and C Itoh Limited, a significant Japanese metals trading house. Mr Low has demonstrated an excellent network for marketing in China. He was the Chief Executive Officer of OMH since its incorporation and subsequent listing in 1998. In October 2008, Mr Low became the Executive Chairman of OMH. Mr Low's business relationships and reputation with several large multinational corporations in Asia have enabled OMH to successfully establish its profitable operations based in Singapore and extending to China and Australia.



Peter Ivan Toth
Chief Executive Officer

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



Zainul Abidin Rasheed
Independent Deputy Chairman

Mr Zainul Abidin graduated with a Bachelor of Arts (Honours) in Economics and Malay Studies from the National University of Singapore in 1971. Prior to becoming a Member of Parliament in 1997 (the last held office was Senior Minister of State for Foreign Affairs), Mr Zainul Abidin had an outstanding career in journalism, which included the positions of Editor of Berita Harian, The Singapore Business, The Sunday Times and Associate Editor of The Straits Times.

He served on the boards of numerous government agencies, councils and civic/community organisations including as Executive Secretary of the Singapore Port Workers' Union, President of the Singapore Islamic Religious Council (MUIS), Chairman of the Malay Heritage Foundation, Chief Executive Officer of the Council for the Development of the Malay/Muslim Community (MENDAKI), the Council for Security Co-operation in the Asia Pacific, the National University of Singapore Council as well as being the Patron of the Singapore Rugby Union. Mr Zainul Abidin is a current member of the New York-based Asia Society Global Council.

Mr Zainul joined the Board on 3 October 2011.

Mr Zainul Abidin is a member of the Company's Audit and Remuneration Committees. In his role as Independent Deputy Chairman he also assumes the role of lead Independent Non-Executive Director.



Julie Anne Wolseley
Non-Executive Director &
Joint Company Secretary

Ms Wolseley holds a Bachelor of Commerce degree and is a Chartered Accountant. She is the Principal of a corporate advisory company and has over 20 years experience as Company Secretary to a number of ASX-listed companies operating primarily in the resources sector. Previously Ms Wolseley was an Audit Manager both in Australia and overseas for an international accounting firm. Her expertise includes corporate secretarial, management accounting, financial and management reporting in the mining industry, IPOs, capital raisings, cash flow modeling and corporate governance. Ms Wolseley is also a Member of the Australian Institute of Company Directors and has been the Joint Company Secretary of OMH since 2001. She was appointed as a Non-Executive Director on 24 February 2005. Ms Wolseley is a member of the Audit and Remuneration Committees.



Tan Peng Chin
Independent Non-Executive
Director

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



Thomas Teo Liang Huat
Independent Non-Executive
Director

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



Peter Church OAM
Independent Non-Executive
Director

Mr Church, a highly successful Australian commercial lawyer and corporate adviser who resides in Singapore and has had a career spanning more than 30 years which has encompassed significant experience throughout South East Asia and India, including foreign investment and corporate advisory experience with respect to many regional projects and a number of which relate to the resources' sector. He is a Fellow of the Australian Institute of Company Directors.

In 1994 Mr Church was awarded the Medal of the Order of Australia (OAM) by the Australian Government for his promotion of business between Australia and South East Asia. Presently, Mr Church's roles include being chairman of AFG Venture Group, Special Counsel to the English law firm of Stephenson Harwood, a Non-Executive Director of the Singapore International Chamber of Commerce and a non-executive director of the Alliance of International Corporate Advisors.

Mr Church joined the Board on 12 December 2011.

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

KEY MANAGEMENT

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





Directors

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

Company Secretaries

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

Address of Company and Registries

The address of the Head Office of the Company:

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

The address of the Bermuda Registered Office:

Clarendon House
 2 Church Street, Hamilton HM 11
 Bermuda

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

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

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

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

Name of Bankers

Australia and New Zealand Banking Group Limited
 Bank of China
 Bank of Communication
 Bank of Construction
 BNP Paribas
 CIMB Bank Berhad
 Commonwealth Bank of Australia
 KBC Bank NV
 Malayan Banking Berhad
 National Australia Bank Ltd
 Oversea-Chinese Banking Corporation Limited
 Rabobank International
 RHB Bank Berhad
 Standard Chartered Bank
 The Royal Bank of Scotland

Name and Address of Auditors

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

Name and Address of Appointed Australian Agent

OM Holdings (Australia) Pty Ltd
 Level I, 46 Parliament Place
 West Perth, WA6005
 Telephone : (618) 9481 0955
 Facsimile : (618) 9481 0966

Name of Bermuda Resident Representative

John C.R. Collis

Name of Bermuda Deputy Resident Representative

Anthony D. Whaley

WEBSITE : www.omholdingsltd.com

ASX Code : OMH

CORPORATE STRUCTURE

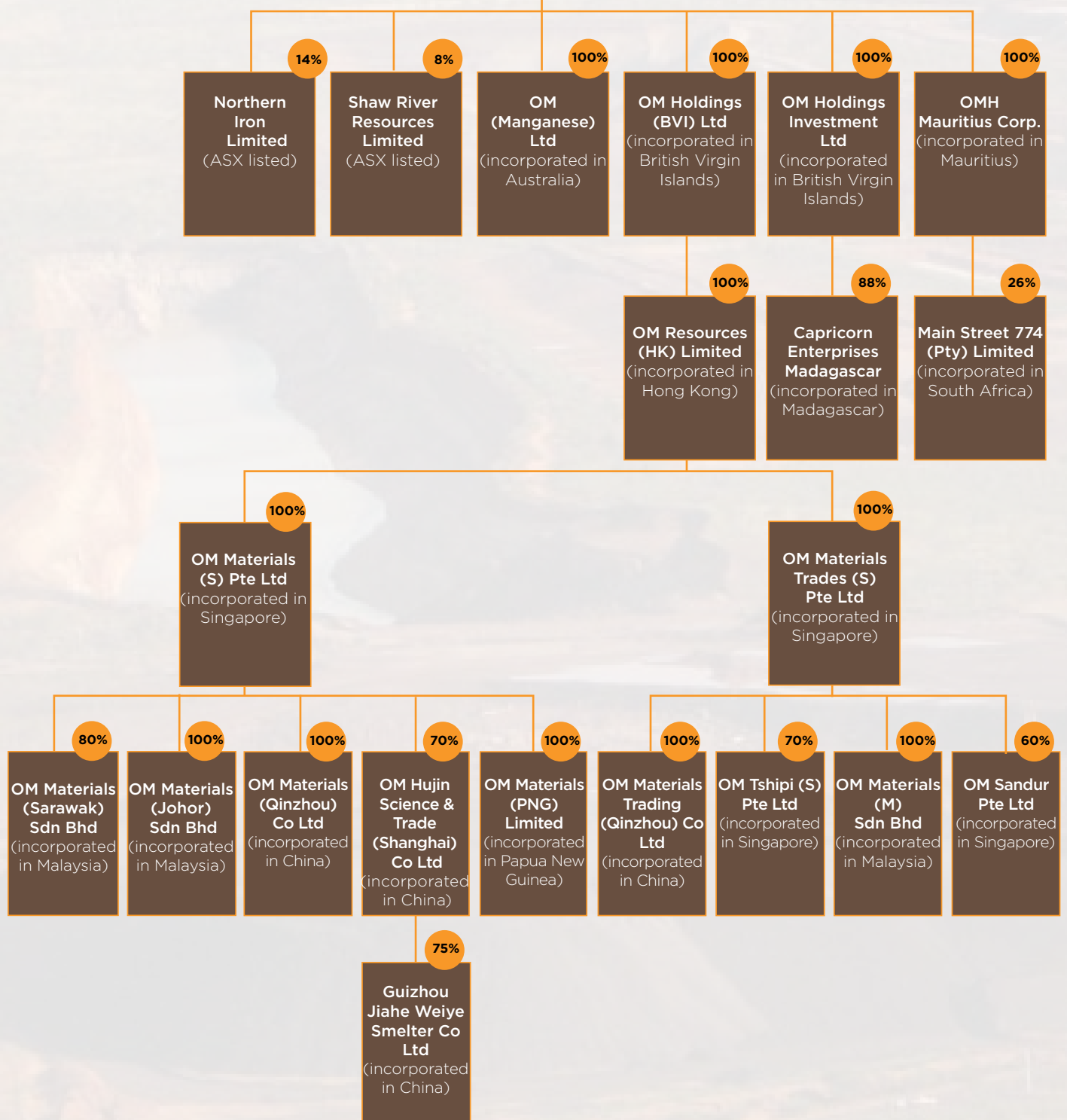
as at 17 April 2012



OM HOLDINGS LIMITED

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

(Listed on ASX on 19 March 1998)



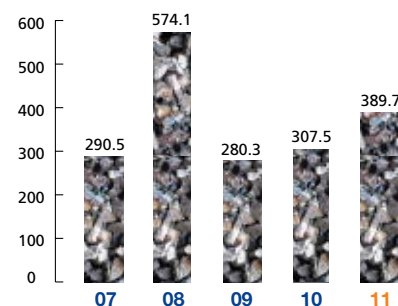
5-Year Group Financial Highlights

Financial years ended 31 December	2011	2010	2009	2008	2007
	A\$'million	A\$'million	A\$'million	A\$'million	A\$'million
Revenue	389.7	307.5	280.3	574.1	290.5
Profit/(loss) before taxation	(24.8)	55.3	28.3	133.5	61.8
Profit/(loss) attributable to shareholders	(11.5)	47.2	26.9	115.6	56.9
Total assets	553.6	509.3	323.3	331.9	219.0
Shareholders' funds	258.0	325.9	265.7	250.7	166.2
Net tangible assets	250.7	321.3	263.1	246.0	162.2
	A\$cents	A\$cents	A\$cents	A\$cents	A\$cents
Net tangible assets per share	49.73	63.87	53.60	51.51	35.65
Basic earning/(loss) per share	(2.29)	9.58	5.59	24.81	14.29
Dividend per share	Nil	2.75	3.00	6.50	6.00
	2011	2010	2009	2008	2007
Gross profit (A\$ million)	59.6	117.4	112.8	261.5	109.9
Gross profit margin (%)	15.3	38.2	40.2	45.6	37.8

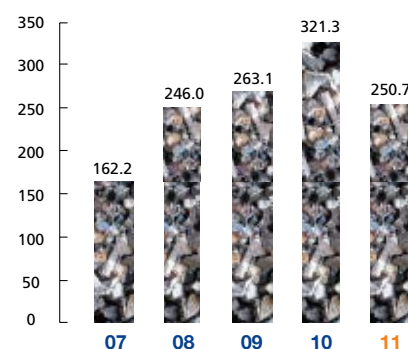
Comparison sales to International Regions were as follows:

Region	2011	2010	2009	2008	2007
	%	%	%	%	%
South Korea/Japan	-	-	4.2	10.7	4.4
China	100.0	96.2	91.6	72.1	85.6
Others	-	3.8	4.2	17.2	10.0
Total	100	100	100	100	100

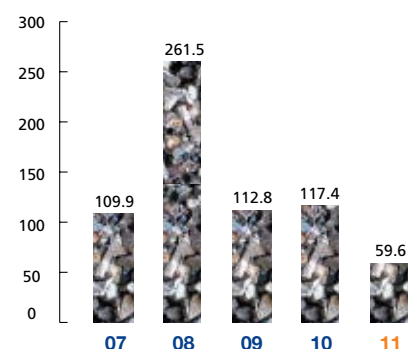
REVENUE (A\$'million)



NET TANGIBLE ASSETS (A\$'million)



GROSS PROFIT (A\$'million)



OMH GROUP OVERVIEW

The Group has a long established history of more than 14 years in exploration, project development, operations, marketing and trading. Through its integrated operations the Group is able to capture significant value and margins across the entire value chain.

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

Today, the Group is one of the world's top ten manganese producers in terms of manganese unit production. Within the top ten producers, it is the only pure play manganese producer listed on the ASX. The Group is currently primarily focused on the Chinese market for its sales and marketing activities.



Key Operating Entities of the OM Holdings Group

OMH is the holding company in the Group. The main operating entities within the OMH Group are further outlined as follows:

- **OM (Manganese) Ltd ("OMM")**
OMM owns the Bootu Creek mine located in the Northern Territory, Australia. The Bootu Creek mine is located ~110km north of Tennant Creek. Mining operations commenced in November 2005 and the first ore was processed in April 2006.
- **OM Materials (S) Pte Ltd ("OMS")**
OMS, a company based in Singapore is the strategic trading hub of the Group. It handles the logistics, marketing, product flow and product distribution of the Group. The focus of the OMS

business is currently on equity ore sales from Bootu Creek and going forward, from Tshipi (through its 70% equity interest in a marketing joint venture with Ntsimbintle) and iron ore sales from Northern Iron's Sydvaranger mine in Norway.

- **OM Materials (Qinzhou) Co Ltd ("OMQ")**

OMQ owns the Group's ferroalloy smelter in Qinzhou in Guangxi province. The smelter is located ~1km from the Qinzhou port, which provides OMQ with an advantage in accessing imported raw materials, in particular manganese ore. OMQ also provides the Group with intangible benefits like market intelligence and insight in smelter economics, particularly in China, where it can be difficult to source accurate industry information.

- **OM Hujin Science and Trade (Shanghai) Co. Ltd ("OMA") & OM Materials (Qinzhou) Trading Co. Ltd ("OMQT")**

OMA and OMQT are the distribution arms of OMS in China. Both companies support the operations of OMS and focus on sales and technical marketing in the Northern and Southern China regions.

- **OM Materials (Sarawak) Sdn Bhd ("OM Sarawak")**

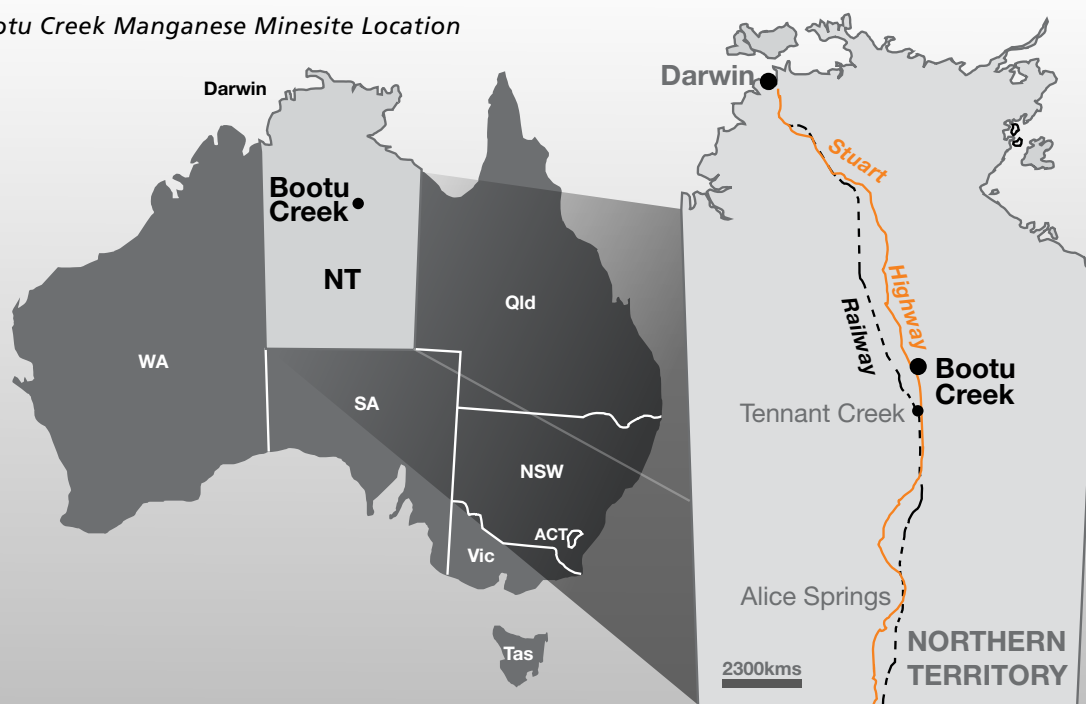
The Group is establishing a ferroalloy smelter and manganese ore sinter plant in Sarawak, Malaysia which will have the capability to produce 300,000 tonnes of manganese ferroalloys, and 300,000 tonnes of ferrosilicon alloys, for consumption by the growing Asian steel industry.

VERTICALLY INTEGRATED business model

Vertically Integrated Business Model	Exploration & Mining	Mining	Annual Targeted Production Rate (million tonnes)	Mineral Resources (million tonnes)
		(i) OMM - Bootu Creek Project	1.0	32.5
		(ii) Main Street 774 Tshipi Project ⁽¹⁾	2.4	163.0
		Exploration		
		(i) Bootu Creek Regional	(iv) MOX ⁽²⁾	
		(ii) Renner Springs Project	(v) AXE ⁽³⁾	
		(iii) Helen Spring Project		
		(1) OMH holds an effective interest of 13% of the Tshipi Project, due to commence production in H2 2012		
		(2) OMH signed a "farm-in" agreement to acquire a 60% interest in the Waddikee Project in South Australia		
		(3) OMM signed a "farm-in" agreement to acquire a 60% in the Mn and iron rights operated/owned AXE's Carapee Hill in South Australia		
Processing & Smelting	Processing and Smelting Plant		Annual Production Capacity ('000 tonnes)	
	(i) OMQ in Qinzhou, China	Alloys	60	
		Sinter ore	300	
	(ii) GJW in Guizhou, China	Alloys	18	
	(iii) OM Materials Johor, West Malaysia*	Alloys	66	
		Sinter ore	300	
Marketing & Trading	(iv) OM Materials Sarawak, East Malaysia*	Alloys	600	
	* The Group's processing and smelting plants in Malaysia have not yet commenced production and the capacities referred to above are planned capacities.			
Strategic Investments	(i) OMS in Singapore			
	(ii) OMA in Northern China			
	(iii) OMQT in Southern China			
	(i) 14% holding in NFE iron ore mining company in Norway			
	(ii) 8% holding in SRR a manganese exploration company with interests in Namibia, Ghana and Western Australia			

MINING OPERATIONS REVIEW

Figure 1. Bootu Creek Manganese Minesite Location



2011 Highlights

- Record annual production of 902,082 tonnes grading 36.7% Mn, representing a 8.5% increase over the previous year.
- Record monthly production of 100,243 tonnes at 36.8% Mn achieved in April 2011.
- Full year C1 unit cash costs of A\$4.25/dmtu
- The 31 December 2011 Bootu Creek Mineral Resource of 32.3 million tonnes at 22.3% Mn replaced around 90% of the 2.3 million tonnes of ore processed through the Bootu Creek processing plant in 2011.
- Bootu Creek Mineral Resource continues to underpin the current processing rate of 2.3 million tonnes of ore per annum, producing up to 1.0 million tonnes of manganese product for export per annum.
- The 31 December 2011 Bootu Creek Ore Reserve reduced by 4.1 million tonnes compared to 31 December 2010 due largely to mine depletion and the effects of a strong Australian dollar on pit optimisation. Newly delineated Mineral Resources require core drilling and metallurgical test work prior to inclusion in Ore Reserves.

Overview

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

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

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

located at Renner Springs and Helen Springs.

The Bootu Creek Mine area contains a number of manganese deposits located along the western and eastern limbs of the Bootu syncline including the abandoned Muckatya mine, worked from shallow open pits between 1955 and 1963. The individual mineralised horizons are generally strata-bound in character and can persist over strike lengths of up to 3 km. The resources defined to

date at the project are long shallow, gently dipping deposits amenable to open pit mining.

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

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

the Bootu Creek Mine manganese deposits.

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

The Bootu Creek plant is a relatively simple crushing and screening operation, followed by heavy media separation (HMS) to concentrate the manganese minerals. The plant comprised of two separately built processing plants. The original primary processing plant (PPP) was

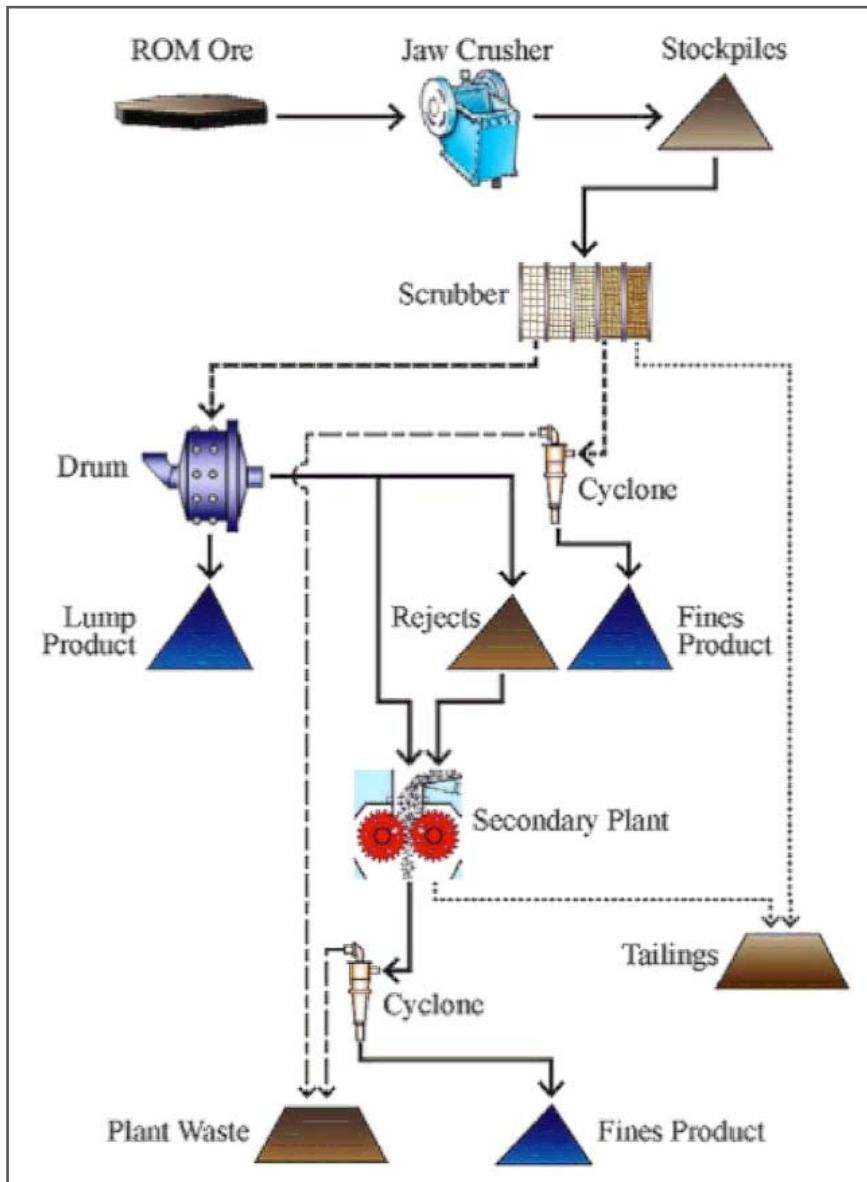
commissioned in 2006 and processes the ROM ore while the secondary processing plant (SPP) commissioned in December 2009 abuts the PPP and selectively processes drum plant rejects and washed fines from the PPP and previously stockpiled drum plant rejects.

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

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

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

The processing of manganese ore is described diagrammatically below:



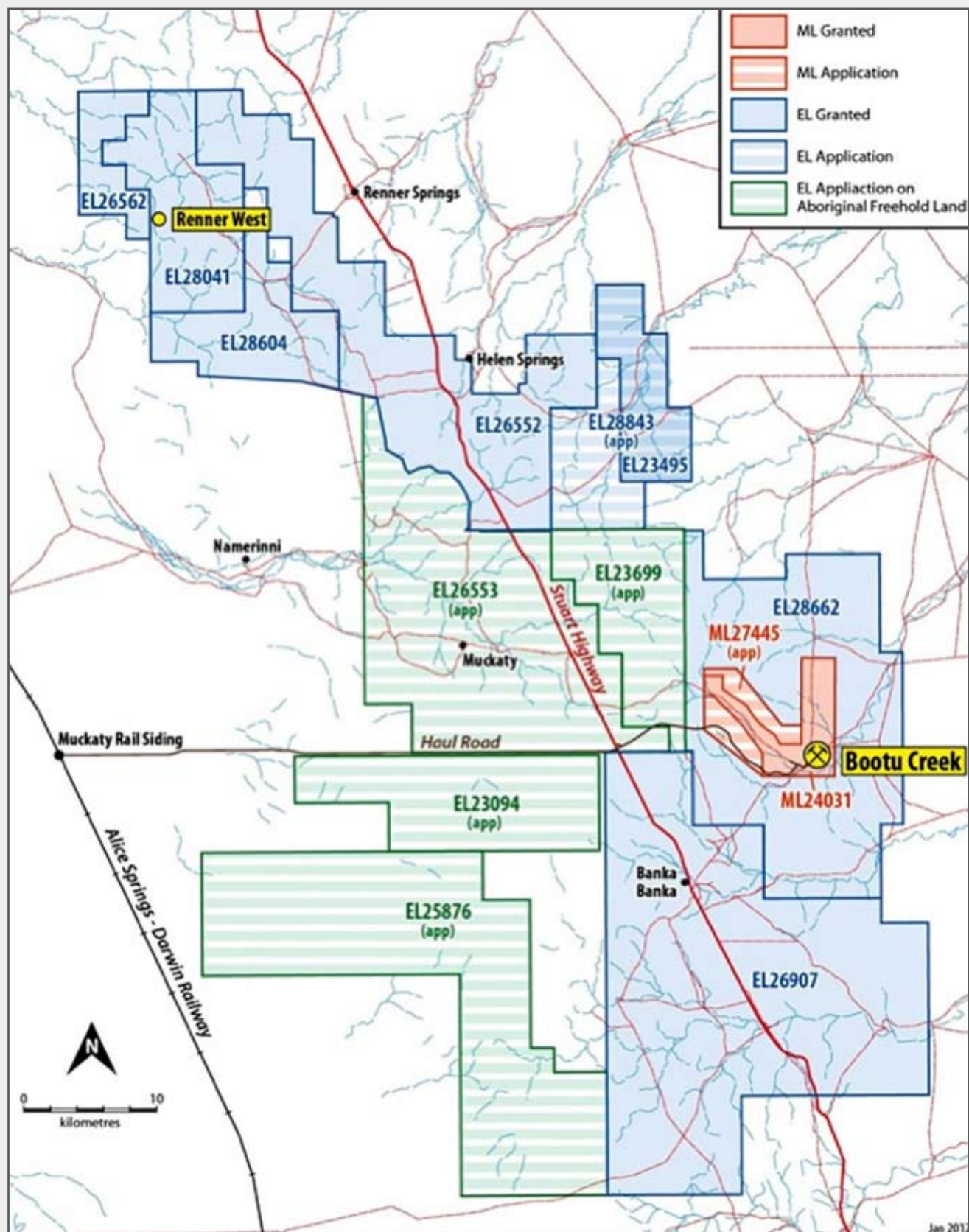


Figure 2. Bootu Creek Manganese Project Tenement Holdings

Table 1. Bootu Creek Operations - Production

	Years ended 31 December				
	Unit	Year 2011	Year 2010	Year 2009	Year 2008
Mining					
Total Material Mined	bcms	9,677,073	11,645,873	11,389,400	9,146,673
Ore Mined - tonnes	dt's	1,669,757	2,080,168	1,824,489	2,018,023
Ore Mined - Mn grade	%	22.49	22.48	23.08	24.44
Production					
Lump - tonnes	dt's	595,543	537,759	502,002	509,502
Lump - Mn grade	%	36.31	36.33	38.03	41.77
Fines - tonnes	dt's	173,935	155,817	128,740	163,078
Fines - Mn grade	%	38.03	38.76	42.32	42.25
SPP Fines - tonnes	dt's	132,604	137,785	17,398	-
SPP Fines - Mn grade	%	36.74	36.05	36.86	-
Total Production - Tonnes	dt's	902,082	831,361	648,140	672,580
Total Production - Mn Grade	%	36.70	36.74	38.85	41.89
Sales					
Lump - tonnes	dt's	663,186	521,374	598,271	396,692
Lump - Mn grade	%	36.19	37.09	39.15	42.14
Fines - tonnes	dt's	253,588	75,513	148,792	124,753
Fines - Mn grade	%	38.37	39.99	42.68	42.23
SPP Fines - tonnes	dt's	44,696	146,590	-	-
SPP Fines - Mn grade	%	37.00	37.15	-	-
Total Sales - Tonnes	dt's	961,470	743,477	747,063	521,445
Total Sales - Mn Grade	%	36.80	37.40	39.85	42.17

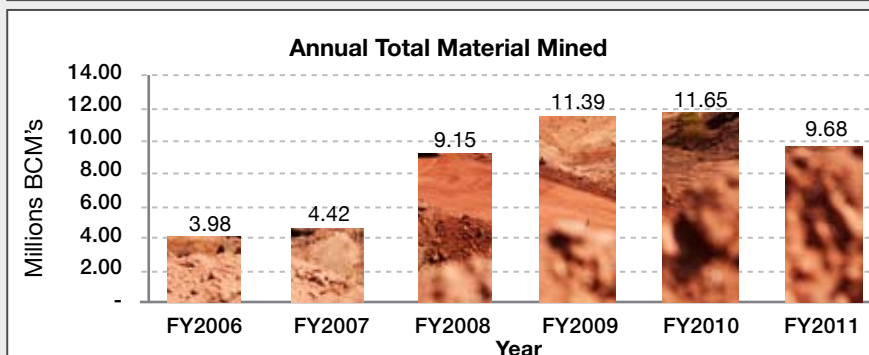
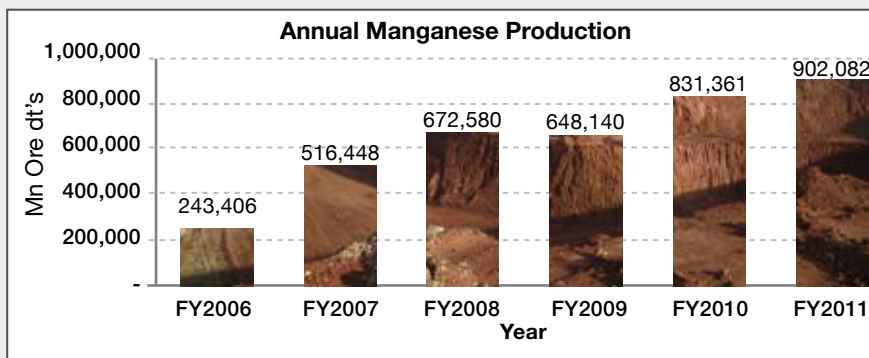
Operations

OMM achieved record production of 902,082 tonnes at an average grade of 36.70% Mn for the year ended 31 December 2011.

Operations in the first quarter of 2011 were adversely impacted by extreme rainfall patterns that led to widespread flooding across northern and eastern Australia. The Bootu Creek Mine recorded a total of 808 millimetres ("mm") of rain during the March quarter which was the highest quarterly rainfall recorded since the commencement of operations in 2006 and was 33% higher than the rainfall recorded in the previous highest 1st quarter since the commencement of operations.

The extreme rainfall events caused localised flooding, suspending mining operations in several pits for extended periods and reduced process plant throughput rates during the months of February and March 2011.

Despite the extreme rainfall events, OMM was able to achieve a production improvement of 8.5% over the previous year with five of the remaining months of the year achieving production greater than 80,000 tonnes and demonstrating plant production capacity above 1.0 million tonnes per annum.



MINING OPERATIONS REVIEW

Mining

Mining operations in the first quarter of 2011 were adversely impacted by extreme rainfall patterns that led to localised flooding, suspending mining operations in the Shekuma and Chugga South pits for extended periods.

Mining activities during the remainder of 2011 centred upon the Chugga North, Chugga South, Tourag, Shekuma pits and the commencement of development of the Masai pit located on the western limb of the Bootu Creek syncline.

During the 2011 year the mining contract minimum term was reached and OMM worked constructively with the existing mining contractor on a range of initiatives to re-optimize mining operations, centring upon accessing high yielding ores and lowering the strip ratio. The mining operation was systematically reduced from three mining fleets to two at year end, and to a single fleet in February 2012.

Processing

For the year ended 31 December 2011, OMM achieved record production of 902,082 tonnes at an average grading of 36.70% Mn, representing an improvement of 8.5% over the previous year. Despite extreme rainfalls affecting production in the first quarter of 2011, systematic improvements in plant utilisation rates and throughput rates have demonstrated a plant production capacity of 1.0 million tonnes based on several months production achieving greater than 80,000 tonnes during the year.

Improved plant availability rates in 2011 allowed for extended periods of plant uptime and operating efficiencies which have translated to record scrubber feed rates for the year. Further operational initiatives targeting the efficient management of the mining contractor, optimisation of mine planning schedules including

the prioritising of high grade ores and accelerating pre-strip activities to access higher grade ores, allowed these higher grade ores to be stockpiled and then blended through the plant, thus optimising throughput rates, mass yields and metal recoveries.

The production strategy implemented in mid 2009 to maximise product yield and metal recovery performance from each variation in ore grade and quality while maintaining a high value-in-use product for customers, with manganese product grades ranging from 35% Mn to 38% Mn continued to be followed by OMM in 2011. The flexible production output aims to maximise product yield and metal recovery performance from each variation in ore grade and quality while maintaining a high value-in-use product for customers in order to achieve step changes in capacity, yield, recovery, ROM and cost performance.



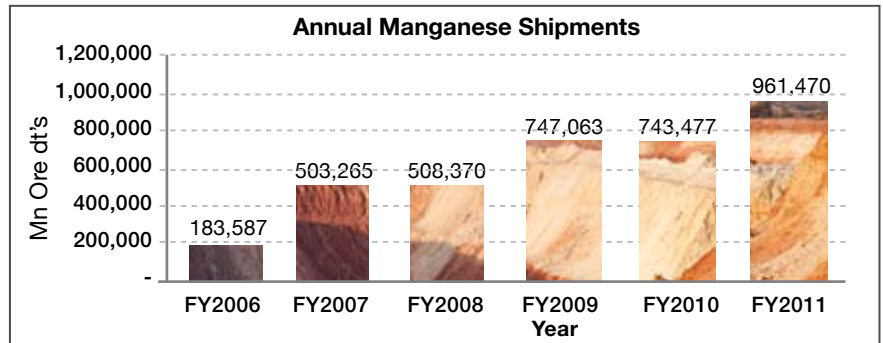
Logistics and sales

During the 2011 financial year a total of 961,470 dry tonnes was exported through the port of Darwin.

Exploration

The 2011 Bootu Creek exploration program objectives were to replace Mineral Resources depleted by mining during the year and the identification and delineation of new deposits and the incremental extension of existing deposits with appropriately targeted infill and extensional exploration activities within a budget of A\$2.4 million.

Three new deposits (Foldnose, Zulu South and Renner West) were outlined in 2011 by Gradient Array IP surveys and subsequently Reverse Circulation ("RC") drill delineated for



Mineral Resource estimation. The new deposits will require follow up drill coring and metallurgical test work prior to being estimated for inclusion as Ore Reserves. Infill and extension RC drilling was also undertaken at Chugga North and Zulu deposits.

The total Mineral Resource as at 31 December 2011 was 32.3 million tonnes at an average manganese grade of 22.3% and allowed for the replacement of 90% of the 2.3 million

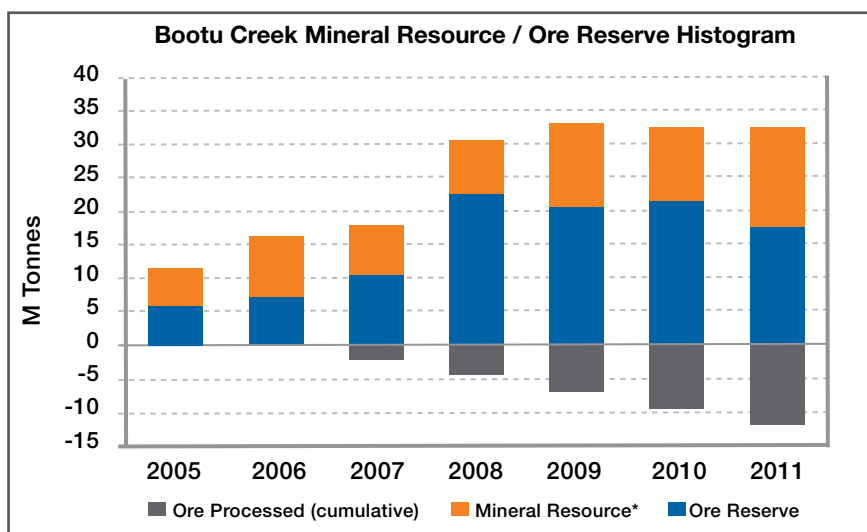
tonnes of ore processed through the Bootu Creek processing plant during 2011.

The 31 December 2011 Bootu Creek Ore Reserve reduced by 4.1 million tonnes compared to 31 December 2010 due largely to mine depletion and the effects of a strong Australian dollar on pit optimisation. Newly delineated Mineral Resources require core drilling and metallurgical test work prior to inclusion in Ore Reserves.

Table 2. Bootu Creek Manganese Mine – Comparison of Mineral Resources and Ore Reserve position at 31 December 2011 with 31 December 2010

	31 December 2011		31 December 2010		Change
	M	%	M	%	M
	tonnes	Mn	tonnes	Mn	tonnes
Mineral Resource	32.3	22.3	32.5	22.6	-0.2
Ore Reserve	17.4	20.7	21.5	21.0	-4.1

Table 3. Histogram of Mineral Resources and Ore Reserve growth since commencement of mine production



Note: * Mineral Resource is inclusive of Ore Reserve

31 December 2011 – Mineral Resource update

The 31 December 2011 Mineral Resources replaced approximately 90% of the ore processed through the Bootu Creek processing plant during 2011. Significant changes compared to the 31 December 2010 Mineral Resource include mine depletion of 2.3 million tonnes in 2011 (net of a 0.3 million tonne increase in ROM stocks) and the addition of the three new Mineral Resource models.

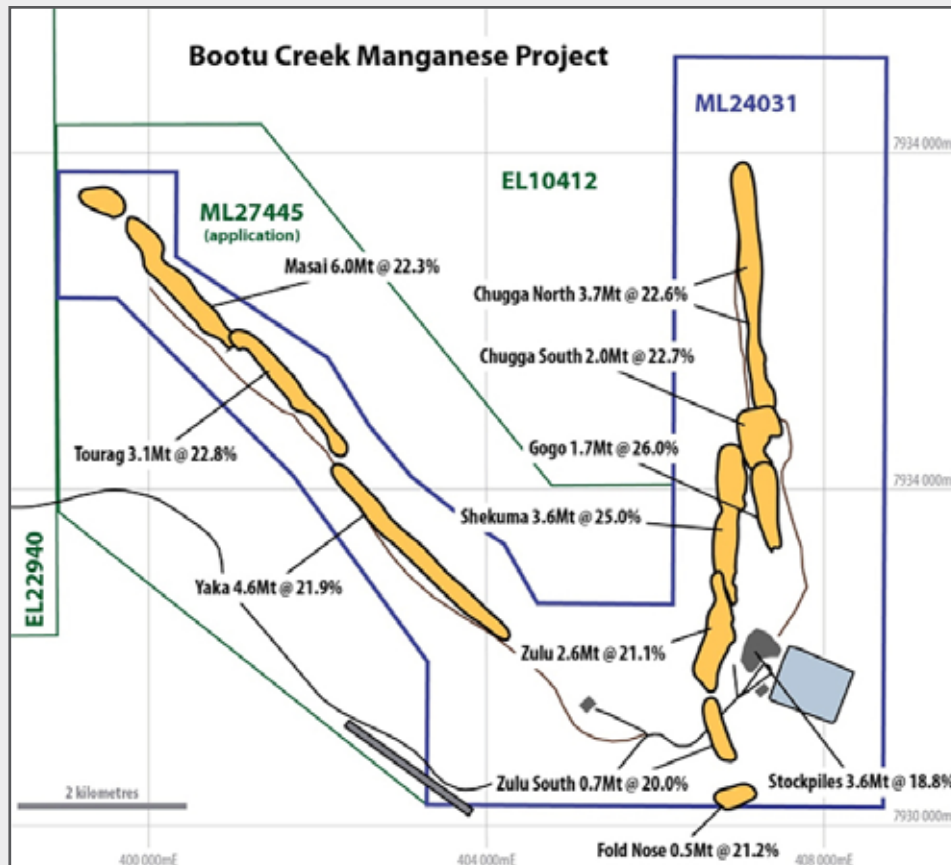
MINING OPERATIONS REVIEW

Table 4. Bootu Creek: Mineral Resource Estimate as at 31 December 2011

At 15% Mn cutoff	Measured		Indicated		Inferred		Combined*	
Deposit:	Mt	%Mn	Mt	%Mn	Mt	%Mn	Mt	%Mn
Chugga North	0.5	23.1	3.1	22.5	0.0	22.8	3.7	22.6
Chugga South	0.4	23.8	1.6	22.4			2.0	22.7
Foldnose			0.4	21.1	0.1	21.3	0.5	21.2
Gogo	0.3	25.4	1.3	26.0	0.2	27.0	1.7	26.0
Masai	1.0	23.7	5.0	22.0			6.0	22.3
Shekuma	0.8	25.3	2.8	24.9	0.0	22.6	3.6	25.0
Tourag	0.7	24.4	2.4	22.3			3.1	22.8
Yaka			4.6	21.9			4.6	21.9
Zulu			2.2	21.4	0.4	19.6	2.6	21.1
Zulu South			0.7	20.0			0.7	20.0
Renner West					0.3	21.9	0.3	21.9
Insitu Resource*	3.7	24.2	24.1	22.5	1.0	21.9	28.8	22.7
ROM Stocks	1.3	16.5					1.3	16.5
SPP Stocks	2.2	20.1					2.2	20.1
Total Resource*	7.2	21.6	24.1	22.5	1.0	21.9	32.3	22.3

*Rounding gives rise to unit discrepancies in this table

Figure 3. Bootu Creek Manganese Mine Tenement Holdings



Mineral Resources were estimated using a nominal cutoff grade of 15% Mn. Tonnes are rounded to the nearest 100,000 and percent Mn grade to one decimal place.

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

The Bootu Creek manganese deposits typically dip around 30° west on the eastern limb and 30° to the northeast on the western limb of the Bootu Creek anticline, with Foldnose dipping 20° - 30° north and northeast. The Renner West deposit consists of three outcropping north-south striking en-echelon domains dipping around 25°

to the east and extending a maximum of 30 meters beneath surface.

Foldnose and Zulu South deposits are typical Bootu Creek style deposits. Renner West is the first deposit in the Renner Springs project area to be drill delineated for Mineral Resource estimation and is located 70 kilometres northwest of the Bootu Creek mine site (see Table 4). The deposit style consists of multiple thin lenses merging into wider near surface breccia nodes and is classified as an Inferred Mineral Resource. Further manganese occurrences remain to be drill delineated in the Renner Springs area.

31 December 2011 – Ore Reserve update

The 31 December 2011 Ore Reserve reduced by 4.1 million tonnes in comparison with the 31 December 2010 estimate due partly to mine depletion of 2.3 million tonnes in 2011 (net of a 0.3 million tonne increase in ROM stocks) and the combined effects of higher unit mining costs and the strong Australian dollar utilised in optimising Whittle - Ore Reserve pit shells for each deposit.

Ore Reserve pit shells optimised current Measured and Indicated Resources based on revised mining, processing and logistic costs, and updated processing parameters at a discounted base case FOB Darwin sale price (less royalty) of AUD\$5.17/ dtmu.

Table 5. Bootu Creek: Ore Reserve Estimate as at 31 December 2011

At 15% Mn cutoff	Proved		Probable		Combined*	
Deposit:	Mt	%Mn	Mt	%Mn	Mt	%Mn
Chugga North	0.4	21.3	1.1	21.1	1.5	21.1
Chugga South	0.3	21.8	0.6	20.8	0.9	21.1
Gogo	0.2	22.6	0.7	23.0	0.9	22.9
Masai	1.0	21.3	2.5	20.2	3.5	20.5
Shekuma	0.8	22.8	1.4	23.1	2.2	23.0
Tourag	0.7	22.0	1.0	21.2	1.7	21.5
Yaka			1.9	20.7	1.9	20.7
Zulu			1.2	19.7	1.2	19.7
Insitu Resource*	3.4	21.9	10.5	21.0	13.9	21.2
ROM Stocks	1.3	16.5			1.3	16.5
SPP Stocks	2.2	20.1			2.2	20.1
Total Resource*	6.9	20.3	10.5	21.0	17.4	20.7

**Rounding gives rise to unit discrepancies in this table*

MINING OPERATIONS REVIEW

2012 Exploration programs

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

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

Resource estimation details

31 December 2011 resource models for Foldnose, Zulu South, Renner West and updated models for Chugga North and Zulu based on new/additional RC drilling were interpreted by OMM and estimated by resource consultants Optiro Pty Ltd ("Optiro").

Chugga South, Masai, Shekuma and Tourag deposits had no new drilling and the 31 December 2010 resource models previously estimated by Optiro were depleted for ore mined in 2011. Gogo and Yaka had no new drilling or mining activity in 2011 and resource models remain unchanged.

OMM further constrained the resource models listed above by intersecting them with optimised Mineral Resource - Whittle pit shells based on revised mining, processing

and logistic costs, processing parameters and revenue assumptions to produce the 31 December 2011 Bootu Creek Mineral Resource quoted in Table 4.

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

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

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



2011 Highlights

- Record annual production of 73,838 tonnes of HCFMn, representing a 101% increase over the previous year.
- Furnaces 101 and 102 recorded the longest ever continuous production performance of 321 and 379 days respectively.
- Record annual production of 255,655 tonnes of manganese sinter ore, representing a 147% increase over the previous year.
- Record annual sales of HCFMn and manganese sinter ores of 65,197 tonnes and 132,137 tonnes respectively.

Overview and update in 2011

The ferroalloy processing segment includes the operations of OMQ's smelter and sinter ore plant located in Qinzhou, and the GJW smelter in Guiyang. The Group holds an effective interest of 52.5% in GJW pursuant to its acquisition in the March 2010 Quarter.

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

rate of 60,000 tonnes per annum. The manganese sinter plant is regarded as one of the largest in China and is designed to produce 300,000 tonnes of sintered ores annually. Some of the manganese derived from OMM's Bootu Creek Mine is transported to the Qinzhou smelter and the sinter processing plant by sea, taking advantage of the plant's location. OMQ's sinter plant adds value to the Bootu Creek Mine manganese ore fines, which are able to be processed into higher priced manganese sinter ores.

OMQ's smelter plant encompasses two sets of 16.5MVA furnaces and one 3.5 MVA furnace. The plant

incorporates casting facilities, facilities for automated blending and feeding of ore, coke breeze and limestone, dust collection devices to meet environmental requirements, electrodes, transformers, refractory lined furnace vessels and stockpile areas for product and feed materials.

The sinter plant that was commissioned in March 2010 is fully automated and technologically equipped with the ability to collect carbon monoxide gases emitted from the smelter furnaces. This gas is then used as the firing gas for both the rotary kiln and the production of manganese sinter.

Table 1. Production

	Unit	Year ended 31 December			
		2011	2010	2009	2008
Mining					
HCFMn	tonnes	73,838	36,732	32,679	45,511
Sinter ore	tonnes	255,655	103,650	NA	NA



MARKETING AND TRADING OPERATIONS REVIEW

2011 Highlights

- Annual shipments of 961,470 wet tonnes of OMM manganese ore product and 237,816 wet tonnes of third party manganese ore product. 2011 sales performance reflects continued strong demand for the Bootu Creek Mine's high siliceous oxide ore from Chinese smelters.
- Annual traded tonnage includes 81,209 tonnes of chrome ore product sold into China.
- Annual shipments of 386,985 wet tonnes of iron ore product were sold into China.

Overview and update in 2011

OMS, OMQT and OMA together form the marketing and trading arm of the Group. OMS is strategically located in Singapore, a major trading, banking, shipping and aviation hub. The Group has developed a successful and profitable carbon and stainless steel raw material trading book which includes manganese, iron and chrome ore and alloys.

The Group's trading segment represents a significant market share of ore imports into China, and sales of steelmaking alloys to steel mills. The marketing and trading desk is run by a highly skilled and experienced team of marketing professionals located in Singapore, Shanghai and Qinzhou and trades with a broad customer portfolio of large, medium and small sized smelters and steel companies.

OMS focuses on the marketing of OMM manganese ore products into China, procurement of manganese ore for production and consumption of manganese sinter ore by OMQ, and trading third party manganese ores, manganese alloys, and iron and chrome ores sourced from outside the

Group. In China OMS is supported by its Chinese regional marketing hubs in Qinzhou (OMQT) and Shanghai (OMA), which focuses on the southern and northern China regions respectively.

OMQT imports cargoes via the Qinzhou port and distributes to manganese alloy smelters in Guangxi, Guizhou, Hunan, Sichuan and Yunnan, whilst OMA imports cargoes via the Tianjin port and distributes to manganese alloys smelters in Gansu, Inner Mongolia, Ningxia and Shanxi provinces.

The Group's competitive strength lies in its technical marketing capability in China. There are thousands of manganese alloy smelters in China located in various provinces, both North and South as well as inland. Each has different cost structures and requirements due to access to different grades of domestic ore supplies and proximity to ports and end-users. The marketing team seeks to identify end-users which will benefit most from the use of OMM's siliceous ore in its production process and extract the best value-in-use and price. This strategy is complemented by having manganese ores stockpiles in major ports in China

and prices are transacted in RMB. The success of this strategy is evidenced by the fact that OMM's ores often achieve a price premium vis-à-vis comparable seaborne ores. In addition, through third party trading, OMS also sources both high grade and low grade manganese ores which complement OMM's products required for blending in the production of manganese sinter and different types and grades of manganese alloys.

The product knowledge and technical capability is supported by the Group's own smelting knowledge and regular technical visits to customers' plants. In the process, direct sales to smelters are maximised, identifying and targeting customers which are likely to benefit from the trading and marketing group's unique product portfolio and knowledge.

During 2011 OMS shipped 386,985 wet tonnes of iron ore concentrate for Northern Iron Limited (ASX code: NFE) under an exclusive marketing agency agreement with NFE. NFE iron ore concentrate is marketed on its technical advantages of low contaminants and targeted at medium size steel mills in China.

TSHIPI É NTLE MANGANESE MINING (PTY) LTD (TSHIPI)



2011 Highlights

- Tshipi Board approves development of the Tshipi Borwa mine and shareholders agree to commit capital to develop the Tshipi Borwa manganese mine.
- Tshipi Borwa mine development commenced.
- Tshipi Borwa mining commenced and construction of rail siding, processing plant and office infrastructure well under way.
- Project remains on track for H2 2012 delivery of first ore.
- Exploration drilling identifies further mineral resource extensions to Tshipi Borwa and a potential maiden mineral resource for Tshipi Bokone.

Overview

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

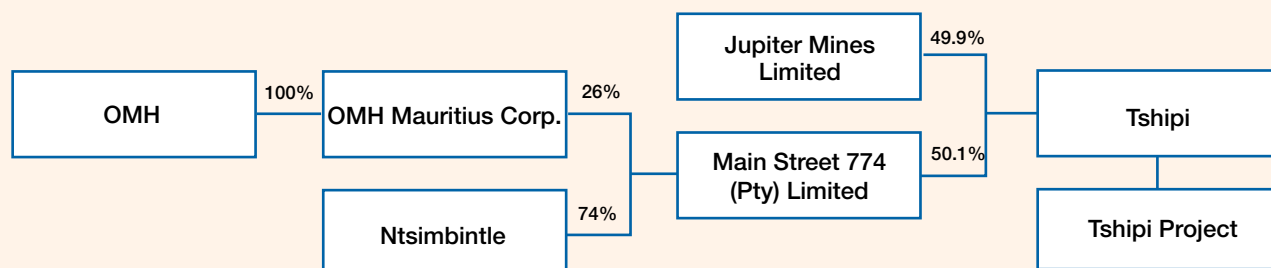
Tshipi owns two manganese prospects in the world class Kalahari Manganese field located in the Northern Cape of South Africa. The Kalahari Manganese Field, which stretches for 35km long and is approximately 15km wide, hosts 80% of the world's economically mineable high grade manganese ore resources.

Tshipi's flagship project is Tshipi Borwa, a new open pit manganese mine presently in construction and scheduled for production in the second half of 2012. The second project, Tshipi Bokone, is a manganese exploration prospect located in the northern portion of the Kalahari Manganese Field.

The Tshipi Borwa open pit mine has been designed to produce 2.4mtpa of manganese ore grading 37% Mn, and the 163mt of open pit resources should ensure that the mine will continue to deliver economic benefits for many decades to come.

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

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



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

Mining of Tshipi Borwa will be a relatively simple truck and shovel open cast operation. Once exposed the manganese ore is drilled, blasted and loaded onto a truck and hauled to the primary crusher which feeds the main Run of Mine ("ROM") stockpile.

The ROM stockpile feeds the secondary crushing unit and the wet screening processes into final products of manganese fines and lumpy ores at a production capacity of 2.4 mtpa of direct shippable manganese ore.

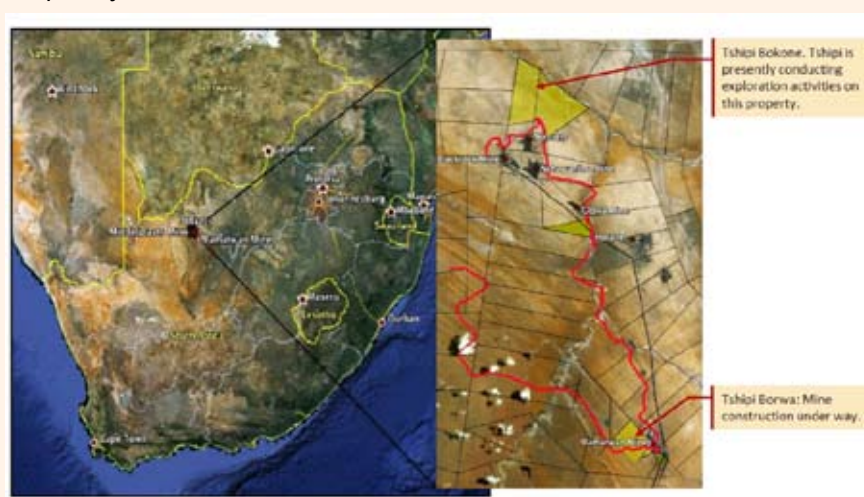


Prestrip Mining



Rail Siding Construction

Tshipi Project Locations



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

Inland transportation of manganese products from the mine site will initially be carried out by rail and road trucks.

Mine development

Tshipi Borwa

Tshipi reached a milestone in its development with the decision in February 2011 by the Tshipi board to commence the development and construction of the Tshipi Borwa mine.

Site construction on the 2.4 million tonne per annum plant and support facilities remains on schedule. All final contracts with major suppliers have been awarded and all orders placed for long lead-time items.

The railway siding earthworks and foundations are well advanced with the laying of rail foundations and ballast sleepers completed and the fastening of the rail line underway. Overhead traction pylons are being erected, ready for equipping and

the rapid load out station is being constructed in the USA. The mining contractor mobilised earthmoving equipment in Q4 2011 and by year end had commenced pre-stripping activities.

Mineral Resource estimation

The Tshipi Borwa Mineral Resource as at 31 December 2011 comprised 163 million tonnes at 37.1% Mn, on which the feasibility study was based, and 145 million tonnes of 31.75% Mn low grade top-cut manganese ore ("Top-Cut").

The Top-Cut is a 17m thick manganese layer that occurs directly above the geological sequence hosting the initial 163mt @ 37%Mn Mineral Resource.

The mining and stockpiling of the Top-Cut ore will occur as part of the pre-stripping mine plan. Technical and commercial issues associated with the blending, processing, logistics and marketing of this Top-Cut ore can be complex and its use will continue to be reviewed in the context of the mine's mainstream high grade ore production as well as prevailing market and logistics conditions.

TSHIPI É NTLÉ MANGANESE MINING (PTY) LTD (TSHIPI)

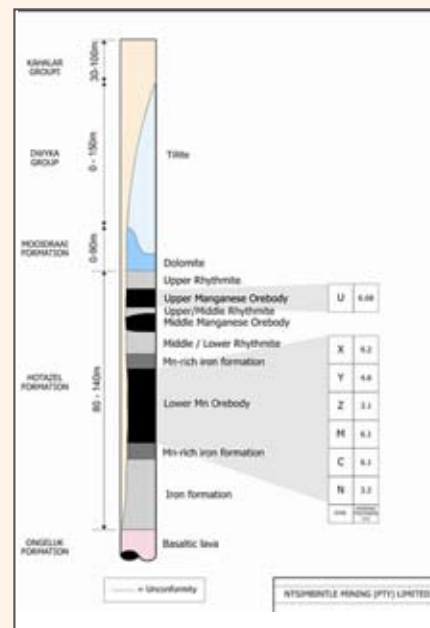
The Tshipi Borwa mineral resources are compliant with the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves ("the SAMREC Code (2007)"), and the Australian JORC Code ("JORC").

Table 1: Tshipi Borwa Mineral Resource Summary (Excluding the "Top Cut")

Deposit	Indicated		Inferred		Total (Indicated and Inferred)	
	Tonnes (million)	% Mn	Tonnes (million)	% Mn	Tonnes (million)	% Mn
Zone M	22.69	37.95	39.64	37.87	62.33	37.90
Zone C	22.95	36.68	40.61	37.01	63.56	36.89
Zone N	12.83	36.67	20.73	35.98	33.56	36.25
Altered	3.35	35.35	0.43	31.41	3.78	34.90
Total	61.82	37.07	101.41	37.11	163.23	37.10

Table 2: Tshipi Borwa "Top-Cut" only Mineral Resource Summary

Classification	Zone	Tonnes (million)	Manganese %	Iron %	Loss on Ignition %	Relative Density
Indicated	X	25	33.03	4.62	20.19	3.56
Indicated	Z	14	33.41	6.01	19.50	3.57
Total		39	33.17	5.13	19.94	3.56
Inferred	X	78	30.90	4.82	20.78	3.53
Inferred	Z	28	31.29	6.09	19.01	3.62
Total		106	31.00	5.15	20.32	3.55
Indicated & Inferred	X	103	31.41	4.77	20.64	3.54
Indicated & Inferred	Z	42	32.01	6.06	19.17	3.60
Grand Total		145	31.58	5.14	20.22	3.56



Competent Person

VM Simposya, BSc (Geology), MSc (Mining Engineering), is a Partner and Principal Geologist with SRK and is registered Professional Natural Scientists (Geological Science) Pri. Sci. Nat., and also member of South African Institute of Mining and Metallurgy (SAIMM). He is responsible for signing off Mineral Resources as a Competent Person for the SAMREC Code, the JORC Code and the NI-101 and has consulted extensively for various financial institutions. He has over 30 years' experience in the mining industry with expertise in geological modelling and resource estimation. VM Simposya has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

The SAIMM is included in a list of Recognised Overseas Professional Organisations promulgated by the ASX from time to time.

VM Simposya consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.

Tshipi Bokone

An initial exploration program was completed during the year and preliminary assay results confirmed the continuity of mineralisation. The services of an independent geological consultant have been engaged to conduct the Mineral Resource estimates.

OM MATERIALS (SARAWAK) SDN BHD



2011 Highlights

- Strategic investment of 20% by Cahya Mata Sarawak Berhad concluded.
- Power Purchase Agreement ("PPA") with Syarikat SESCO Bhd executed.
- Binding term sheet with JFE Shoji Trade Corporation of Japan, for a direct equity investment in OM Sarawak ferro silicon production combined with a product off-take agreement for up to 100,000 tonnes per annum of ferro silicon product signed.
- Marketing agreement with Hanwa Co., Ltd covering the sales and marketing of 80,000 tonnes of ferro silicon and 80,000 tonnes of silico manganese product completed.
- Detailed Environmental Impact Assessment report submitted to the Department of Environment of Malaysia.

Overview

The development of a ferroalloy smelting plant in Sarawak was formally approved by the Board in November 2011 following the completion of a definitive feasibility study. The project entails the development of a greenfield manganese and ferro silicon alloy smelter with an annual

production capacity of 600,000 tonnes in the Samalaju Industrial Park, Sarawak, Malaysia.

Commercial production of the Project is expected to be executed on a phased ramp-up basis. Production is expected to commence no later than Q1 2014 with full commercial capacity scheduled to be reached no later than Q2 2015.

The Project is 80% owned by the OMH Group, with a 20% strategic equity investment with Samalaju Industries Sdn Bhd, a wholly-owned subsidiary of Cahya Mata Sarawak Berhad, a listed conglomerate on the Main Market of the Malaysian Stock Exchange, Bursa Malaysia.

The key estimated financial highlights of the Project are:

Annual production capacity	600,000tpa of Ferro Alloys consisting of 310,000tpa of Ferro Silicon Alloys and 290,000tpa of Silico Manganese alloys
Project CAPEX	USD 502 million
Average annual turnover (at full production capacity)	USD 924 million
Average annual operating cash flow (after tax)	USD 158 million
Project NPV @ 10% (after tax)	USD 667 million
Project Internal Rate of Return (IRR) (after tax, ungeared)	30%
Payback period (excluding the construction period)	3 years

DIRECTORS' REPORT

for the financial year ended 31 December 2011

The Directors submit to the members the audited consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2011.

Names of Directors

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

Low Ngee Tong (Executive Chairman)
 Peter Ivan Toth (Chief Executive Officer)
 Zainul Abidin Rasheed (Independent Deputy Chairman) (Appointed on 3 October 2011)
 Julie Anne Wolseley (Non-Executive Director and Joint Company Secretary)
 Tan Peng Chin (Independent Non-Executive Director)
 Thomas Teo Liang Huat (Independent Non-Executive Director)
 Peter Church OAM (Independent Non-Executive Director) (Appointed on 12 December 2011)

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

Arrangements to enable Directors to acquire shares or debentures

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

Directors' interests in shares

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

	Holdings registered in the name of Director or nominee		Holdings in which Director is deemed to have an interest	
	As at 1.1.2011	As at 31.12.2011	As at 1.1.2011	As at 31.12.2011
<u>The Company</u>				
		<u>Number of ordinary shares fully paid</u>		
Low Ngee Tong	14,750,000	15,250,000	36,395,000	⁽¹⁾ 36,395,000
Peter Ivan Toth	4,250,000	⁽²⁾ 4,000,000	—	—
Julie Anne Wolseley	5,562,002	5,562,002	—	—
Tan Peng Chin	—	⁽³⁾ 1,200,000	—	—

Note:

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

The Company	As at 1.1.2011	As at 31.12.2011
	Number of unissued ordinary shares under option	
OM Holdings Limited		
Peter Ivan Toth	16,000,000	12,000,000
Tan Peng Chin	1,000,000	—

DIRECTORS' REPORT

Directors' benefits

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

Unissued Shares under Option

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

OM Holdings Limited Unlisted Options (in '000)							
Date options granted	Balance at 1.1.2011	Lapsed/ expired during the year	Exercised during the year	Balance at 31.12.2011	A\$Exercise price per option	No. of options holders at 31.12.2011	Period exercisable
01.06.2007	20	—	(20)	—	0.30	—	31.05.2008 - 31.05.2011
20.05.2008	500	—	(500)	—	0.72	—	20.05.2008 - 31.03.2011
20.05.2008	500	—	(500)	—	0.72	—	14.03.2009 - 31.03.2011
17.10.2008	4,000	(4,000)	—	—	1.52	—	03.09.2009 - 03.09.2011
17.10.2008	4,000	—	—	4,000	1.64	1	03.09.2010 - 03.09.2012
17.10.2008	4,000	—	—	4,000	1.755	1	03.09.2011 - 03.09.2013
17.10.2008	4,000	—	—	4,000	1.87	1	03.09.2012 - 03.09.2014
17.10.2008	2,000	(2,000)	—	—	2.49	—	01.01.2009 - 01.01.2011
17.10.2008	2,000	—	—	2,000 ^(a)	2.49	1	01.01.2010 - 01.01.2012
17.10.2008	2,000	—	—	2,000	2.49	1	01.01.2011 - 01.01.2013
17.10.2008	2,000	—	—	2,000	2.49	1	01.01.2012 - 01.01.2014
17.10.2008	2,000	—	—	2,000	2.49	1	01.01.2013 - 01.01.2015
17.10.2008	3,000	—	—	3,000 ^(a)	2.49	15	01.01.2010 - 01.01.2012
17.10.2008	3,000	—	—	3,000	2.49	15	01.01.2011 - 01.01.2013
17.10.2008	1,000	(1,000)	—	—	2.58	—	17.10.2008 - 31.08.2011
	34,020	(7,000)	(1,020)	26,000			

^(a) Subsequent to 31 December 2011, 5,000,000 unlisted options expired on 1 January 2012.

There were no unissued shares of subsidiaries under option at 31 December 2011.

Audit Committee

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

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

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

- i. overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;

Audit Committee (cont'd)

- ii. the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit; and
- iii. the half-yearly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2011 as well as the auditor's report thereon.

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

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

Independent auditor

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

On behalf of the Directors



LOW NGEE TONG



PETER IVAN TOTH

Dated: 28 March 2012

STATEMENT BY DIRECTORS

for the financial year ended 31 December 2011

In the opinion of the Directors, the accompanying statements of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the results of the business, changes in equity and cash flows of the Group for the financial year ended on that date, and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors



LOW NGEE TONG



PETER IVAN TOTH

Dated: 28 March 2012

INDEPENDENT AUDITOR'S REPORT

to the members of OM Holdings Limited

Report on the financial statements

We have audited the accompanying financial statements of OM Holdings Limited ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011, and of their financial performance and cash flows of the Group for the financial year then ended in accordance with International Financial Reporting Standards.



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

Partner in charge: Mr Ong Soo Ann
(with effect from the financial year ended 31 December 2011)

Singapore, 28 March 2012

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2011

			The Company		The Group	
			31 December 2011 A\$'000	31 December 2010 A\$'000	31 December 2011 A\$'000	31 December 2010 A\$'000
	Notes					
Assets		资产				
Non-Current		非流动资产				
Property, plant and equipment	4	地产，工厂及配备	—	—	123,040	88,613
Prepaid lease payments on land use rights	5	土地使用权	—	—	1,290	1,276
Long-term prepayments	6	长期预付款	—	—	503	511
Exploration and evaluation costs	7	开发成本	—	—	—	—
Mine development costs	8	矿山发展成本	—	—	19,030	19,511
Goodwill	9	商誉	—	—	2,065	2,065
Available-for-sale financial assets	10	可出售金融资产	—	96,448	—	96,448
Deferred tax assets	11	递延所得税资产	—	—	9,714	—
Interests in subsidiaries	12	子公司的权益	126,015	117,564	—	—
Interest in an associate	13	於联营公司之投资	—	—	79,661	68,505
			126,015	214,012	235,303	276,929
Current		流动资产				
Inventories	14	库存	—	—	158,106	156,331
Derivative financial assets	15	衍生金融资产	20	367	20	367
Trade and other receivables	16	贸易与其它应收帐款	88,540	74,378	89,720	31,396
Prepayments		预付款	23	46	27	2,183
Available-for-sale financial assets	10	可出售金融资产	38,571	—	38,571	—
Cash collateral	17	当抵押品的银行结存	—	—	14,269	26,050
Cash and cash equivalents	17	现金及银行结存	89	5,311	17,611	16,070
			127,243	80,102	318,324	232,397
Total assets		总资产	253,258	294,114	553,627	509,326
Equity		权益				
Capital and Reserves		股票资本及储备金				
Share capital	18	股票资本	25,205	25,155	25,205	25,155
Treasury shares	19	库存股	(2,330)	(2,330)	(2,330)	(2,330)
Reserves	20	储备金	166,628	225,168	229,904	300,579
			189,503	247,993	252,779	323,404
Non-controlling interests		少数股东权益	—	—	5,194	2,499
Total equity		总权益	189,503	247,993	257,973	325,903
Liabilities		负债				
Non-Current		非流动负债				
Borrowings	21	借贷	—	—	61,318	43,097
Provisions	22	准备金	—	—	4,871	3,592
Deferred tax liabilities	11	递延所得税负债	—	—	—	1,254
			—	—	66,189	47,943
Current		流动负债				
Trade and other payables	23	贸易与其它应付帐款	63,755	46,121	120,250	78,278
Derivative financial liabilities	15	衍生金融负债	—	—	8	375
Borrowings	21	短期借贷	—	—	106,189	49,179
Income tax payables		应付税项	—	—	3,018	7,648
			63,755	46,121	229,465	135,480
Total equity and liabilities		总权益及负债	253,258	294,114	553,627	509,326

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 2011

			Year ended 31 December 2011	Year ended 31 December 2010
		Notes	A\$'000	A\$'000
Revenue	销售总额	3	389,737	307,463
Cost of sales	销售成本		(330,107)	(190,072)
Gross profit	毛盈利		59,630	117,391
Other income	其它收入	24	1,928	4,272
Distribution costs	分销开支		(44,890)	(35,557)
Administrative expenses	行政开支		(14,083)	(11,643)
Other operating expenses	其它营运开支		(21,644)	(16,520)
Finance costs	财务费用		(5,721)	(2,583)
(Loss)/profit from operations	营运盈亏	25	(24,780)	55,360
Share of results of associate	应佔联营公司亏损— 净额		(33)	(37)
(Loss)/profit before income tax	除税前盈亏		(24,813)	55,323
Income tax	所得税	26	13,080	(6,572)
(Loss)/profit for the year	本年度盈亏		(11,733)	48,751
Other comprehensive income, net of tax:	其它全面收入，扣除税项			
Fair value changes on available-for-sale financial assets	资产工具之公允价值变动转入损益		(58,987)	13,337
Exchange differences on translation of financial statements of foreign operations	折算海外业务之汇兑差额		705	(8,862)
Other comprehensive (expense)/income for the year, net of tax	年内其他全面损益，扣除税项		(58,282)	4,475
Total comprehensive (expense)/income for the year	年内全面损益总额		(70,015)	53,226
(Loss)/profit attributable to:	盈亏分配			
Owners of the Company	本公司股权持有人		(11,511)	47,215
Non-controlling interests	少数股东权益		(222)	1,536
			(11,733)	48,751
Total comprehensive (expense)/income attributable to:	全面损益总额分配			
Owners of the Company	本公司股权持有人		(69,793)	51,690
Non-controlling interests	少数股东权益		(222)	1,536
			(70,015)	53,226
(Loss)/earnings per share	每股盈亏		Cents	Cents
-Basic	基本	28	(2.29)	9.58
-Diluted	摊簿	28	(2.29)	9.23

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 2011

	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	Non- controlling interests A\$'000	Total attributable to equity holders of the parent A\$'000	Total equity A\$'000
Balance at 1 January 2011	25,155	116,150	(2,330)	3,692	10	16,618	13,580	(17,684)	168,213	2,499	323,404	325,903
Total comprehensive income for the year	-	-	-	-	-	-	(58,987)	705	(11,511)	(222)	(69,793)	(70,015)
Share options exercised	50	675	-	-	-	-	-	-	-	-	725	725
Share option lapsed	-	-	-	-	-	(6,696)	-	7	6,689	-	-	-
Share premium arising from share options exercised	-	817	-	-	-	(817)	-	-	-	-	-	-
Value for employee services received for grant of share options	-	-	-	-	-	8,472	-	-	-	-	8,472	8,472
Capital injection from non-controlling interest	-	-	-	-	-	-	-	-	-	2,917	-	2,917
Transfer to statutory reserve	-	-	-	249	(8)	-	-	(12)	(229)	-	-	-
Dividends (Note 27)	-	-	-	-	-	-	-	-	(10,029)	-	(10,029)	(10,029)
Balance at 31 December 2011	25,205	117,642	(2,330)	3,941	2	17,577	(45,407)	(16,984)	153,133	5,194	252,779	257,973
Balance at 1 January 2010	24,547	87,575	(1,006)	2,275	637	22,278	243	(8,822)	137,470	498	265,197	265,695
Total comprehensive income for the year	-	-	-	-	-	-	13,337	(8,862)	47,215	1,536	51,690	53,226
Purchase of treasury shares	-	-	(1,324)	-	-	-	-	-	-	-	(1,324)	(1,324)
Share options exercised	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)	-	-	-
Dividends (Note 27)	-	-	-	-	-	-	-	-	(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	2,499	323,404	325,903

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 2011

	Year ended 31 December 2011 A\$'000	Year ended 31 December 2010 A\$'000
Cash Flows from Operating Activities		
(Loss)/profit before income tax	(24,813)	55,323
Adjustments for:		
Amortisation of prepaid lease payments on land use rights	29	30
Amortisation of long-term prepayments	7	9
Amortisation of mine development costs	1,714	1,895
Depreciation of property, plant and equipment	11,959	11,031
Equity-settled share-based payments	6,106	8,433
Write off of exploration and evaluation costs	3,126	4,327
Write-down of inventories to net realisable value	5,225	–
Loss/(gain) on disposal of available-for-sale financial assets	367	(700)
Loss on disposal of property, plant and equipment	117	13
Gain on disposal of a subsidiary company	–	(1,996)
Fair value gain on financial assets through the profit or loss	(20)	–
Interest expenses	5,721	2,583
Interest income	(1,170)	(1,227)
Gain on bargain purchase	–	(185)
Share of results of an associate	33	37
Operating profit before working capital changes	8,401	79,573
Increase in inventories	(7,985)	(75,812)
Increase in trade and bill receivables	(28,086)	(1,153)
Decrease/(increase) in prepayments, deposits and other receivables	6,217	(10,113)
Increase in trade and bill payables	42,246	36,158
Decrease in other payables and accruals	(527)	(2,082)
Increase in long-term liabilities	1,280	133
Cash generated from operations	21,546	26,704
Overseas income tax paid	(2,502)	(3,394)
Net cash generated from operating activities	19,044	23,310

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2011

	Year ended 31 December 2011	Year ended 31 December 2010
	A\$'000	A\$'000
Cash Flows from Investing Activities		
Payments for exploration and evaluation	(3,126)	(4,327)
Payments for mine development costs	(1,233)	(660)
Purchase of property, plant and equipment	(43,409)	(9,748)
Purchase of available-for-sale financial assets	(1,110)	(78,849)
Purchase of derivative financial asset	–	(367)
Proceeds from disposal of property, plant and equipment	–	76
Proceeds from disposal of available-for-sale financial assets	–	6,895
Payment for prepaid land use rights	–	(311)
Loan to an associate	(11,189)	–
Acquisition of an associate	–	(68,542)
Issue of convertible loan	(500)	–
Net cash outflow arising from acquisition of a subsidiary	–	(768)
Interest received	1,170	1,227
Net cash used in investing activities	(59,397)	(155,374)
Cash Flows from Financing Activities		
Dividends paid	(10,029)	(13,723)
Repayment of bank and other loans	(31,666)	(18,176)
Proceeds from bank loans	73,258	109,126
Capital contribution by non-controlling interests	2,917	–
Decrease/(increase) in cash collateral	12,325	(17,260)
Purchase of treasury shares	–	(1,324)
Proceeds from share options exercised	725	15,090
Interest paid	(5,721)	(2,583)
Net cash generated from financing activities	41,809	71,150
Net increase/(decrease) in cash and cash equivalents	1,456	(60,914)
Cash and cash equivalents at beginning of year	16,070	79,708
Exchange difference on translation of cash and cash equivalents at beginning of year	85	(2,724)
Cash and cash equivalents at end of year (Note 17)	17,611	16,070

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 2011

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Directors on the date of the Statement by Directors.

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

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

2(a) Basis of preparation

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

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

Significant accounting estimates and judgments

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

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

Critical assumptions used and accounting estimates in applying accounting policies

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

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

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

Impairment of non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

Impairment of available-for-sale financial assets

The Group's quoted equity investments are classified as available-for-sale financial assets. These financial assets are recognised at fair value on initial recognition, with subsequent fair value changes recognised in other comprehensive income, unless there is objective evidence that the investment is impaired. The Group assesses at each reporting date whether there is objective evidence of impairment by comparing the fair values of these investments against the initial costs. The fair value of quoted equity investments is determined primarily by reference to quoted closing bid prices on the Australian Securities Exchange at the financial reporting dates. As at 31 December 2011, there was a decline in the quoted closing bid prices of these equity investments compared to its initial costs. Nevertheless, such a decline below costs does not necessarily mean that the investment is impaired and judgment is required to determine whether there is objective evidence of impairment as a result of one or more events that occur after initial recognition of the investments that has an impact on the estimated future cash flows that can be reliably estimated. These may include the following observable data that are relevant to the current circumstances:

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

In making this judgment, the Group not only evaluates the historical share price movements and the duration and extent to which the quoted prices of an investment is less than its cost, but also other factors like the volatility of market prices, published independent assessments of fair value and expected realisable on or off market sale values of the Group's equity investments. For the financial year ended 31 December 2011, having considered the above factors, the Group does not consider these equity investments to be impaired.

If the decline in quoted prices below cost is considered objective evidence of impairment, the Group would have incurred an additional loss of A\$45,774,000 in its 2011 financial statements, being the loss that would be charged to the profit or loss instead of other comprehensive income. The reclassification of the fair value loss from other comprehensive income to the profit and loss would not have any impact to the net assets of the Group at the end of the reporting date.

Income taxes

The Group has exposures to income taxes in numerous jurisdictions. Significant judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Net realisable value of inventories

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

Allowance for impairment of trade receivables

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

Provision for rehabilitation

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

Valuation of share options granted

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

2(b) Adoption of new and amended IFRSs

On 1 January 2011, the Company and the Group adopted the new or amended IFRSs and IFRIC interpretations that are mandatory for application from that date. This includes the following IFRS and IFRIC, which are relevant to the Company and the Group:

Reference	Description
Amendments to IAS 32	Financial instruments: Presentation – Classification of rights issues
IFRIC 19	Extinguishing financial liabilities with equity instruments
Amendments to IFRS 1	First-time adoption of IFRS – Limited exemption from comparative IFRS 7 disclosures for first-time adopters
IAS 24	Related party disclosures
Amendments to IFRIC 14, IAS 19	The limit on a defined benefit assets, minimum funding requirements and their interaction
Improvements to IFRSs 2010	

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

NOTES TO THE FINANCIAL STATEMENTS

2(c) IFRS not yet effective

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

Reference	Description	Effective date (annual period beginning on or after)
Amendments to IFRS 7	Financial instruments: Disclosures on derecognition	01.07.2011
Amendments to IFRS 1	First time adoption on fixed dates and hyperinflation	01.07.2011
Amendment to IAS 12	Income taxes on deferred tax	01.01.2012
Amendments to IAS 1	Financial statement presentation regarding other comprehensive income	01.07.2012
Amendments to IAS 19	Employee benefits	01.01.2013
IFRS 19	Financial instruments	01.01.2013
IFRS 10	Consolidated financial statements	01.01.2013
IFRS 11	Joint arrangements	01.01.2013
IFRS 12	Disclosures of interests in other entities	01.01.2013
IFRS 13	Fair value measurement	01.01.2013
IAS 27 (revised 2011)	Separate financial statements	01.01.2013
IAS 28 (revised 2011)	Associates and joint ventures	01.01.2013

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

2(d) Summary of significant accounting policies

Consolidation

The financial statements of the Group include the financial statements of the Company and its subsidiaries made up to the end of the financial year. Information on the Company's subsidiaries is given in Note 12.

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

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

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

Acquisition of businesses

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Consolidation (cont'd)

Acquisition of businesses (cont'd)

Acquisition-related costs are expensed as incurred.

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

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

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

Disposals of subsidiaries or businesses

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

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

Transactions with non-controlling interests

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

Subsidiaries

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

In the Company's statement of financial position, 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.

Associates

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Associates (cont'd)

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

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

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

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

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

Intangible assets

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

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

Goodwill

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Intangible assets (cont'd)

Goodwill (cont'd)

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

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

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

Exploration and evaluation costs

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

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

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

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

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with IAS 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.

NOTES TO THE FINANCIAL STATEMENTS

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

Intangible assets (cont'd)

Mine development costs

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

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

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

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

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

Property, plant and equipment

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

Leasehold building and improvements	3 to 5 years
Leasehold land	60 years
Plant and machinery	3 to 20 years
Plant and equipment - Process Facility	Life of mine: 10 years
Computer equipment	1 to 5 years
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 cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Property, plant and equipment (cont'd)

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

Leasehold land is not depreciated as the land is not yet available for use.

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 cost less accumulated amortisation and any impairment losses. Amortisation is calculated on a straight-line method over the term of the lease of use being 50 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.

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.

Financial assets

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

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

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

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

Loans and receivables

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Financial assets (cont'd)

Available-for-sale financial assets

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

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

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

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

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

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

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

- significant financial difficulty 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 reorganization;
- 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 costs.

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.

Determination of fair value

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

NOTES TO THE FINANCIAL STATEMENTS

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

Derivative financial instruments and hedging activities

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

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

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

Derivative financial instruments not designated as hedging instrument

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

Inventories

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

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

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

Cash and cash equivalents

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

Share capital and treasury shares

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Dividends

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

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

Financial liabilities

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

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

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

Borrowings

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

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

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

Trade and bill payables / accruals and other payables

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

Provisions and contingent liabilities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Provisions and contingent liabilities (cont'd)

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

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

Leases

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

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

Where the Group is the lessee,

Finance leases

Where 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 the property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases.

Operating leases

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

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

Income taxes

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Income taxes (cont'd)

Deferred income tax is measured:

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

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

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

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

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

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

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

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

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

Employee leave entitlements

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

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

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

Employee benefits (cont'd)

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 issues equity-settled share-based payments to certain employees including Directors and senior executives. The fair value of the employee services received in exchange for the grant of options is recognised as an expense in the profit or loss with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the option granted on the date of the grant, and excludes the impact on any non-market vesting conditions.

When the option is exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued, or to the "treasury shares" account, when treasury shares are re-issued to the employees. After the vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

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

Key management personnel

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

Related parties

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Impairment of non-financial assets

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

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

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

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

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

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

With the exception of goodwill,

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

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

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, net of rebates and discounts, goods and services tax and other sale taxes. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measure 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-apportioned basis using the effective interest rate method.

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

Functional currencies

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

NOTES TO THE FINANCIAL STATEMENTS

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

Conversion of foreign currencies

Transactions and balances

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

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

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

Group entities

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

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

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

Operating segments

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

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

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

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

Segment assets include property, plant and equipment, 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, interest in an associate, goodwill and corporate assets which are not directly attributable to the business activities of any operating segment which primarily applies to the Group's headquarters.

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

NOTES TO THE FINANCIAL STATEMENTS

3 Principal activities and revenue

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are as stated in Note 12.

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

4 Property, plant and equipment

	Construction in progress A\$'000	Leasehold land A\$'000	Leasehold buildings and improvements A\$'000	Plant and machinery A\$'000	Computer equipment, office equipment and furniture A\$'000	Motor vehicles A\$'000	Total A\$'000
The Group							
Cost							
At 1 January 2010	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)	(2,293)
At 31 December 2010	5,668	–	12,717	103,130	2,829	1,022	125,366
Additions	24,522	20,405	1	588	56	203	45,775
Transfers	(9,064)	–	2,452	6,414	198	–	–
Disposals	–	–	–	(43)	(69)	(80)	(192)
Written off	–	–	–	–	(15)	–	(15)
Exchange realignment	7	–	432	531	9	20	999
At 31 December 2011	21,133	20,405	15,602	110,620	3,008	1,165	171,933
Accumulated depreciation							
At 1 January 2010	–	–	1,282	23,437	1,424	210	26,353
Depreciation for the year (Note 25)	–	–	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
Depreciation for the year (Note 25)	–	–	841	10,566	430	122	11,959
Disposals	–	–	–	(11)	(64)	–	(75)
Written off	–	–	–	–	(15)	–	(15)
Exchange realignment	–	–	81	177	4	9	271
At 31 December 2011	–	–	2,594	43,726	2,183	390	48,893
Net book value							
At 31 December 2011	21,133	20,405	13,008	66,894	825	775	123,040
At 31 December 2010	5,668	–	11,045	70,136	1,001	763	88,613

The net book value of motor vehicles acquired under finance lease for the Group amounted to A\$54,468 (2010 - A\$ nil).

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

NOTES TO THE FINANCIAL STATEMENTS

4 Property, plant and equipment (cont'd)

As at 31 December 2011, there are certain leasehold buildings located in the PRC with a net carrying value of A\$3,874,000 (2010 - A\$3,925,000) 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 2011, the leasehold land located in Malaysia had a net carrying value of A\$ 20,405,000 (2010 - A\$ Nil) and is pledged as security for borrowings referred to in Note 21.2.

As at 31 December 2010, there were certain plant and buildings located in the PRC with a net carrying value of A\$1,271,000 which were erected on land for which the relevant land use rights certificates had not been obtained by the Group. During the 2011 financial year, the Group has obtained the relevant land use rights certificates.

5 Prepaid lease payments on land use rights

	2011 A\$'000	2010 A\$'000
The Group		
At the beginning of the year	1,276	1,092
Additions	–	311
Amortisation for the year (Note 25)	(29)	(30)
Exchange realignment	43	(97)
At the end of the year	1,290	1,276
At the end of the year		
Cost	1,492	1,442
Accumulated amortisation	(202)	(166)
Net carrying value	1,290	1,276

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

6 Long-term prepayments

	2011 A\$'000	2010 A\$'000
The Group		
At the beginning of the year	511	603
Amortisation for the year (Note 25)	(7)	(9)
Exchange realignment	(1)	(83)
At the end of the year	503	511
At the end of the year		
Cost	556	556
Accumulated amortisation	(53)	(45)
Net carrying value	503	511

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

NOTES TO THE FINANCIAL STATEMENTS

7 Exploration and evaluation costs

	2011 A\$'000	2010 A\$'000
The Group		
At the beginning of the year	–	–
Costs incurred during the year	3,126	4,327
Written off during the year (Note 25)	(3,126)	(4,327)
At the end of the 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 on-going exploration and evaluation in the identified areas of interest are not expected to be recouped through sale. As a result accumulated costs are written off to the consolidated statement of comprehensive income in the financial reporting period.

8 Mine development costs

	2011 A\$'000	2010 A\$'000
The Group		
At the beginning of the year	19,511	20,746
Costs incurred during the year	1,233	660
Amortisation for the year (Note 25)	(1,714)	(1,895)
At the end of the year	19,030	19,511
At the end of the year		
Costs	28,076	26,843
Accumulated amortisation	(9,046)	(7,332)
Net carrying value	19,030	19,511

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

9 Goodwill

	2011 A\$'000	2010 A\$'000
The Group		
Cost and net book 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:

	2011 A\$'000	2010 A\$'000
Mining	2,065	2,065

NOTES TO THE FINANCIAL STATEMENTS

9 Goodwill (Cont'd)

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

	2011	2010
Gross margin	8% - 20%	10% - 20%
Growth rate	0% - 10%	0% - 10%
Discount rate	10%	10%

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

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

10 Available-for-sale financial assets

The Company and the Group

<u>Current</u>	2011 A\$'000	2010 A\$'000
Quoted equity investments, at fair value		
At the beginning of the year	–	–
Reclassification from non-current assets	38,571	–
At the end of the year	38,571	–
<u>Non current</u>	2011 A\$'000	2010 A\$'000
Quoted equity investments, at fair value		
At the beginning of the year	96,448	10,457
Additions	1,110	78,849
Disposals	–	(6,195)
Fair value (loss)/gain recognised directly in other comprehensive (expense)/ income	(58,987)	13,337
Reclassification to current assets	(38,571)	–
At the end of the year	–	96,448

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

NOTES TO THE FINANCIAL STATEMENTS

11 Deferred taxation

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

	The Company		The Group	
	2011	2010	2011	2010
	A\$ '000	A\$ '000	A\$ '000	A\$ '000
Deferred tax assets				
- To be recovered within one year	–	–	–	–
- To be recovered after one year	–	–	16,536	5,958
	–	–	16,536	5,958
Deferred tax liabilities				
- To be recovered within one year	–	–	–	–
- To be recovered after one year	–	–	6,822	7,212
	–	–	6,822	7,212
The Group			2011	2010
			A\$'000	A\$'000
Deferred tax assets				
Balance at the beginning of the year			5,958	3,332
Credited to the profit or loss (Note 26)			10,826	2,626
Exchange difference on translation			14	–
			16,798	5,958
Over provision in respect of prior years			(262)	–
Balance at the end of the year		(i)	16,536	5,958
Deferred tax liabilities				
Balance at the beginning of the year			(7,212)	(7,544)
Credited/(charged) to the profit or loss (Note 26)			4,322	(8)
Exchange difference on translation			(1)	4
			(2,891)	(7,548)
(Under)/over provision in respect of prior years			(3,931)	336
Balance at the end of the year		(ii)	(6,822)	(7,212)
Net deferred tax assets/(liabilities) (i) + (ii)			9,714	(1,254)

NOTES TO THE FINANCIAL STATEMENTS

11 Deferred taxation (cont'd)

The balance comprises tax on the following temporary differences:

	Excess of net book value over tax written down value of qualifying property, plant and equipment A\$'000	Interest payable A\$'000	Tax losses A\$'000	Others A\$'000	Total A\$'000
The Group					
At 1 January 2011	(5,991)	4,601	–	136	(1,254)
Charged to					
- profit or loss (Note 26)	41	2,082	7,459	1,373	10,955
Exchange difference on translation	–	–	–	13	13
At 31 December 2011	(5,950)	6,683	7,459	1,522	9,714

As at 31 December 2011, the Group had tax losses arising in Hong Kong of A\$296,263 (2010 - A\$296,263) which is available for offsetting against future taxable profits. No deferred tax asset has been recognised in respect of these tax losses due to the uncertainty of future profit streams against which the asset can be utilised. The tax losses arising in Hong Kong can be carried forward indefinitely without any expiry date.

12 Subsidiaries

	2011 A\$'000	2010 A\$'000
The Company		
Unquoted equity investments, at cost	8,014	8,014
Amounts due from subsidiaries:		
- Interest-free	6	5
- Interest-bearing	117,995	109,545
	126,015	117,564

The amounts due from subsidiaries are unsecured and are not expected to be repaid within one year. The amounts include a balance of A\$117,995,000 (2010 - A\$109,545,000) which is interest-bearing at a weighted average effective interest rate of 10.91% (2010 - 10.16%) per annum. The remaining balances are interest-free. As these amounts represent net investments, with indeterminable repayments, fair valuation is not appropriate.

NOTES TO THE FINANCIAL STATEMENTS

12 Subsidiaries (cont'd)

The subsidiaries are:

Name	Country of incorporation / principal place of business	Cost of investment		Percentage of equity held		Principal activities
		2011 A\$	2010 A\$	2011	2010	
<u>Held by the Company</u>						
OM Holdings (B.V.I.) Ltd ("OMBVI") ⁽¹⁾	The British Virgin Islands	4,960,807	4,960,807	100%	100%	Investment holding
OM (Manganese) Ltd ⁽²⁾	Australia	3,052,617	3,052,617	100%	100%	Operation of manganese mine
OM Holdings Investment Ltd ("OMHI") ⁽¹⁾	The British Virgin Islands	1	1	100%	100%	Investment holding
OMH (Mauritius) Corp. ⁽⁸⁾	Mauritius	111	111	100%	100%	Investment holding
<u>Held by OMHI</u>						
Capricorn Enterprises Madagascar ⁽¹⁾	Madagascar	—	—	88%	88%	Exploration and evaluation activities
<u>Held by OMBVI</u>						
OM Resources (HK) Limited ("OMR") ⁽³⁾	Hong Kong	—	—	100%	100%	Investment holding
<u>Held by OMR</u>						
OM Materials (S) Pte Ltd ("OMS") ⁽⁴⁾	Singapore	—	—	100%	100%	Investment holding and trading of metals and ferroalloy products
OM Materials (Sarawak) Sdn Bhd ⁽⁹⁾ (transferred to OMS)	Malaysia	—	—	—	100%	Sales and processing of ferroalloys and ores**
OM Materials (Johor) Sdn Bhd ⁽⁹⁾ (transferred to OMS)	Malaysia	—	—	—	100%	Sales and processing of ferroalloys and ores**
OM Materials Trade (S) Pte Ltd ("OMT") ⁽¹⁰⁾	Singapore (incorporated on 18 August 2011)	—	—	100%	—	Investment holding
<u>Held by OMS</u>						
OM Materials (Sarawak) Sdn Bhd ⁽⁹⁾ (transferred from OMR)	Malaysia	—	—	80%	—	Sales and processing of ferroalloys and ores**
OM Materials (Johor) Sdn Bhd ⁽⁹⁾ (transferred from OMR)	Malaysia	—	—	100%	—	Sales and processing of ferroalloys and ores**
OM Materials (Qinzhou) Co Ltd ⁽⁵⁾	PRC	—	—	100%	100%	Sales and processing of ferroalloys and ore

NOTES TO THE FINANCIAL STATEMENTS

12 Subsidiaries (cont'd)

Name	Country of incorporation / principal place of business	Cost of investment		Percentage of equity held		Principal activities
		2011 A\$	2010 A\$	2011	2010	
OM Materials (PNG) Limited ⁽⁶⁾	Papua New Guinea	–	–	100%	100%	Exploration and evaluation activities
OM Materials Trading (Qinzhou) Co Ltd ⁽⁵⁾	PRC	–	–	100%	100%	Trading of metals and ferroalloy products
OM Hujin Science & Trade (Shanghai) Co Ltd (“OMA”) ⁽⁷⁾	PRC	–	–	70%	70%	Trading of metals and ferroalloy products
OM Materials (M) Sdn Bhd ⁽⁹⁾ (transferred to OMT)	Malaysia	–	–	–	100%	Trading of metals and ferroalloy products*
OM Tshipi (S) Pte Ltd ⁽⁴⁾ (transferred to OMT)	Singapore	–	–	–	70%	Trading of metals and ferroalloy products*
<u>Held by OMT</u>						
OM Tshipi (S) Pte Ltd ⁽⁴⁾ (transferred from OMS)	Singapore	–	–	70%	–	Trading of metals and ferroalloy products*
OM Materials (M) Sdn Bhd ⁽⁹⁾ (transferred from OMS)	Malaysia	–	–	100%	–	Trading of metals and ferroalloy products*
OM Sandur Pte Ltd ⁽¹⁰⁾	Singapore (incorporated on 23 August 2011)	–	–	60%	–	Trading of metals and ferroalloy products*
<u>Held by OMA</u>						
Guizhou Jiahe Weiye Smelter Co Ltd ⁽⁷⁾	PRC	–	–	75%	75%	Sales and processing of ferroalloy and ores
		8,013,536	8,013,536			

Note:

- (1) no audit required in the country of incorporation and operations are not material to the Group for the year ended 31 December 2011
- (2) audited by Grant Thornton Australia Limited
- (3) audited by Lam & Chui CPA Limited
- (4) audited by Foo Kon Tan Grant Thornton LLP
- (5) audited by Guangxi JiaHai Accountant Affairs Office Co Ltd
- (6) audited by DFK Hill Mayberry
- (7) audited by Shanghai Shenzhou Datong Certified Public Accountants Co Ltd
- (8) audited by Grant Thornton Mauritius
- (9) audited by Moore Stephens Associates & Co
- (10) newly incorporated company, and first audit will commence in next financial year

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

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

NOTES TO THE FINANCIAL STATEMENTS

13 Interest in an associate

	2011 A\$'000	2010 A\$'000
The Group		
Unquoted equity investment, at cost	79,731	68,542
Share of post-acquisition losses and reserves	(70)	(37)
	79,661	68,505

The summarised financial information of the associate is as follows:

	2011 A\$'000	2010 A\$'000
- Assets	59,687	15,951
- Liabilities	(30,608)	(5)
- Loss for the year	(126)	(142)

The associate is:

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Percentage of equity held</u>		<u>Principal activities</u>
		2011	2010	
Main Street 774 (Pty) Limited ⁽¹⁾	South Africa	26%	26%	Investment holding

(1) audited by KPMG South Africa

Shares in the associate are held by a wholly-owned subsidiary, OMH (Mauritius) Corp.

14 Inventories

	2011 A\$'000	2010 A\$'000
The Group		
Raw materials, at cost	21,116	61,059
Work-in-progress, at cost	11,699	15,491
Work-in-progress, at net realisable value	40,321	39,748
Finished goods, at cost	84,970	40,033
	158,106	156,331

As at 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. Further details of the pre-strip mining costs are set out in Note 2(d).

Inventories of A\$18,654,000 (2010 – A\$Nil) have been pledged as security for bank loans of the Group (Note 21.2).

Included in inventories is an amount of A\$32,045,170 (2010 - A\$31,472,048) of ore requiring re-treatment that is expected to be processed for sale within the next 5 years based on the expected production rate of the secondary processing plant.

NOTES TO THE FINANCIAL STATEMENTS

15 Derivative financial instruments

	2011		2010	
	Assets A\$'000	Liabilities A\$'000	Assets A\$'000	Liabilities A\$'000
The Group				
Foreign currency forward contracts not designated as hedging instruments (Note 25)	–	8	–	375

	2011		2010	
	Assets A\$'000	Liabilities A\$'000	Assets A\$'000	Liabilities A\$'000
The Company and the Group				
Unquoted share options	20	–	–	–
Quoted share options	–	–	367	–

16 Trade and other receivables

	The Company		The Group	
	2011 A\$'000	2010 A\$'000	2011 A\$'000	2010 A\$'000
Trade receivables	–	–	23,731	10,211
Bills receivable	–	–	53,029	5,076
Net trade receivables (i)	–	–	76,760	15,287
Other receivables				
Amounts due from subsidiary companies	87,984	74,374	–	–
Deposits and other receivables	556	4	12,960	16,109
Net other receivables (ii)	88,540	74,378	12,960	16,109
Total (i) + (ii)	88,540	74,378	89,720	31,396

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

Bills receivable of A\$33,398,000 (2010 – A\$Nil) have been pledged as security for bank loans of the Group (Note 21.2).

Trade and other receivables are denominated in the following currencies:

	The Company		The Group	
	2011 A\$'000	2010 A\$'000	2011 A\$'000	2010 A\$'000
Australian dollar	88,540	74,378	6,844	2,012
Renminbi	–	–	67,979	18,682
United States dollar	–	–	14,740	10,560
Others	–	–	157	142
	88,540	74,378	89,720	31,396

NOTES TO THE FINANCIAL STATEMENTS

16 Trade and other receivables (cont'd)

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

	The Company		The Group	
	2011	2010	2011	2010
	A\$'000	A\$'000	A\$'000	A\$'000
<u>By geographical areas</u>				
Australia	–	–	312	310
People's Republic of China	–	–	61,912	6,691
Singapore	–	–	14,536	8,286
	–	–	76,760	15,287

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

	The Company		The Group	
	2011	2010	2011	2010
	A\$'000	A\$'000	A\$'000	A\$'000
Past due 0 to 3 months	–	–	843	316
Past due 3 to 6 months	–	–	70	–
Past due over 6 months	–	–	5	–
	–	–	918	316

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

17 Cash and cash equivalents

	The Company		The Group	
	2011	2010	2011	2010
	A\$'000	A\$'000	A\$'000	A\$'000
Cash at bank and on hand	89	549	8,662	8,131
Short-term bank deposits	–	4,762	23,218	33,989
Total cash and cash equivalents [Notes (a) and (b)]	89	5,311	31,880	42,120
Less: Cash collateral [Notes (c) and (d)]	–	–	(14,269)	(26,050)
	89	5,311	17,611	16,070

Notes:

- 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.
- At 31 December 2011, the total amount of cash and cash equivalents of the Group which were deposited with banks in the PRC and denominated in Renminbi ("RMB") amounted to A\$12,817,000 (2010 - A\$19,350,000). The RMB is not freely convertible into other currencies.

NOTES TO THE FINANCIAL STATEMENTS

17 Cash and cash equivalents (cont'd)

- (c) Certain bank deposits were pledged to banks to secure banking facilities provided to the Group in respect of letters of credit and bank loans (Note 21.2). The cash collateral has an average maturity of 3 to 12 months (2010 - 3 to 12 months) with the weighted average effective interest rates of 0.27% to 0.5% (2010 - 0.19% to 0.5%) per annum.
- (d) Certain bank deposits held by the Australian subsidiary were pledged to secure the issuance of environmental bonds. The A\$ cash collateral has an average maturity of 1 month (2010 - 1 month) with the weighted average effective interest rate of 4.80% (2010 - 4.75%) per annum.

Cash and cash equivalents are denominated in the following currencies:

	The Company		The Group	
	2011	2010	2011	2010
	A\$'000	A\$'000	A\$'000	A\$'000
Australian dollar	87	5,311	1,036	10,262
Renminbi	–	–	12,817	19,350
United States dollar	2	–	14,945	12,310
Malaysian Ringgit	–	–	2,970	–
Others	–	–	112	198
	89	5,311	31,880	42,120

The fixed deposits have an average maturity of 1 to 3 months (2010 - 1 to 3 months) from the end of the financial year with the following weighted average effective interest rates:

The Group	2011	2010
Australian dollar	4.80%	4.75%
Renminbi	0.50%	0.50%
United States dollar	0.31%	0.19%
Malaysian Ringgit	2.50%	-

18 Share capital

	No. of ordinary shares		Amount	
	2011	2010	2011	2010
	'000	'000	A\$'000	A\$'000
The Company and the Group				
Authorised:				
Ordinary shares of A\$0.05 (2010 - A\$0.05) each	2,000,000	2,000,000	100,000	100,000
Issued and fully paid:				
Ordinary shares of A\$0.05 (2010 - A\$0.05) each as at 1 January	503,085	490,935	25,155	24,547
Options exercised [Note (a)]	1,020	12,150	50	608
Ordinary shares of A\$0.05 (2010 - A\$0.05) each as at 31 December	504,105	503,085	25,205	25,155

Notes:

- (a) During the year 1,020,000 (2010 - 12,150,000) ordinary shares were issued following the exercise of unlisted employee share options. As at 31 December 2011, the Company had 26,000,000 (2010 - 34,020,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

19 Treasury shares

	No. of ordinary shares		Amount	
	2011	2010	2011	2010
	'000	'000	A\$'000	A\$'000
The Company and the Group				
At the beginning of the year	1,933	983	2,330	1,006
Repurchased during the year	–	950	–	1,324
At the end of the year	1,933	1,933	2,330	2,330

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

20 Reserves

	The Company		The Group	
	2011	2010	2011	2010
	A\$'000	A\$'000	A\$'000	A\$'000
Share premium	117,642	116,150	117,642	116,150
Non-distributable reserves [Note (i)]	–	–	3,941	3,692
Capital reserve [Note (ii)]	–	–	2	10
Share option reserve [Note (a)]	17,577	16,618	17,577	16,618
Fair value reserve [Note (iii)]	(45,407)	13,580	(45,407)	13,580
Contributed surplus [Note (iv)]	3,312	3,312	–	–
Exchange fluctuation reserve	–	–	(16,984)	(17,684)
Retained profits	73,504	75,508	153,133	168,213
	166,628	225,168	229,904	300,579

Notes:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

20 Reserves (cont'd)

The Company	2011 A\$'000	2010 A\$'000
Share premium		
At 1 January	116,150	87,575
Share options exercised	675	14,482
Share premium arising from share options exercised	817	14,093
At 31 December	117,642	116,150
Contributed surplus		
At 1 January and 31 December	3,312	3,312
Share option reserve		
At 1 January	16,618	22,278
Equity settled share-based transactions [Note (a)]	8,472	8,433
Share premium arising from share options exercised	(817)	(14,093)
Share options lapsed	(6,696)	–
At 31 December	17,577	16,618
Fair value reserve		
At 1 January	13,580	243
Fair value (loss)/gain on available-for-sale financial assets	(58,987)	13,337
At 31 December	(45,407)	13,580
Retained profits		
At 1 January	75,508	47,301
Profit for the year	8,025	41,930
Dividends	(10,029)	(13,723)
At 31 December	73,504	75,508
Total reserves	166,628	225,168

Note:

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

21 Borrowings

The Group	2011 A\$'000	2010 A\$'000
Non-current		
Obligations under finance leases (Note 21.1)	29	–
Bank loans, secured (Note 21.2)	61,289	42,645
Other loans, unsecured (Note 21.3)	–	452
	61,318	43,097
Current		
Obligations under finance leases (Note 21.1)	14	–
Bank loans, secured (Note 21.2)	106,021	48,432
Other loans, unsecured (Note 21.3)	154	747
	106,189	49,179
	167,507	92,276

NOTES TO THE FINANCIAL STATEMENTS

21 Borrowings (cont'd)

21.1 Obligations under finance leases

	2011 A\$'000	2010 A\$'000
The Group		
Minimum lease payments payable:		
Due not later than one year	16	–
Due later than one year and not later than five years	30	–
	46	–
Less: Finance charges allocated to future periods	(3)	–
Present value of minimum lease payments	43	–
Present value of minimum lease payments:		
Due not later than one year	14	–
Due later than one year and not later than five years	29	–
	43	–

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

21.2 Bank loans

	2011 A\$'000	2010 A\$'000
The Group		
Bank loans, secured [note (a)]	90,254	72,171
Bank loans, secured [note (b)]	38,104	15,562
Bank loans, secured [note (c)]	16,147	–
Bank loans, secured [note (d)]	11,765	3,344
Bank loans, secured [note (e)]	11,040	–
	167,310	91,077
Amount repayable within one year	106,021	48,432
Amount repayable after one year	61,289	42,645
Bank loans	167,310	91,077

Notes:

- (a) The loans are secured by:
- a charge over certain bank deposits as disclosed in Note 17 (c);
 - irrevocable and unconditional corporate guarantees provided by the Company and a subsidiary; and
 - a security agreement over the Company's holding of 42,000,000 shares in Northern Iron Limited ("NFE"). Subsequent to 31 December 2011, this security has increased to cover the Company's total holding of 52,482,500 shares held in NFE.

The loans are repayable in equal monthly instalments of A\$1,638,000 over 36 months commencing from 10 May 2010, A\$819,000 over 36 months commencing from 2 September 2010 and further A\$1,843,000 commencing over 24 months from 3 May 2011. As part of a loan restructuring in 2011, the Company obtained a deferment of its existing loan repayment for a period of 6 months from October 2011 to March 2012. The weighted average effective interest rate was 3.45% (2010 – 3.49%) per annum.

- (b) The loans are secured by charges over certain bank deposits and bills receivables as disclosed in Note 17(c) and Note 16 respectively, and the weighted average effective interest of the bank loans was 4.99% (2010 – 8.37%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

21 Borrowings (cont'd)

21.2 Bank loans (cont'd)

- (c) The loan is secured by a charge over leasehold land as disclosed in Note 4, and an irrevocable and unconditional corporate guarantee provided by the Company. The weighted average effective interest of the bank loan was 2.76% (2010 – Nil%) per annum.
- (d) The loans are secured by charges over certain bank deposits as disclosed in Note 17(c), and the weighted average effective interest rate of the bank loans was 2.37% (2010 – 1.89%) per annum.
- (e) The loans are secured by charges over certain inventories as disclosed in Note 14, and the weighted average effective interest of the bank loans was 5.6% (2010 – Nil%) per annum.

The outstanding bank loans of a subsidiary of the Company – OM Materials (S) Pte Ltd (the “Subsidiary”) amounting to A\$90,254,000 as at 31 December 2011 were subject to covenant clauses, whereby the Subsidiary was required to meet certain key financial ratios. During the current financial year, the Subsidiary did not meet certain of the covenants namely: maintaining a debt to EBITDA ratio of not more than 2.5 times and maintaining a Debt Service Coverage ratio of not less than 1.25 times. The financing bank was contractually entitled to request for immediate repayment of the outstanding loan amount in the event that covenants are not met. The financing bank did not formally request an immediate repayment during the year ended 31 December 2011.

Subsequent to the financial year end but before the reporting date, the Subsidiary entered into an agreement with the financing bank to restructure the Subsidiary's loan financing. The amended loan agreements were signed on 13 March 2012. The financial effect of the restructured arrangement will reduce the total outstanding current portion of the borrowings owed at 31 December 2011 by A\$7,578,000. The revised repayment schedule will improve the Group's debt maturity profile and financial flexibility to enable the Group to execute the development of the ferroalloy project in Malaysia owned by OM Materials (Sarawak) Sdn Bhd.

21.3 Other loans

	2011 A\$'000	2010 A\$'000
The Group		
Amount repayable within one year	154	747
Amount repayable after one year	–	452
Other loans	154	1,199

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

21.4 Currency risk

Total borrowings are denominated in the following currencies:

	2011 A\$'000	2010 A\$'000
The Group		
United States dollar	152,510	75,515
Renminbi	14,954	16,761
Others	43	–
	167,507	92,276

NOTES TO THE FINANCIAL STATEMENTS

21 Borrowings (cont'd)

21.5 Effective interest rates

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

The Group	2011	2010
Obligations under finance leases	2.59%	–
Bank loans	2.37% to 5.6%	1.89% to 8.37%

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

22 Provisions

The Group	2011 A\$'000	2010 A\$'000
(a) Rehabilitation		
At the beginning of the year	3,451	3,379
Provision made for the year (Note 25)	1,468	1,187
Payments during the year	(214)	(1,115)
At the end of the year	4,705	3,451
(b) Employee long service leave		
At the beginning of the year	141	80
Provision made for the year (Note 25)	25	61
At the end of the year	166	141
Total (i) + (ii)	4,871	3,592

- (a) 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.
- (b) Employees of a subsidiary are entitled, under the labour law of the country of its incorporation, to additional leave over and above their annual leave (known as long service leave) if they remain employed by the subsidiary beyond 10 years. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

23 Trade and other payables

	The Company		The Group	
	2011 A\$'000	2010 A\$'000	2011 A\$'000	2010 A\$'000
Trade payables	–	–	91,787	49,511
Amounts due to subsidiaries (non-trade)	62,135	45,115	–	–
Accruals and other payables	1,620	1,006	27,705	28,091
Welfare expense payable	–	–	758	676
	63,755	46,121	120,250	78,278

Included in the amounts due to subsidiaries is an amount due to a wholly-owned subsidiary – OM Materials (S) Pte Ltd of A\$30,000,000 (2010 - A\$30,000,000) which bears interest of 3.45% (2010 – 3.49%) per annum. The amounts due to subsidiaries are non-trade, unsecured and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

23 Trade and other payables (cont'd)

Trade and other payables are denominated in the following currencies:

	The Company		The Group	
	2011 A\$'000	2010 A\$'000	2011 A\$'000	2010 A\$'000
Australian dollar	63,755	46,121	24,821	22,826
Renminbi	–	–	13,236	9,350
United States dollar	–	–	78,167	45,995
Malaysian Ringgit	–	–	3,915	–
Others	–	–	111	107
	63,755	46,121	120,250	78,278

24 Other income

	2011 A\$'000	2010 A\$'000
The Group		
Gain on bargain purchase	–	185
Interest income from banks	1,170	1,227
Gain on disposal of a subsidiary	–	1,996
Sundry income	758	164
Gain on disposal of available-for-sale financial assets	–	700
	1,928	4,272

25 (Loss)/profit before taxation

	Note	2011 A\$'000	2010 A\$'000
The Group			
(Loss)/profit before tax has been arrived at after charging/(crediting):			
Amortisation of prepaid lease payment on land use rights	5	29	30
Amortisation of long-term prepayments	6	7	9
Amortisation of mine development costs	8	1,714	1,895
Cost of inventories recognised as expenses #		330,107	190,072
Depreciation of property, plant and equipment	4	11,959	11,031
Equity-settled share-based payments *	30	6,106	8,433
Exchange gains		(2,339)	(12,867)
Exploration and evaluation costs written off	7	3,126	4,327
Interest expense:			
- bank loans		5,721	2,583
Loss on disposal of property, plant and equipment	4	117	13
Loss on disposal of available-for-sale financial assets		367	–
Operating lease charges in respect of land and buildings		155	153
Provision for rehabilitation	22	1,468	1,187
Provision for long service leave	22	25	61
Employee benefits expenses	29	18,608	15,138
Write-down of inventories to net realisable value		5,225	–
Fair value loss on derivative financial instruments	15	8	375

Cost of inventories included amounts of A\$13,840,000 and A\$2,134,000 (2010 - A\$10,741,000 and A\$1,544,000) related to staff costs and depreciation respectively.

* Included in other operating expenses.

NOTES TO THE FINANCIAL STATEMENTS

26 Taxation

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

For the Singapore subsidiary, OM Materials (S) Pte Ltd ("OMS"), the Singapore Ministry of Trade and Industry approved the award of Global Trade Programme status to the subsidiary and therefore OMS was entitled to a concessionary rate of 10% for a period of 5 years with effect from 1 July 2004, subject to fulfilment of specific conditions. OMS was awarded the Global Trade Programme for a further five year period from 1 July 2009. OM Materials (Qinzhou) Co Ltd ("OMQ"), being a wholly-owned foreign enterprise of OMS, also enjoyed a concessionary tax rate of 50% of the statutory tax rate in 2011.

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.

	2011 A\$'000	2010 A\$'000
The Group		
Current taxation		
- Singapore income tax	1,601	3,458
- PRC tax	653	1,770
- Australian tax	—	4,374
Deferred taxation	(15,148)	(2,618)
	(12,894)	6,984
Under/(over) provision in the prior financial years		
- current year income tax	(4,379)	(76)
- deferred taxation	4,193	(336)
	(13,080)	6,572

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

	2011 A\$'000	2010 A\$'000
The Group		
(Loss)/profit before income tax	(24,813)	55,323
Tax at applicable tax rates	(5,323)	13,352
Deferred tax assets on temporary difference not recognised in prior years	153	—
Utilisation of deferred tax benefit previously not recognised	(2)	(4)
Tax effect of non-taxable revenue	(7,862)	(3,774)
Tax effect of non-deductible expenses	971	431
Tax effect of allowances given by tax jurisdiction	(749)	(3,021)
Double tax relief	(82)	—
Over provision in prior years	(186)	(412)
Income tax (benefit)/expense	(13,080)	6,572

NOTES TO THE FINANCIAL STATEMENTS

27 Dividends

	2011 A\$'000	2010 A\$'000
The Company and the Group		
Ordinary dividends paid or payable		
- final dividend of A\$0.02 (2010 - A\$0.02) per ordinary share paid in respect of the previous financial year	10,029	9,950
- interim dividend of A\$Nil (2010 - A\$0.0075) per ordinary share paid in respect of current financial year	–	3,773
	10,029	13,723

At the Annual General Meeting held on 20 April 2011, a final dividend of A\$0.02 per ordinary share amounting to A\$10,029,000 was declared and approved. These dividends declared are accounted for as reductions in equity as a distribution of retained profits in the financial year ended 31 December 2011.

28 (Loss)/earnings per share

The Group

The (loss)/earnings per share is calculated based on the consolidated (losses)/profits attributable to owners of the parent divided by the weighted average number of shares on issue of 503,189,299 (2010 - 492,784,335) shares during the financial year.

In 2010, the fully diluted earnings per share were calculated on the consolidated profits attributable to owners of the parent divided by 511,379,699 ordinary shares. The number of ordinary shares is calculated based on the weighted average number of shares on issue during the financial year adjusted for the effects of all dilutive share options. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the year or if later, the date of the issue of the potential ordinary shares.

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

	2011 A\$'000	2010 A\$'000
Weighted average number of ordinary shares for the purposes of calculating basic (loss)/earnings per share	503,189	492,784
Effect of dilutive potential ordinary shares:		
Share options	–	18,596
Weighted average number of ordinary shares for the purposes of calculating diluted (loss)/earnings per share	503,189	511,380

(Loss)/earnings figures are calculated as follows:

	2011 A\$'000	2010 A\$'000
(Loss)/earnings for the purpose of calculating basic and diluted (loss)/earnings per share	(11,511)	47,215

NOTES TO THE FINANCIAL STATEMENTS

29 Employee benefits expense

	2011 A\$'000	2010 A\$'000
Directors' remuneration other than fees		
- Directors of the Company	1,586	2,478
- Directors of the subsidiaries	2,330	1,881
- Defined contributions plans	236	137
Key management personnel (other than Directors)		
- Salaries, wages and other related costs	1,542	1,282
- Defined contributions plans	143	110
Other than key management personnel		
- Salaries, wages and other related costs	11,081	8,403
- Defined contributions plans	1,690	847
	18,608	15,138
Directors' fees	349	320
Equity-settled share-based payments		
- Directors of the Company and subsidiaries	5,715	8,041
- Key management personnel (other than Directors)	345	345
- Other than key management personnel	46	47
	25,063	23,891

30 Employee share option plan

The Company

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

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

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

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

	Options 2011 '000	Weighted Average Exercise Price 2011 A\$	Options 2010 '000	Weighted Average Exercise Price 2010 A\$
Outstanding at 1 January	34,020	2.07	57,570	1.90
Expired/lapsed	(7,000)	1.95	(11,400)	1.14
Exercised ⁽¹⁾	(1,020)	0.71	(12,150)	1.24
Outstanding at 31 December	26,000	2.15	34,020	2.07
Exercisable at 31 December	18,000	2.14	17,220	1.97

⁽¹⁾ Consideration received from options exercised during the year was A\$726,000 (2010 - A\$15,090,000).

NOTES TO THE FINANCIAL STATEMENTS

30 Employee share option plan (cont'd)

The following table summarises information about options outstanding and exercisable at 31 December 2011:

Exercise Price A\$	Outstanding Options '000	Average Life ⁽²⁾ Years	Exercisable Options '000	Average Exercise Price A\$
2.49	14,000	2.01	10,000	2.49
1.87	4,000	2.00	—	—
1.755	4,000	2.00	4,000	1.755
1.64	4,000	2.00	4,000	1.64
Total	26,000		18,000	

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

Since the end of the financial year, 5 million unlisted share options exercisable at A\$2.49 each expired on 1 January 2012.

In 2008 the Board and where relevant shareholders of the Company approved the grant of 56,650,000 unlisted options to Directors and employees of the Company and its subsidiaries. In 2011, the vested amount of A\$8,472,000 (2010 – A\$8,433,000) was expensed through the profit or loss, out of which A\$2,366,000 was reversed from the profit or loss and capitalised as part of construction in progress.

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 Related party transactions

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

	2011 A\$'000	2010 A\$'000
The Group		
Company secretarial fees paid to a company of which a Director is a director and beneficial shareholder	309	234
Operating lease charges paid to a minority shareholder of a subsidiary	9	9
Legal fees paid to a company of which a Director is a director	31	89

32 Commitments

32.1 Capital commitments

The following table summarises the Group's capital commitments:

	2011 A\$'000	2010 A\$'000
The Group		
Capital expenditure contracted but not provided for in the financial statements		
- Capital injection to an associate for mine development	17,494	25,587
- Acquisition of property, plant and equipment	12,546	19,519

32.2 Operating lease commitments in respect of office premises

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

	2011 A\$'000	2010 A\$'000
The Group		
Not later than one year	138	129
Later than one year and not later than five years	218	7
	356	136

The leases on the Group's office premises on which rentals are payable will expire on 14 September 2014 and 14 April 2012, subject to an option to renew. The current rent payable on the leases are A\$10,809 and A\$2,631 per month respectively which are subject to revision on renewal.

32.3 Other operating commitments

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

	2011 A\$'000	2010 A\$'000
The Group		
Not later than one year	16,096	87,904
Later than one year and not later than five years	165	26,111
Later than five years	—	431
	16,261	114,446

NOTES TO THE FINANCIAL STATEMENTS

32 Commitments (cont'd)

32.4 Mineral Tenements

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

	2011 A\$'000	2010 A\$'000
The Group		
Mineral tenements annual expenditure commitments	865	1,123

32.5 Other commitments

	2011 A\$'000	2010 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	1,250	1,500
	1,500	1,750
<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	375	450
	450	525
Total	1,950	2,275

In 2009,

- ⁽¹⁾ 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.
- ⁽²⁾ 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.

32.6 Environmental bonds

A subsidiary has environmental bonds to the value of A\$7,565,000 (2010 - A\$4,200,000) lodged with the Northern Territory Government (Department of Resources - Primary Industry, Fisheries and Resources) to secure environmental rehabilitation commitments.

33 Contingent liabilities

Masai Stage 1 Sacred Site

On 20 July 2011, a geologist from a subsidiary of the Group (the "Subsidiary") noticed cracks developing in the vicinity of the Masai Sacred Site and the Subsidiary General Manager notified the Northern Land Council (NLC) and Traditional Owners.

Remediation works associated with the Masai Sacred Site commenced during the 31 December 2011 quarter following extensive consultation and liaison with the Northern Land Council, the Aboriginal Areas Protection Authority ("AAPA"), Native Title Parties and the Northern Territory Department of Resources. The remediation works were substantially completed by the end of January 2012.

NOTES TO THE FINANCIAL STATEMENTS

33 Contingent liabilities (cont'd)

Masai Stage 1 Sacred Site (cont'd)

On 24 November 2011, AAPA lodged a complaint and served a summons on the Subsidiary in relation to the Masai Sacred Site. The summons required the Subsidiary to appear at the Court of Summary Jurisdiction on 15 December 2011 where the matter was adjourned until 15 February 2012 at which time the matter was further adjourned until mid-April 2012 at which time the Court is expected to make further programming orders in relation to the matter.

The complaint alleges the Subsidiary committed two offences:

- desecration of a sacred site (section 35 of the Northern Territory Aboriginal Sacred Sites Act (NT)) – the maximum penalty of which is A\$274,000; and
- failure to comply with a condition of an Authority Certificate and thereby causing damage to the sacred site or distress to a custodian of the sacred site (section 37 of the Northern Territory Aboriginal Sacred Sites Act (NT)) – the maximum penalty of which is A\$137,000.

The Directors are of the view that the operational and financial impacts of the legal proceedings against the Group are not material. Due to the uncertainty whilst the case is still on going, there is not a requirement to record any provision at 31 December 2011.

The Subsidiary takes and continues to take considerable care to ensure its exploration and mining activities are conducted in a culturally and environmentally sensitive manner. The Subsidiary values strong and sustainable relationships with indigenous communities. The Subsidiary is gathering information and considering the legal issues to determine the Subsidiary's response to the charges.

Bootu Creek Manganese Mine – Promet Litigation

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 the 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 judgment in these matters. It is a matter of the Court's discretion as to when the Court delivers its judgment. If the Subsidiary is unsuccessful in its defence of the claims made by Promet, the Subsidiary may have to pay up to approximately A\$533,000, together with Promet's legal costs in pursuing the claim. If the Subsidiary is successful in the prosecution of its claim, it may recover an amount up to approximately A\$7,840,000 and recover certain of its legal costs. In addition, because the Subsidiary did not pursue one of its claims at trial, the Subsidiary is required to pay Promet's legal 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. At the current point in time, due to the uncertainty of the outcome, no provision was made as of to date.

Northern Territory Government Royalty

The Northern Territory Mineral Royalty Act is a profit based royalty regime that uses the net value of a mine's production to calculate royalties payable on the recovery of mineral commodities from a mine site.

The determination of the net value of manganese produced from the Bootu Creek Manganese Mine has been in dispute between a subsidiary of the Group (the "Subsidiary") and the Territory Revenue Office (the office responsible for administering the Northern Territory Mineral Royalty Act). The central issue in the dispute relates to the calculation of the net value in the determination of the gross realisation by the Subsidiary, given that the Subsidiary's sales of manganese product to a fellow subsidiary of the Group 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 Territory Revenue Office to derive a gross realisation that accords with the requirements of the Northern Territory Mineral Royalty Act. To date the Territory Revenue Office has 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 Northern Territory Mineral Royalty Act. The Subsidiary has advised the Territory Revenue Office that it disagrees with the transfer pricing proposal proposed by the Territory Revenue Office.

NOTES TO THE FINANCIAL STATEMENTS

33 Contingent liabilities (cont'd)

Northern Territory Government Royalty (cont'd)

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

34 Operating segments

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

34 Operating segments (cont'd)

	Mining		Processing		Marketing and Trading		Others		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	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	–	–	119,010	55,864	270,290	251,599	437	–	389,737	307,463
Inter-segment sales	133,353	147,854	–	–	163,861	105,760	824	–	298,038	253,614
Elimination	133,353	147,854	119,010	55,864	434,151	357,359	1,261	–	389,737	307,463
Reportable segment profit	(29,904)	12,115	171	7,517	17,438	36,077	(7,934)	1,007	(20,229)	56,716
Reportable segment assets	157,639	175,180	141,355	103,865	302,856	191,449	222,835	201,718	824,685	672,212
Elimination									(415,358)	(356,321)
Interest in an associate									79,661	68,505
Deferred tax assets									9,714	–
Available-for-sale financial assets									38,571	96,448
Derivative financial assets									20	367
Goodwill									2,065	2,065
Cash collateral									14,269	26,050
Total assets									553,627	509,326
Reportable segment liabilities	180,136	150,926	33,171	41,274	129,497	88,609	149,152	116,316	491,956	397,125
Elimination									(366,827)	(314,880)
Borrowings									167,507	92,276
Deferred tax liabilities									–	1,254
Income tax payables									3,018	7,648
Total liabilities									295,654	183,423
Other segment information										
Purchase of property, plant and equipment	3,744	3,993	41,406	5,494	625	260	–	1	45,775	9,748
Depreciation of property, plant and equipment	9,114	9,065	2,485	1,840	360	122	–	4	11,959	11,031
Amortisation of prepaid lease payments on land use rights	–	–	29	30	–	–	–	–	29	30
Amortisation of long-term prepayments	–	–	–	–	7	9	–	–	7	9
Amortisation of mine development costs	1,714	1,895	–	–	–	–	–	–	1,714	1,895
Write off of evaluation and exploration costs	3,126	4,327	–	–	–	–	–	–	3,126	4,327

NOTES TO THE FINANCIAL STATEMENTS

34 Operating segment (cont'd)

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

	2011 A\$'000	2010 A\$'000
Reportable segment (loss)/profit	(20,229)	56,716
Finance income	1,170	1,227
Share of results of associate	(33)	(37)
Finance costs	(5,721)	(2,583)
(Loss)/profit before income tax	(24,813)	55,323

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

	Revenue from external customers		Non-current assets	
	2011 A\$'000	2010 A\$'000	2011 A\$'000	2010 A\$'000
Principal markets				
PRC	389,737	295,865	26,634	25,205
Australia	–	–	77,964	83,854
Mauritius	–	–	79,661	68,505
Malaysia	–	–	38,477	–
Others (including Bermuda and Madagascar)	–	11,598	2,853	2,917
	389,737	307,463	225,589	180,481

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\$40,942,000 (2010 - A\$34,416,000) was derived from a single external customer. This revenue is attributable to the Marketing and Trading segment (2010 - Marketing and Trading segment).

35 Financial risk management objectives and policies

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

35.1 Credit risk

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

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

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

Exposure to credit risk

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

	2011	2010
	A\$'000	A\$'000
The Company		
Corporate guarantees provided to banks on subsidiaries' loans	106,401	72,171

The Company's and the Group's major classes of financial assets are bank deposits and trade receivables. Cash is held with financial institutions of good reputable financial institutions. Further details of credit risks on trade and other receivables are disclosed in Note 16.

35.2 Liquidity risk

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

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

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

	Less than 1 year	Between 2 and 5 years	Over 5 years	Total
As at 31 December 2011	A\$'000	A\$'000	A\$'000	A\$'000
Non-derivative financial liabilities				
Trade and other payables	120,250	—	—	120,250
Provisions	—	—	4,871	4,871
Borrowings	106,189	46,827	14,491	167,507
	226,439	46,827	19,362	292,628
Derivative financial liabilities				
Gross settled forward foreign exchange contracts	8	—	—	8

NOTES TO THE FINANCIAL STATEMENTS

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

35.2 Liquidity risk (cont'd)

The Group As at 31 December 2010	Less than 1 year A\$'000	Between 2 and 5 years A\$'000	Over 5 years A\$'000	Total A\$'000
Non-derivative financial liabilities				
Trade and other payables	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
			2011 A\$'000	2010 A\$'000
The Company				
Trade and other payables - less than one year			63,755	46,121

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

35.3 Interest rate risk

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

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

Sensitivity analysis for interest rate risk

At the end of the reporting period, if USD and RMB interest rates had been 75 (2010-75) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been A\$911,000 and A\$ 48,000 (2010 – A\$419,000 and A\$ 36,000) higher/lower, arising mainly as a result of lower/higher interest expense on bank borrowings, cash collaterals and fixed deposits.

35.4 Foreign currency risk

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

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

Sensitivity analysis for foreign currency risk

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

NOTES TO THE FINANCIAL STATEMENTS

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

35.4 Foreign currency risk (cont'd)

		The Group			
		2011		2010	
		(Loss)/profit net of tax	Equity	(Loss)/profit net of tax	Equity
		A\$'000	A\$'000	A\$'000	A\$'000
United States dollars	- strengthened 5% (2010 - 5%)	(10,050)	(10,190)	(4,932)	(4,407)
	- weakened 5% (2010 - 5%)	10,050	10,190	4,932	4,407
RMB	- strengthened 5% (2010 - 5%)	2,630	2,643	596	589
	- weakened 5% (2010 - 5%)	(2,630)	(2,643)	(596)	(589)
SGD	- strengthened 5% (2010 - 5%)	(1)	(1)	8	8
	- weakened 5% (2010 - 5%)	1	1	(8)	(8)

35.5 Market price risk

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

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

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

Market price sensitivity

At the end of each reporting period, if the market share price had been 2% higher/lower, with all the other variables held constant, the Group's and the Company's fair value reserve in equity would have been A\$771,000 (2010 - A\$1,936,000) higher/lower, arising as a result of increase/decrease in the fair value of the Group's and the Company's available-for-sale financial assets.

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

36 Capital risk management

The Group's objectives when managing capital are:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

36 Capital risk management (cont'd)

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

	2011 A\$'000	2010 A\$'000
Borrowings	167,507	92,276
Less: Cash and cash equivalents	(17,611)	(16,070)
	149,896	76,206
Total equity	257,973	325,903
Gearing ratio	0.58	0.23

Please refer to Note 21.2 on the compliance of covenants imposed by the bank.

37 Financial instruments

Fair values

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

However, the Company and the Group do not anticipate that the carrying amounts recorded at end of reporting period would be significantly different from the values that would eventually be received or settled.

Fair value hierarchy

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

37 Financial instruments (cont'd)

Fair value hierarchy (cont'd)

	Note	Level 1 A\$'000	Level 2 A\$'000	Level 3 A\$'000	Total A\$'000
The Group					
As at 31 December 2011					
Assets					
Available-for-sale financial assets	(a)	38,571	–	–	38,571
Unquoted share options	(b)	–	–	20	20
		38,571	–	20	38,591

Liabilities					
Forward foreign exchange contracts	(c)	–	8	–	8

The Company

As at 31 December 2011

Assets					
Available-for-sale financial assets	(a)	38,571	–	–	38,571
Unquoted share options	(b)	–	–	20	20
		38,571	–	20	38,591

The Group

As 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	(c)	–	375	–	375

The Company

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

37 Financial instruments (cont'd)

(a) Listed securities

The listed equity securities are denominated in A\$. Fair values have been determined by reference to their quoted closing bid prices at the reporting date.

(b) Unquoted share options

The fair value of unquoted share options is determined using valuation techniques.

(c) Foreign currency forward contracts

The fair value of forward exchange contracts is based on their listed market price, if applicable. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

The following table presents the changes in Level 3 instruments:

	Financial assets at fair value through profit or loss A\$'000
The Company and the Group	
As at 1 January 2011	–
Gains recognised in the profit or loss	20
As at 31 December 2011	20

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 Company		The Group	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	A\$'000	A\$'000	A\$'000	A\$'000
Financial assets:				
Available-for-sale financial assets	38,571	96,448	38,571	96,448
Derivative financial assets	20	367	20	367
Trade and other receivables	88,540	74,378	89,720	31,396
Cash collateral	–	–	14,269	26,050
Cash and cash equivalents	89	5,311	17,611	16,070
	127,220	176,504	160,191	170,331

	The Company		The Group	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	A\$'000	A\$'000	A\$'000	A\$'000
Financial liabilities:				
Provisions	–	–	4,871	3,592
Trade and other payables	63,755	46,121	120,250	78,278
Derivative financial liabilities	–	–	8	375
Borrowings	–	–	167,507	92,276
	63,755	46,121	292,636	174,521

NOTES TO THE FINANCIAL STATEMENTS

38 Comparative figures

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

The Group	As restated A\$'000	As previously reported A\$'000
Consolidated statement of comprehensive income		
Other income	4,272	17,139
Other operating expenses	16,520	29,387

39 Events after end of reporting period

- (i) On 27 February 2012, the Company issued 75,000,000 ordinary shares at an issue price of A\$0.35 each, raising gross proceeds of A\$26,250,000. The share placement was made to a strategic investor, Boustead Singapore Limited and a small number of institutional investors. The share issue was approved by Shareholders at a Special General Meeting held on 21 February 2012. The net proceeds of the share placement will finance development activities at the ferroalloy project in Malaysia owned by OM Materials (Sarawak) Sdn Bhd ("OM Sarawak"), as well as assist in the timely financial close of the project.
- (ii) On 7 March 2012, the Company completed the issue of the following securities to Hanwa Co., Ltd which raised total gross proceeds of approximately A\$29.8 million:
 - 25,000,000 convertible notes raising an aggregate principal amount of US\$21,447,261 with the 5.0% convertible notes due on 6 March 2016 and convertible in accordance with the terms and conditions of issue including an initial conversion price of A\$0.80 per share; and
 - 25,000,000 ordinary shares at an issue price of A\$0.3907 per share, raising gross proceeds of A\$9,767,500.

The proceeds of the issuance of the convertible notes and the ordinary shares will be used to further finance development activities at the ferroalloy project in Malaysia owned by OM Sarawak, and to pay the costs of the issue.

- (iii) On 13 March 2012, OM Materials (S) Pte Ltd ("OMS"), a wholly-owned subsidiary of the Company executed a suite of agreements on the original facility agreements for the USD90 million and USD45 million terms loans advanced by Standard Chartered Bank. As at 31 December 2011, A\$90,254,000 was outstanding. The financial effect of the re-structured arrangement will reduce the total outstanding current portion of the borrowings owed at 31 December 2011 by A\$7,578,000. The revised repayment schedule will improve the Group's debt maturity profile and financial flexibility to enable the Group to execute the development of the ferroalloy project in Malaysia owned by OM Sarawak.

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

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

Further information about the Company's corporate governance practices are set out on the Company's website at www.omholdingsltd.com

The Board of Directors of OM Holdings Limited is responsible for its corporate governance, that is, the system by which OM Holdings Limited and its subsidiaries ("OMH Group") is managed.

1. BOARD OF DIRECTORS

1.1 Role of the Board and Management

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

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

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

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

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

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

The Board has sole responsibility for the following:

- Appointing and removing the Chief Executive Officer, any other executive director and the Company Secretary and determination of their remuneration and conditions of service;
- Determining the strategic direction of the OMH Group and measuring performance of management against approved strategies;
- Reviewing the adequacy of resources for management to properly carry out approved strategies and business plans;
- Adopting operating (including production), capital and development expenditure budgets at the commencement of each financial year and monitoring the progress by both financial and non-financial key performance indicators;

CORPORATE GOVERNANCE

- Monitoring the OMH Group's medium term capital, exploration and cash flow requirements;
- Approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- Determining that satisfactory arrangements are in place for auditing the OMH Group's financial affairs;
- Appointing the external auditors of the OMH Group;
- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements;
- Authorising the issue of shares, options, equity instruments or other securities;
- Authorising borrowings, other than in the ordinary course of business, and the granting of any security over the undertakings of the OMH Group or any of its assets;
- Approving the acquisition, establishment, disposal or cessation of any significant business of the OMH Group; and
- Ensuring that policies and compliance systems consistent with the OMH Group's objectives and best practice are in place and that the OMH Group and its officers act legally, ethically and responsibly on all matters.

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

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

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

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

1.2 Composition of the Board

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

The OMH Group recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. The Board comprises a majority of independent Non-Executive Directors including Mr Tan Peng Chin, Mr Thomas Teo Liang Huat, Mr Zainul Abidin Rasheed and Mr Peter Church. Ms Julie Wolseley is also a Non-Executive Director but is not viewed as independent due to her also providing company secretarial services to the OMH Group. However the value of the services provided are not as a material supplier to the Company.

The Board did not comprise a majority of independent Non-Executive Directors throughout 2011. Prior to Mr Church's appointment In December 2011 the Board comprised a majority of Non-Executive Directors of which three were independent.

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

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

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

The Board considers that Mr Low's position as Executive Chairman is appropriate given his world wide experience and specialised understanding of the global manganese industry. The Board believes that Mr Low has the range of skills, knowledge, and experience necessary to effectively govern the Company and understand the economic sectors in which the Company operates. Mr Low was an initial founding Director of the Company and was a major force in the Company's evolution and success and the technical, commercial and financial experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain in his position.

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

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

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

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the OMH Group. It is required to do all things that may be necessary to be done in order to carry out the objectives of the OMH Group.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

1. Leadership of the OMH Group - overseeing the OMH Group and establishing codes that reflect the values of the OMH Group and guide the conduct of the Board, management and employees.
2. Strategy Formulation - working with senior management to set and review the overall strategy and goals for the OMH Group and ensuring that there are policies in place to govern the operation of the OMH Group.
3. Overseeing Planning Activities - overseeing the development of the OMH Group's strategic plans (including operating, capital, exploration and development programmes and initiatives) and approving such plans as well as the annual budget.
4. Shareholder Liaison - ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
5. Monitoring, Compliance and Risk Management - overseeing the OMH Group's risk management, compliance, control and accountability systems and monitoring and directing the operational and financial performance of the OMH Group.
6. OMH Group Finances - approving expenditure in excess of that which falls outside the approved authority matrix, approving expenditure materially outside the annual budget and approving and monitoring acquisitions, divestments and financial and other reporting.
7. Human Resources - appointing, and where appropriate, removing the Chief Executive Officer as well as reviewing the performance of the Chief Executive Officer and monitoring the performance of senior management in their implementation of the OMH Group's strategy.
8. Ensuring the Health, Safety and Well-Being of Employees - in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the OMH Group's occupational health and safety systems to ensure the well-being of all employees.
9. Delegation of Authority - delegating appropriate powers to the Chief Executive Officer to ensure the effective day-to-day management of the OMH Group and establishing and determining the powers and functions of the Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter, a summary of which is contained on the Company's website.

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1.4 Board Policies

1.4.1 *Conflicts of Interest*

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the OMH Group; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per law, absent himself/herself from the room when discussion and/or abstain from voting on matters about which the conflict relates.

1.4.2 *Commitments*

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the OMH Group.

1.4.3 *Confidentiality*

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the OMH Group have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 *Independent Professional Advice*

The Board collectively and each Director has the right to seek independent legal, accounting or other independent professional advice at the OMH Group's expense, up to specified limits, to assist them to carry out their responsibilities.

1.4.5 *Board Access to Information*

Subject to the Directors' Conflict of Interest guidelines referred to in Section 1.4.1 above, Directors have direct access to members of the Company's management and to Company information in the possession of management.

1.4.6 *Related Party Transactions*

Related party transactions include any financial transaction between a Director and the OMH Group. Unless there is an exemption under the Bermuda Companies Act or the Corporations Act or any other relevant laws from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.5 Board Meetings

The Executive Chairman, in conjunction with the Chief Executive Officer and Company Secretary, sets the agenda for each meeting. Any Director may request matters be included on the agenda.

Typically at Board Meetings the agenda will include:

- minutes of the previous Board meeting and matters arising;
- the Executive Chairman's Report;
- the Chief Executive Officer's Report;
- the Chief Financial Officer's Report;
- Operating and financial reports from each key business unit;
- Reports on major projects and current issues; and
- Specific business proposals

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

Director	Board of Directors' Meetings		Short Notice Meetings	
	Held	Attended	Held	Attended
Low Ngee Tong	9	9	12	12
Peter Ivan Toth	10	10	12	12
Julie Wolseley	10	10	12	12
Tan Peng Chin	9	7	12	12
Thomas Teo	10	9	12	12
Wong Fong Fui	10	9	12	12
Zainul Abidin Rasheed (ii)	2	1	1	1
Peter Church (iii)	-	-	-	-

- (i) Mr Wong Fong Fui retired with effect on 12 December 2011.
- (ii) Mr Zainul Abidin Rasheed was appointed as a Director on 3 October 2011.
- (iii) Mr Peter Church was appointed as a Director on 12 December 2011.

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

2. BOARD COMMITTEES

Save for the Committees mentioned in Sections 2.1 and 2.2 below, the Board considers that the OMH Group's affairs are not complex to justify the formation of numerous special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the OMH Group's activities and to ensure that it adheres to appropriate ethical standards.

The Board has however established a framework for the management of the OMH Group including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds meetings at such times as may be necessary to address any general or specific matters as required.

If the OMH Group's activities increase in size, scope and nature, the appointment of separate or special committee's will be reviewed by the Board and implemented if appropriate.

2.1 Audit Committee

To ensure the integrity of the financial statements of the OMH Group and the independence of the external auditor, an Audit Committee has been formally established. The Audit Committee comprises Mr Thomas Teo Liang Huat (chairman of the Audit Committee who is an independent Non-Executive Director), Mr Zainul Abidin Rasheed (an independent Non-Executive Director appointed on 3 October 2011) and Ms Julie Wolseley (a Non-Executive Director). Audit Committee members have had extensive financial expertise to discharge the Audit Committee's mandate.

During the year ended 31 December 2011 the Audit Committee had two meetings and Mr Teo and Ms Wolseley were both in attendance. Prior to Mr Zainul's appointment on 3 October 2011 the Audit Committee did not throughout 2011 comprise at majority of independent Non-Executive Directors. However both members were Non-Executive Directors and the chairman of the Audit Committee was independent. The Board considers Mr Teo and Ms Wolseley both had the technical expertise to discharge the Audit Committee's mandate effectively prior to Mr Zainul's appointment.

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

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

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

Key activities undertaken by the Audit Committee include:

- approval of the scope, plan and fees for the external audit;
- review of the independence and performance of the external auditor;
- review of significant accounting policies and practices;
- appointment of the internal auditor and approving the scope, plan and fees for the internal auditor; and
- review of the Group's half year and annual financial statements.

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

The Audit Committee Charter is available on the OMH website.

2.2 Remuneration Committee

The Remuneration Committee reviews and makes recommendations to the Board on remuneration policies applicable to executive officers and Directors of the OMH Group. The Remuneration Committee comprises Mr Tan Peng Chin (chairman of the Remuneration Committee and an independent Non-Executive Director), Mr Zainul Abidin Rasheed (an independent Non-Executive Director appointed on 3 October 2011) and Ms Julie Wolseley (a Non-Executive Director).

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

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

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

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

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

2.3 Nomination Committee

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

The responsibilities of the Board in its entirety include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Board also oversees management succession plans including the Chief Executive Officer and his direct reports and evaluates the Board's performance and makes recommendations for the appointment and removal of Directors.

Directors are appointed based on the specific governance skills required by the OMH Group. Given the size of the OMH Group and the business that it operates, the OMH Group aims at all times to have at least one Director with experience in the metals trading and mining industries, appropriate to the OMH Group's market. In addition, Directors should have the relevant blend of personal experience in:

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

3. ETHICAL STANDARDS

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

3.1 Code of Conduct for Directors and Key Executives

The Board has adopted a Code of Conduct for Directors and key executives to promote ethical and responsible decision-making as per Recommendation 3.1. This code outlines how OMH expects its Directors and employees and its related bodies corporate to behave and conduct business in the workplace on a range of issues. The OMH Group is committed to the highest level of integrity and ethical standards in all business practices. Directors and employees must conduct themselves in a manner consistent with current community and corporate standards and in compliance with all legislation. In addition, the Board subscribes to the Statement of Ethical Standards as published by the Australian Institute of Company Directors.

A summary of the Company's Code of Conduct is available on the Company's website.

All Directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

3.2 Code of Ethics and Conduct

The OMH Group has implemented a Code of Ethics and Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the OMH Group.

All Directors and employees are expected to:

- respect the law and act in accordance with it;
- respect confidentiality and not misuse OMH Group information, assets or facilities;
- value and maintain professionalism;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the OMH Group's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Ethics and Conduct may face disciplinary action. If an employee suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must advise that breach to management. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

As part of its commitment to recognising the legitimate interests of stakeholders, the OMH Group has established the Code of Ethics and Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, customers, government authorities, creditors and the community as whole. This Code includes the following.

CORPORATE GOVERNANCE

Responsibilities to Shareholders and the Financial Community Generally

The OMH Group complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The OMH Group has processes in place designed to ensure the truthful and factual presentation of the OMH Group's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and international financial reporting standards.

Employment Practices

The OMH Group endeavours to provide a safe workplace in which there is equal opportunity for all employees at all levels of the OMH Group. The OMH Group does not tolerate the offering or acceptance of bribes or the misuse of OMH Group assets or resources.

Responsibilities to the Community

As part of the community the OMH Group:

- is committed to conducting its business in accordance with applicable environmental laws and regulations and encourages all employees to have regard for the environment when carrying out their jobs; and
- encourages all employees to engage in activities beneficial to their local community.

Responsibilities to the Individual

The OMH Group is committed to keeping private information confidential which has been provided by employees and investors and protect it from uses other than those for which it was provided.

Conflicts of Interest

Employees and Directors must avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the OMH Group.

How the OMH Group Monitors and Ensures Compliance with its Code

The Board, management and all employees of the OMH Group are committed to implementing this Code of Ethics and Conduct and each individual is accountable for such compliance.

Disciplinary measures may be imposed for violating the Code.

4. DIVERSITY

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

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

The Board intends to establish appropriate measurable objectives during the 2012 calendar year and to report progress against them in its 2012 Annual Report.

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

	Number of Women	%
Board of Directors	1	14%
Senior Executives	4	25%
Total OMH Group employees	90	15%

As at 31 December 2011, 6% of the Group's mining subsidiary workforce were indigenous employees and the mining subsidiary's contractors included representation by a further 9% of indigenous contractors.

5. KEY MANAGEMENT PERSONNEL DEALING IN COMPANY SHARES

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

6. DISCLOSURE OF INFORMATION

6.1 Continuous Disclosure to ASX

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

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

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

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

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

6.2 Communication with Shareholders

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

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

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

- the disclosure of full and timely information about the OMH Group's activities in accordance with the disclosure requirements contained in the ASX Listing Rules;
- all information released to the market to be placed on the OMH website following release;
- the Company's market announcements to be maintained on OMH's website for at least three years; and
- that all disclosures, including notices of meetings and other shareholder communications, are drafted clearly and concisely.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the OMH Group's strategy and goals. Copies of the addresses by the Chairman and CEO are disclosed to the market and posted to the Company's website.

The Company's external auditor attends the Company's AGM to answer shareholder questions about the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

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

CORPORATE GOVERNANCE

7. RISK MANAGEMENT

7.1 Approach to Risk Management and Internal Control

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

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

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

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

7.2 Risk Management Roles and Responsibilities

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

The Board is also responsible for satisfying itself that management has developed and implemented a sound system of risk management and internal control. The Board has delegated oversight of the risk and internal control policy, including review of the effectiveness of OMH's internal control framework and risk management process, to the key executive management team in conjunction with the Board.

Management is responsible for designing, implementing, reviewing and providing assurance as to the effectiveness of the policy. This responsibility includes developing business risk identification, implementing appropriate risk treatment strategies and controls, monitoring effectiveness of controls and reporting on risk management capability.

Each business unit reports annually to the Board on its business plan, risk profile and management of risk.

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

7.3 Internal Audit

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

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

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

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

7.4 Integrity of Financial Reporting

The OMH Group's Chief Executive Officer and Chief Financial Officer report in writing to the Board that:

- the financial statements of the OMH Group for each half and full year present a true and fair view, in all material aspects, of the OMH Group's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the OMH Group's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

7.5 Role of External Auditor

The OMH Group's practice is to invite the auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Board seeks to ensure that the appointment of the external auditor is limited to maintaining the independence of the external auditor and to assess whether the provision of any non-audit services by the external auditor that may be proposed is appropriate.

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

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

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

8. ENCOURAGE ENHANCED PERFORMANCE

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

The Board has adopted a self-evaluation process to measure its own performance during each financial year. Also, an annual review is undertaken in relation to the composition and skills mix of the Directors.

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

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

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

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

CORPORATE GOVERNANCE

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

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

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

Executive Remuneration Policy

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

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

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

Remuneration consists of the following key elements:

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

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

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

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors. The Board seeks independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally. Remuneration packages include fixed remuneration with bonuses or equity based remuneration entirely at the discretion of the Board based on the performance of the OMH Group.

CORPORATE GOVERNANCE

As OMH is incorporated in Bermuda it is not required to disclose the nature and amount of remuneration for each Director. However in the interests of good corporate governance the following table provides the details of all Directors of the Company and the nature and amount of the elements of their remuneration for the year ended 31 December 2011.

Director	Base Remuneration	Primary Directors Fees	Performance Bonus	Post Employment Defined Contributions	Equity Compensation Employee share option benefits	Total
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Low Ngee Tong	465	-	39	4	-	508
Peter Ivan Toth	675	-	407	-	4,920	6,002
Zainul Abidin Rasheed (i)	-	29	-	-	-	29
Julie Wolseley	-	80	-	-	-	80
Tan Peng Chin	-	80	-	-	-	80
Thomas Teo	-	80	-	-	-	80
Peter Church OAM (ii)	-	4	-	-	-	4
Wong Fong Fui (iii)	-	76	-	-	-	76
	1,140	349	446	4	4,920	6,859

- (i) Mr Zainul Abidin Rasheed was appointed as a Director on 3 October 2011.
- (ii) Mr Peter Church was appointed as a Director on 12 December 2011.
- (iii) Mr Wong Fong Fui retired with effect on 12 December 2011.

9. RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS

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

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

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

CORPORATE GOVERNANCE

As at 31 December 2011, the Company complied in all material respects with each of the Corporate Governance Principles and the corresponding Recommendations as published by the ASX Corporate Governance Council ("ASX Principles and Recommendations") except as noted below:

Recommendation Reference	Notification of Departure	Explanation for Departure
2.2	The chair should be an independent director	The Company's current Chairman, Mr Low is considered by the Board to not be independent in terms of the ASX Corporate Governance Council's definition of independent director. Refer Section 1.2 of the Corporate Governance Statement. The Board considers that Mr Low's position as Executive Chairman is appropriate given his world wide experience and specialised understanding of the global manganese industry. The Board believes that Mr Low has the range of skills, knowledge, and experience necessary to effectively govern the Company and understand the economic sectors in which the Company operates. In addition, it should be noted that Mr Low is a substantial and longstanding shareholder of the Company and, as such, is able to clearly identify with the interests of shareholders as a whole.
2.4	A separate Nomination Committee should be established.	The Board considers that the Company currently cannot justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification of attributes required in new Directors. Where appropriate independent consultants are engaged to identify possible new candidates for the Board.
3.3	Disclose the measurable objectives for achieving gender diversity	The Diversity Policy outlines the strategies and process according to which the Board will set measurable objectives to achieve the aims of its Diversity Policy, with particular focus on gender diversity within the Company and representation of indigenous individuals. The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements, including the achievement of diversity objectives. The Board intends to establish appropriate measurable objectives during the 2012 calendar year and to report progress against them in its 2012 Annual Report.

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

ASX ADDITIONAL INFORMATION

Pursuant to the listing requirements of the Australian Securities Exchange ("ASX"), the shareholder information set out below was applicable as at 4 April 2012.

1. SHAREHOLDER INFORMATION

A. Distribution of Equity Securities

Analysis of numbers of shareholders by size of holding:

Distribution	Number of Shareholders	Number of Ordinary Shares	% of Issued Capital
1 – 1,000	339	153,044	0.02
1,001 – 5,000	520	1,506,721	0.25
5,001 – 10,000	290	2,330,373	0.39
10,001 – 100,000	539	18,496,684	3.06
More than 100,000	142	581,618,328	96.28
Totals	1,830	604,105,150	100.00

There were 372 holders holding less than a marketable parcel of ordinary shares.

B. Twenty Largest Shareholders

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

Shareholder Name	Listed Ordinary Shares	
	Number	Percentage Quoted
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	161,640,692	26.76%
STRATFORD SUN LIMITED	58,731,393	9.72%
DINO COMPANY LIMITED	47,132,130	7.80%
CITICORP NOMINEES PTY LIMITED	38,879,056	6.44%
RAMLEY INTERNATIONAL LTD	36,395,000	6.02%
NEWTIMES MARINE CO LTD	31,000,000	5.13%
HANWA CO., LTD	25,000,000	4.14%
J P MORGAN NOMINEES AUSTRALIA LIMITED	22,676,168	3.75%
NATIONAL NOMINEES LIMITED	21,997,818	3.64%
LAI SHUN HOLDINGS LTD	19,000,000	3.15%
MR LOW NGEE TONG	15,250,000	2.52%
UOB KAY HIAN PRIVATE LIMITED <CLIENTS A/C>	14,530,145	2.41%
PHILLIP SECURITIES PTE LTD <CLIENT ACCOUNT>	10,587,167	1.75%
DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT>	7,620,315	1.26%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	7,302,100	1.21%
J P MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	5,766,701	0.95%
MS JULIE ANNE WOLSELEY	5,562,002	0.92%
ZERO NOMINEES PTY LTD	3,034,629	0.50%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – GSCO ECA	2,469,911	0.41%
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	2,341,843	0.39%
TOTAL HELD BY 20 LARGEST SHAREHOLDERS	536,917,070	88.87%
OTHERS	67,188,080	11.13%
TOTAL	604,105,150	100.00%

ASX ADDITIONAL INFORMATION

C. Substantial Shareholders

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

Shareholder Name	Issued Ordinary Shares	
	Number of Shares	Percentage of Shares
Huang Gang and Newtimes Marine Co Ltd	60,699,387	10.05%
Stratford Sun Limited	58,731,393	9.72%
Low Ngee Tong and Ramley International Ltd	51,645,000	8.55%
Boustead Singapore Limited	50,000,000	8.28%
Heng Siow Kwee and Dino Company Limited	48,132,130	7.97%

D. Unquoted Options

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

Number of Unlisted Options	Exercise Price	Expiry Date	Number of option holders
4,000,000	A\$1.64	3 September 2012	1
5,000,000	A\$2.49	1 January 2013	16
4,000,000	A\$1.755	3 September 2013	1
2,000,000	A\$2.49	1 January 2014	1
4,000,000	A\$1.87	3 September 2014	1
2,000,000	A\$2.49	1 January 2015	1
21,000,000			

E. Voting Rights

Subject to the Bye-laws of the Company and to any rights or restrictions attaching to any class of shares, every member is entitled to be present at a meeting in person, by proxy, representative or attorney. In accordance with the Company's Bye-laws, voting rights in respect of ordinary shares are on a show of hands whereby each member present in person or by proxy or representative shall have one vote and upon a poll each member present in person or by proxy or representative shall have one vote for every share held.

2. TAXATION

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

3. INVESTOR INFORMATION

(a) Stock Exchange Listing

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

(b) Company Information Contact

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

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

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

(c) Share Registry Enquiries

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

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

Postal Address:
GPO Box D182
PERTH WA 6840

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

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

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