

OM HOLDINGS LIMITED

(ARBN 081 028 337)



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19 March 2013

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

Dear Sir/Madam

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

Pursuant to the Corporations Act 2001 and ASX Listing Rule 4.5, please find attached the audited Financial Statements and Reports for the year ended 31 December 2012.

The 2012 Annual Report (including Reports and Financial Statements) will be dispatched to Shareholders who have requested a copy by Tuesday 30 April 2013.

Yours faithfully
OM HOLDINGS LIMITED



Heng Siow Kwee/Julie Wolseley
Company Secretary



BACKGROUND INFORMATION ON 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 is a constituent of the S&P/ASX 300 a leading securities index.

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

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

- 11% 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
- 4% shareholding in **Shaw River Resources Limited** (ASX Code: SRR), a company presently exploring for manganese in Namibia, Western Australia and Ghana

Financial statements
OM Holdings Limited
and its subsidiaries

31 December 2012

Company information

Company registration number

ARBN 081 028 337

Registered office

Clarendon House
2 Church Street
Hamilton, HM11 Bermuda

Directors

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

Audit committee

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

Remuneration committee

Tan Peng Chin (Chairman)
Julie Anne Wolseley
Zainul Abidin Rasheed

Secretaries

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

Bankers

National Australia Bank Ltd
Standard Chartered Bank
Credit Suisse AG
Rabobank

Independent auditor

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

Partner in charge: Mr Ong Soo Ann
(since financial year 31 December 2011)

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Directors' report

for the financial year ended 31 December 2012

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

Names of Directors

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

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

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

Arrangements to enable Directors to acquire shares or debentures

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

Directors' interests in shares

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

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

Directors' interest in shares (cont'd)

Note:

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

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

Directors' benefits

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

Unissued Shares under Option

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

OM Holdings Limited Unlisted Options (in '000)							
Date options granted	Balance at 1.1.2012	Lapsed/ expired during the year	Exercised during the year	Balance at 31.12.2012	A\$ Exercise price per option	No. of options holders at 31.12.2012	Period exercisable
17.10.2008	4,000	(4,000)	-	-	1.64	-	03.09.2010 - 03.09.2012
17.10.2008	4,000	-	-	4,000	1.755	1	03.09.2011 - 03.09.2013
17.10.2008	4,000	-	-	4,000	1.87	1	03.09.2012 - 03.09.2014
17.10.2008	2,000	(2,000)	-	-	2.49	-	01.01.2010 - 01.01.2012
17.10.2008	2,000	-	-	2,000^(a)	2.49	1	01.01.2011 - 01.01.2013
17.10.2008	2,000	(2,000)	-	-	2.49	-	01.01.2012 - 01.01.2014
17.10.2008	2,000	-	-	2,000	2.49	1	01.01.2013 - 01.01.2015
17.10.2008	3,000	(3,000)	-	-	2.49	-	01.01.2011 - 01.01.2012
17.10.2008	3,000	-	-	3,000^(a)	2.49	15	01.01.2011 - 01.01.2013
	26,000	(11,000)	-	15,000			

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

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

Audit Committee

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

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

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

- 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;
- 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 2012 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: 18 March 2013

Statement by Directors

for the financial year ended 31 December 2012

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

On behalf of the Directors



LOW NGEE TONG



PETER IVAN TOTH

Dated: 18 March 2013

Independent auditor's report to the 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 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

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

A handwritten signature in blue ink, appearing to read 'Foo Kon Tan', is positioned above the printed name of the auditor.

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

Singapore, 18 March 2013

Statements of financial position

as at 31 December 2012

		The Company			The Group		
		31 December	(Restated)	(Restated)	31 December	(Restated)	(Restated)
	Notes	2012	31 December	1 January	2012	31 December	1 January
		A\$'000	2011	2011	A\$'000	2011	2011
			A\$'000	A\$'000		A\$'000	A\$'000
Assets							
Non-Current							
Property, plant and equipment	4	-	-	-	129,975	103,138	89,124
Land use rights	5	-	-	-	35,771	21,695	1,276
Exploration and evaluation costs	6	-	-	-	819	-	-
Mine development costs	7	-	-	-	18,829	19,030	19,511
Goodwill	8	-	-	-	2,065	2,065	2,065
Available-for-sale financial assets	9	-	-	96,448	-	-	96,448
Deferred tax assets	10	-	-	-	21,312	9,714	-
Interests in subsidiaries	11	138,343	129,559	120,169	-	-	-
Interests in associates	12	-	-	-	91,600	79,661	68,505
		138,343	129,559	216,617	300,371	235,303	276,929
Current							
Inventories	13	-	-	-	119,342	158,106	156,331
Derivative financial assets	14	20	20	367	20	20	367
Trade and other receivables	15	138,691	88,540	74,378	87,852	85,217	31,396
Prepayments		22	23	46	1,136	27	2,183
Available-for-sale financial assets	9	28,884	38,571	-	28,884	38,571	-
Income tax recoverable		-	-	-	-	4,503	-
Cash collateral	16	-	-	-	14,962	14,269	26,050
Cash and bank balances	16	3,711	89	5,311	73,890	17,611	16,070
		171,328	127,243	80,102	326,086	318,324	232,397
Total assets		309,671	256,802	296,719	626,457	553,627	509,326
Equity							
Capital and Reserves							
Share capital	17	33,671	25,205	25,155	33,671	25,205	25,155
Treasury shares	18	(2,330)	(2,330)	(2,330)	(2,330)	(2,330)	(2,330)
Reserves	19	222,244	166,628	225,168	273,272	229,904	300,579
		253,585	189,503	247,993	304,613	252,779	323,404
Non-controlling interests		-	-	-	17,757	5,194	2,499
Total equity		253,585	189,503	247,993	322,370	257,973	325,903
Liabilities							
Non-Current							
Borrowings	21	17,734	-	-	74,058	61,318	43,097
Lease obligation	20	-	-	-	9,007	-	-
Provisions	22	-	-	-	5,358	4,871	3,592
Deferred tax liabilities	10	-	-	-	244	-	1,254
		17,734	-	-	88,667	66,189	47,943
Current							
Trade and other payables	23	31,217	63,755	46,121	90,296	116,706	72,202
Derivative financial liabilities	14	2,713	-	-	2,713	8	375
Borrowings	21	-	-	-	105,102	106,189	49,179
Income tax payables		4,422	3,544	2,605	17,309	6,562	13,724
		38,352	67,299	48,726	215,420	229,465	135,480
Total equity and liabilities		309,671	256,802	296,719	626,457	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 2012

	Note	Year ended 31 December 2012 A\$'000	(Restated) Year ended 31 December 2011 A\$'000
Revenue	3	408,229	389,737
Cost of sales		(357,659)	(330,107)
Gross profit		50,570	59,630
Other income	24	9,470	1,928
Distribution costs		(24,299)	(44,890)
Administrative expenses		(9,533)	(14,083)
Other operating expenses		(73,352)	(25,930)
Finance costs		(6,263)	(5,721)
Share of results of associates		(48)	(33)
Loss before income tax	25	(53,455)	(29,099)
Income tax (expense)/benefit	26	(7,405)	17,366
Loss for the year		(60,860)	(11,733)
Other comprehensive income, net of tax:			
Fair value changes on available-for-sale financial assets		45,407	(58,987)
Exchange differences on translation of financial statements of foreign operations		1,605	705
Other comprehensive income/(expense) for the year, net of tax		47,012	(58,282)
Total comprehensive expense for the year		(13,848)	(70,015)
Loss attributable to:			
Owners of the Company		(61,056)	(11,511)
Non-controlling interests		196	(222)
		(60,860)	(11,733)
Total comprehensive expense attributable to:			
Owners of the Company		(14,044)	(69,793)
Non-controlling interests		196	(222)
		(13,848)	(70,015)
Loss per share		Cents	Cents
- Basic	28	(10.09)	(2.29)
- Diluted	28	(10.09)	(2.29)

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

Consolidated statement of changes in equity for the financial year ended 31 December 2012

	Share capital A\$'000	Share premium A\$'000	Treasury shares A\$'000	Non- distributable reserve A\$'000	Capital reserve A\$'000	Share option reserve A\$'000	Fair value reserve A\$'000	Exchange fluctuation reserve A\$'000	Retained profits A\$'000	Total attributable to equity holders of the parent A\$'000	Non- controlling interests A\$'000	Total equity A\$'000
Balance at 1 January 2012	25,205	117,642	(2,330)	3,941	2	17,577	(45,407)	(16,984)	153,133	252,779	5,194	257,973
Total comprehensive expense for the year	-	-	-	-	-	-	45,407	1,605	(61,056)	(14,044)	196	(13,848)
Issue of ordinary shares	8,466	52,345	-	-	-	-	-	-	-	60,811	-	60,811
Share option lapsed	-	(14,103)	-	-	-	(9,923)	-	-	24,026	-	-	-
Value for employee services received for grant of share options	-	-	-	-	-	5,160	-	-	-	5,160	-	5,160
Capital injection from non-controlling interest	-	-	-	-	-	-	-	(93)	-	(93)	12,367	12,274
Transfer to statutory reserve	-	-	-	133	67	-	-	(48)	(152)	-	-	-
Balance at 31 December 2012	33,671	155,884	(2,330)	4,074	69	12,814	-	(15,520)	115,951	304,613	17,757	322,370

	Share capital A\$'000	Share premium A\$'000	Treasury shares A\$'000	Non- distributable reserve A\$'000	Capital reserve A\$'000	Share option reserve A\$'000	Fair value reserve A\$'000	Exchange fluctuation reserve A\$'000	Retained profits A\$'000	Total attributable to equity holders of the parent A\$'000	Non- controlling interests A\$'000	Total equity A\$'000
Balance at 1 January 2011	25,155	116,150	(2,330)	3,692	10	16,618	13,580	(17,684)	168,213	323,404	2,499	325,903
Total comprehensive expense for the year	-	-	-	-	-	-	(58,987)	705	(11,511)	(69,793)	(222)	(70,015)
Share options exercised	50	675	-	-	-	-	-	-	-	725	-	725
Share option lapsed	-	-	-	-	-	(6,696)	-	7	6,689	-	-	-
Share premium arising from share options exercised	-	817	-	-	-	(817)	-	-	-	-	-	-
Value for employee services received for grant of share options	-	-	-	-	-	8,472	-	-	-	8,472	-	8,472
Capital injection from non-controlling interest	-	-	-	-	-	-	-	-	-	-	2,917	2,917
Transfer to statutory reserve	-	-	-	249	(8)	-	-	(12)	(229)	-	-	-
Dividends (Note 27)	-	-	-	-	-	-	-	-	(10,029)	(10,029)	-	(10,029)
Balance at 31 December 2011	25,205	117,642	(2,330)	3,941	2	17,577	(45,407)	(16,984)	153,133	252,779	5,194	257,973

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

Consolidated statement of cash flows

for the financial year ended 31 December 2012

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

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

Consolidated statement of cash flows (cont'd) for the financial year ended 31 December 2012

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

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

Notes to the financial statements

for the financial year ended 31 December 2012

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Directors on the date of the Statement by Directors.

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

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

2(a) Basis of preparation

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

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

Significant accounting estimates and judgments

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

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

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

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.

Impairment of available-for-sale financial assets

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

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

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

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

Income taxes

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

Net realisable value of inventories

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

Allowance for impairment of trade receivables

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

Provision for rehabilitation

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

Valuation of share options granted

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

2(b) Adoption of new and amended IFRSs

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

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

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

2(c) IFRS not yet effective

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

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

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

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

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

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

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

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

2(d) Summary of significant accounting policies

Consolidation

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

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

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

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

Acquisition of businesses

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

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

Acquisition-related costs are expensed as incurred.

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

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

Consolidation (cont'd)

Acquisition of businesses (cont'd)

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

Associates

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

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

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

Associates (cont'd)

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

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

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

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

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

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.

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

Intangible assets (cont'd)

Goodwill

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

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

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

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

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

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

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

Exploration and evaluation costs

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

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

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

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

Exploration and evaluation costs (cont'd)

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

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

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

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

Mine development costs

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

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

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

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

Intangible assets (cont'd)

Mine development costs (cont'd)

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

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

Property, plant and equipment

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

Leasehold building and improvements	3 to 73 years
Plant and machinery	3 to 20 years
Plant and equipment - Process Facility	Life of mine: 10 years
Computer equipment, office equipment and furniture	1 to 10 years
Motor vehicles	5 to 10 years

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

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

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

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

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

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

Land use rights

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

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.

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 profit or loss.

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

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

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

Determination of fair value

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

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

Financial assets (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 recorded directly in 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.

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

Share capital and treasury shares (cont'd)

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

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

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

Dividends

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

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

Financial liabilities

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

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

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

Borrowings

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

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

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

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

Financial liabilities (cont'd)

Trade and bill payables/accruals and other payables

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

Provisions and contingent liabilities

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

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

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

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

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

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.

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

Leases (cont'd)

Where the Group is the lessee,

Finance leases

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

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

Operating leases

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

Income taxes

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

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

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

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

Deferred income tax is measured:

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

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

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

Income taxes (cont'd)

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

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

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

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

Royalties and Special Mining Taxes

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

Employee benefits

Defined contribution plan

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

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

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

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

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

Employee benefits (cont'd)

Employee leave entitlements

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

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

Employee share option plan and other options issued following shareholder approval

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

The Group 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.

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

Related parties

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

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

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

Impairment of non-financial assets

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

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.

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

Impairment of non-financial assets (cont'd)

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

With the exception of goodwill,

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

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

Revenue recognition

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

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

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

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

Functional currencies

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

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in the profit or loss.

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

Conversion of foreign currencies (cont'd)

Transactions and balances (cont'd)

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

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

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

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

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

Group entities

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

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

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

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

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

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

3 Principal activities and revenue

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

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

4 Property, plant and equipment

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

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

Leasehold buildings are situated in Singapore and the PRC.

5 Land use rights

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

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

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

6 Exploration and evaluation costs

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

7 Mine development costs

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

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

Notes to the financial statements for the financial year ended 31 December 2012

8 Goodwill

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

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

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

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

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

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

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

9 Available-for-sale financial assets

The Company and The Group

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

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

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

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

10 Deferred taxation

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

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

10 Deferred taxation (cont'd)

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

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 2012	(5,950)	6,683	7,459	1,522	9,714
Charged to					
- profit or loss (Note 26)	(1,288)	2,673	10,608	(626)	11,367
Exchange difference on translation	-	-	-	(13)	(13)
At 31 December 2012	(7,238)	9,356	18,067	883	21,068

As at 31 December 2012, the Group had tax losses arising in Hong Kong of A\$281,040 (2011 - A\$296,263) which is available for offsetting against future taxable profits. No deferred tax asset has been recognised in respect of these tax losses due to the uncertainty of future profit streams against which the asset can be utilised. The tax losses arising in Hong Kong can be carried forward indefinitely without any expiry date.

Notes to the financial statements for the financial year ended 31 December 2012

11 Subsidiaries

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

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

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Cost of investment		Percentage of equity held		Principal activities
		2012	2011	2012	2011	
		A\$	A\$			
Held by the Company						
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
Held by OMHI						
Capricorn Enterprises Madagascar ⁽¹⁾	Madagascar	-	-	88%	88%	Exploration and evaluation activities
Held by OMBVI						
OM Resources (HK) Limited ("OMR") ⁽³⁾	Hong Kong	-	-	100%	100%	Investment holding

Notes to the financial statements for the financial year ended 31 December 2012

11 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Cost of investment		Percentage of equity held		Principal activities
		2012 A\$	2011 A\$	2012	2011	
<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 Trade (S) Pte Ltd ("OMT") ⁽¹⁰⁾	Singapore	-	-	100%	100%	Investment holding
OM Resources (M) Sdn Bhd ⁽⁹⁾	Malaysia (incorporated on 30 April 2012)	-	-	100%	-	Exploration and evaluation activities
<u>Held by OMS</u> OM Materials (Sarawak) Sdn. Bhd. ⁽⁹⁾	Malaysia	-	-	80%	80%	Sales and processing of ferroalloys and ores**
OM Materials (Johor) Sdn. Bhd. ⁽⁹⁾	Malaysia	-	-	100%	100%	Sales and processing of ferroalloys and ores**
OM Materials (Qinzhou) Co Ltd ⁽⁵⁾	PRC	-	-	100%	100%	Sales and processing of ferroalloys and ores
OM Materials (PNG) Limited ⁽⁶⁾	Papua New Guinea	-	-	100%	100%	Exploration and evaluation activities
OM Materials Trading (Qinzhou) Co Ltd ⁽⁵⁾ (transferred to OMT)	PRC	-	-	-	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
<u>Held by OMT</u> OM Tshipi (S) Pte Ltd ⁽⁴⁾	Singapore	-	-	70%	70%	Trading of metals and ferroalloy products*
OM Materials (M) Sdn Bhd ⁽⁹⁾	Malaysia	-	-	100%	100%	Trading of metals and ferroalloy products*
OM Sandur Pte Ltd ⁽¹⁾	Singapore	-	-	60%	60%	Trading of metals and ferroalloy products*
OM Materials Trading (Qinzhou) Co Ltd ⁽⁵⁾ (transferred from OMS)	PRC	-	-	100%	-	Trading of metals and ferroalloy products

Notes to the financial statements for the financial year ended 31 December 2012

11 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Cost of investment		Percentage of equity held		Principal activities
		2012 A\$	2011 A\$	2012	2011	
<u>Held by OMA</u> Guizhou Jiahe Weiye Smelter Co. Ltd ⁽⁷⁾	PRC	-	-	75%	75%	Trading 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 2012
- (2) audited by Grant Thornton Australia Limited
- (3) audited by Lam & Chui CPA Limited
- (4) audited by Foo Kon Tan Grant Thornton LLP
- (5) audited by Guangxi JiaHai Accountant Affairs Office Co. Ltd
- (6) no audit is required as company is in the process of liquidation.
- (7) audited by Shanghai Shenzhou Datong Certified Public Accountants Co. Ltd
- (8) audited by Grant Thornton Mauritius
- (9) audited by Moore Stephens Associates & Co.
- (10) audited by Tit Wei Lee & Co

* These companies were dormant at the end of reporting date

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

12 Interests in associates

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

The summarised financial information of the associates are as follows:

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

The associates are:

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

⁽¹⁾ audited by KPMG South Africa

⁽²⁾ no audit required in the country of incorporation

12 Interest in associates (cont'd)

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

13 Inventories

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

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

Included in inventories is an amount of A\$32,075,327 (2011 - A\$32,045,170) of ore requiring re-treatment that is expected to be processed for sale within the next 5 years based on the expected production rate of the secondary processing plant.

14 Derivative financial instruments

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

Notes to the financial statements for the financial year ended 31 December 2012

15 Trade and other receivables

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

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

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

Trade and other receivables are denominated in the following currencies:

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

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

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

15 Trade and other receivables (cont'd)

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

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

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

16 Cash and bank balances

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

Notes:

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

Notes to the financial statements for the financial year ended 31 December 2012

16 Cash and cash equivalents (cont'd)

Cash and cash equivalents are denominated in the following currencies:

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

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

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

17 Share capital

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

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares (excluding treasury shares) rank equally with regard to the Company's residual assets.

Note:

- (a) In the previous financial year, 1,020,000 ordinary shares were issued following the exercise of unlisted employee share options. As at 31 December 2012, the Company had 15,000,000 (2011 - 26,000,000) unlisted options on issue at various exercise prices and expiry dates. The newly issued shares rank pari passu in all respects with the previously issued shares.

Notes to the financial statements for the financial year ended 31 December 2012

18 Treasury shares

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

19 Reserves

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

Notes:

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

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

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

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

Notes to the financial statements for the financial year ended 31 December 2012

19 Reserves (cont'd)

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

Note:

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

Notes to the financial statements for the financial year ended 31 December 2012

20 Lease obligation

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

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

21 Borrowings

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

21.1 Obligations under finance leases

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

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

21 Borrowings (cont'd)

21.2 Bank loans

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

Notes:

(a) The loans are secured by:

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

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

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

21 Borrowings (cont'd)

21.3 5% Convertible Note

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

21.4 Other loans

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

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

21.5 Currency risk

Total borrowings are denominated in the following currencies:

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

21.6 Effective interest rates

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

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

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

Notes to the financial statements for the financial year ended 31 December 2012

22 Provisions

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

- a) According to the Mine Management and Environment Management Plans submitted to the Northern Territory Government in Australia, the Group is obligated for the rehabilitation/restoration of areas disturbed arising from mining activities conducted by OM (Manganese) Ltd, a wholly-owned subsidiary.
- 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

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

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

Notes to the financial statements for the financial year ended 31 December 2012

23 Trade and other payables (cont'd)

Trade and other payables are denominated in the following currencies:

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

24 Other income

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

25 Loss before income tax

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

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

* Included in other operating expenses.

Notes to the financial statements for the financial year ended 31 December 2012

26 Income tax expense/(benefit)

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

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

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

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

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

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

Notes to the financial statements for the financial year ended 31 December 2012

27 Dividends

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

28 Loss per share

The Group

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

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

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

Loss figures are calculated as follows:

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

29 Employee benefits expense

	2012 A\$'000	2011 A\$'000
Directors' remuneration other than fees		
- Directors of the Company	1,393	1,586
- Directors of the subsidiaries	2,061	2,330
- Defined contributions plans	139	236
Key management personnel (other than Directors)		
- Salaries, wages and other related costs	1,712	1,542
- Defined contributions plans	148	143
Other than key management personnel		
- Salaries, wages and other related costs	14,063	11,081
- Defined contributions plans	1,290	1,690
	20,806	18,608

29 Employee benefits expense (cont'd)

	2012 A\$'000	2011 A\$'000
Directors' fees	472	349
Equity-settled share-based payments		
- Directors of the Company and subsidiaries	5,160	5,715
- Key management personnel (other than Directors)	-	345
- Other than key management personnel	-	46
	26,438	25,063

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

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

30 Employee share option plan (cont'd)

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

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

⁽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 2013.

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

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

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

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

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

31 Related party transactions

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

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

32 Commitments

32.1 Capital commitments

The following table summarises the Group's capital commitments:

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

32.2 Operating lease commitments in respect of office premises

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

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

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

32 Commitments (cont'd)

32.3 Other operating commitments

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

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

32.4 Mineral Tenements

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

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

32.5 Other commitments

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

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.

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

32 Commitments (cont'd)

32.5 Other commitments (cont'd)

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

32.6 Environmental bonds

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

33 Contingent liabilities

Bootu Creek Mine – Promet Litigation

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

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

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

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

Northern Territory Mineral Royalties

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

33 Contingent liabilities (cont'd)

Northern Territory Mineral Royalties (cont'd)

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

Royalty Years 2006 to 2009

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

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

Royalty Year 2010

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

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

Royalty Years 2011 to 2012

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

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

33 Contingent liabilities (cont'd)

Northern Territory Mineral Royalties (cont'd)

Royalty Years 2011 to 2012 (cont'd)

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

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

Masai Pit and Sacred Site

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

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

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

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

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

34 Operating segments

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

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

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

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

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

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

34 Operating segment (cont'd)

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

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

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

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

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

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

35 Financial risk management objectives and policies

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

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

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

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

35.1 Credit risk

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

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

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

Exposure to credit risk

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

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

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

35.2 Liquidity risk

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

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

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

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

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

35.2 Liquidity risk (cont'd)

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

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

35.3 Interest rate risk

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

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

Sensitivity analysis for interest rate risk

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

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

35.4 Foreign currency risk

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

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

Sensitivity analysis for foreign currency risk

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

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

35.5 Market price risk

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

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

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

Market price sensitivity

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

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

36 Capital risk management

The Group's objectives when managing capital are

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

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

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

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

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

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

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

37 Financial instruments

Fair values

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

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

37 Financial instruments (cont'd)

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:

	Note	Level 1 A\$'000	Level 2 A\$'000	Level 3 A\$'000	Total A\$'000
The Group and The Company					
As at 31 December 2012					
Assets					
Available-for-sale financial assets	(a)	28,884	-	-	28,884
Unquoted share options	(b)	-	-	20	20
		28,884	-	20	28,904
Liabilities					
5% convertible note	(c)	-	-	2,713	2,713
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 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.

37 Financial instruments (cont'd)

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

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

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

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

38 Comparative figures

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

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

38 Comparative figures (cont'd)

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

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

39 Other matters

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

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

1. Sponsor Guarantee

The Company has issued a sponsor guarantee to Syarikat Sesco Berhad (“SSB”) for its 80% interest of a subsidiary’s obligations under a Power Purchase Agreement (“PPA”) executed on 2 February 2012. The sponsor guarantee includes but is not limited to termination payments, late payment interest and guaranteed obligations under the PPA. The sponsor guarantee will not take effect until financial close of the ferro alloy smelting project. The maximum exposure to the Company over the 10 years of full commercial operations (assuming no events of default) is MYR496 million (approximately A\$153 million) plus enforcement costs pursuant to any dispute plus any late interest payments. There is a staged stepdown of the maximum exposure to the Company to MYR248 million (approximately A\$76 million) once the full commercial operations date has been achieved and the sponsor guarantee will cease to have effect after 10 years of full operation. Cahya Mata Sarawak Berhad (“CMSB”) has correspondingly provided a sponsor guarantee for its 20% interest held in the subsidiary.

2. Corporate Guarantee

In accordance with the PPA the Company provided a corporate guarantee to RHB Bank Berhad for the issuance of a banker’s guarantee in favour of SSB to cover but not limited to unpaid claims on the interconnection facilities constructed by SSB. The banker’s guarantee took effect from the date of issuance, 4 May 2012. The Company’s maximum exposure until the completion of testing and commissioning (assuming no events of default) is MYR25 million (approximately A\$8 million). There is a staged step down of the maximum exposure to the Company to MYR20 million (approximately A\$6 million) throughout 2013, MYR8 million (approximately A\$2 million) after the connection fee has been paid and the corporate guarantee will cease to have effect after completion of testing and commissioning. CMSB has correspondingly provided a corporate guarantee for its 20% interest held in the subsidiary.

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