

OM HOLDINGS LIMITED

(ARBN 081 028 337)



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76 – Audited Financial Statement – 31 December 2013

31 March 2014

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 2013

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 2013.

The 2013 Annual Report (including the Financial Statements and Reports) will be dispatched to Shareholders who have requested a copy by Tuesday, 30 April 2014.

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 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 2013

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) (Resigned on 16/05/2013)
Audit committee	Thomas Teo Liang Huat (Chairman) Julie Anne Wolseley Zainul Abidin Rasheed Peter Church OAM
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 Chartered 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 2013

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 2013.

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)

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:

	<u>Holdings registered in the name of Director or nominee</u>		<u>Holdings in which Director is deemed to have an interest</u>	
	<u>As at 1.1.2013</u>	<u>As at 31.12.2013</u>	<u>As at 1.1.2013</u>	<u>As at 31.12.2013</u>
<u>The Company</u>	<u>Number of ordinary shares fully paid</u>			
Low Ngee Tong	19,825,000	19,825,000	47,313,500	⁽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	1,660,000	⁽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.

	As at 1.1.2013	As at 31.12.2013
The Company		
<u>OM Holdings Limited</u>	<u>Number of unissued ordinary shares under option</u>	
Peter Ivan Toth	8,000,000	4,000,000

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 1.1.2013	Lapsed/ expired during the year	Exercised during the year	Balance at 31.12.2013	A\$ Exercise price per option	No. of options holders at 31.12.2013	Period exercisable
17.10.2008	4,000	(4,000)	-	-	1.755	-	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	-	01.01.2011 - 01.01.2013
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 - 01.01.2013
	15,000	(9,000)	-	6,000			

There were no unissued shares of subsidiaries under option at 31 December 2013.

* Subsequent to the end of reporting period, 2 million unlisted options were forfeited on 15 March 2014 due to the resignation of an employee.

Audit Committee

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

Thomas Teo Liang Huat (Chairman)
Julie Anne Wolsley
Zainul Abidin Rasheed
Peter Church OAM

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 2013 as well as the auditor's report thereon.

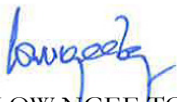
The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any Director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor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



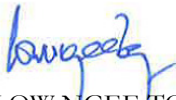
PETER IVAN TOTH

Dated: 27 March 2014

Statement by Directors for the financial year ended 31 December 2013

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 2013 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: 27 March 2014

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 2013, 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 2013, and the results, changes in equity and cash flows of the Group for the financial year ended on that date in accordance with International Financial Reporting Standards.



Foo Kon Tan Grant Thornton LLP
Public Accountants and
Chartered Accountants

Singapore, 27 March 2014

Statements of financial position

as at 31 December 2013

		The Company			The Group	
		31 December	31 December	31 December	(Restated)	(Restated)
	Notes	2013	2012	2013	31 December	1 January
		A\$'000	A\$'000	A\$'000	2012	2012
					A\$'000	A\$'000
Assets						
Non-Current						
Property, plant and equipment	4	-	-	324,784	129,975	103,138
Land use rights	5	-	-	37,476	35,771	21,695
Exploration and evaluation costs	6	-	-	1,660	819	-
Mine development costs	7	-	-	16,910	18,829	19,030
Goodwill	8	-	-	2,065	2,065	2,065
Deferred tax assets	10	-	-	31,031	21,312	9,714
Interests in subsidiaries	11	194,575	138,343	-	-	-
Interests in associates	12	-	-	100,336	91,600	79,661
		194,575	138,343	514,262	300,371	235,303
Current						
Inventories	13	-	-	119,704	119,342	158,106
Derivative financial assets	14	-	20	-	20	20
Trade and other receivables	15	125,154	138,691	125,574	87,852	85,217
Prepayments		1	22	1,504	1,136	27
Available-for-sale financial assets	9	11,691	28,884	11,691	28,884	38,571
Income tax recoverable		-	-	-	-	4,503
Cash collateral	16	-	-	31,274	19,734	19,143
Cash and bank balances	16	50	3,711	36,052	69,118	12,737
		136,896	171,328	325,799	326,086	318,324
Total assets		331,471	309,671	840,061	626,457	553,627
Equity						
Capital and Reserves						
Share capital	17	36,671	33,671	36,671	33,671	25,205
Treasury shares	18	(2,330)	(2,330)	(2,330)	(2,330)	(2,330)
Reserves	19	235,942	222,244	241,504	273,272	229,904
		270,283	253,585	275,845	304,613	252,779
Non-controlling interests		-	-	26,437	17,757	5,194
Total equity		270,283	253,585	302,282	322,370	257,973
Liabilities						
Non-Current						
Borrowings	21	18,442	17,734	188,335	74,058	61,318
Lease obligation	20	-	-	7,612	7,519	-
Derivative financial liabilities	14	-	-	27,410	-	-
Trade and other payables	23	-	-	14,247	-	-
Provisions	22	-	-	5,724	5,358	4,871
Deferred tax liabilities	10	-	-	6	244	-
		18,442	17,734	243,334	87,179	66,189
Current						
Trade and other payables	23	34,773	31,217	135,763	90,296	116,706
Derivative financial liabilities	14	2,713	2,713	2,713	2,713	8
Borrowings	21	-	-	138,558	105,102	106,189
Lease obligation	20	-	-	1,017	1,488	-
Income tax payables		5,260	4,422	16,394	17,309	6,562
		42,746	38,352	294,445	216,908	229,465
Total equity and liabilities		331,471	309,671	840,061	626,457	553,627

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 2013

	Notes	Year ended 31 December 2013 A\$'000	Year ended 31 December 2012 A\$'000
Revenue	3	423,662	408,229
Cost of sales		(389,264)	(357,659)
Gross profit		34,398	50,570
Other income	24	1,237	9,470
Distribution costs		(17,080)	(24,299)
Administrative expenses		(10,537)	(9,533)
Other operating expenses		(50,885)	(73,352)
Finance costs		(7,046)	(6,263)
Loss from operations		(49,913)	(53,407)
Share of results of associates		1,710	(48)
Loss before income tax	25	(48,203)	(53,455)
Income tax	26	(890)	(7,405)
Loss for the year		(49,093)	(60,860)
Other comprehensive income/ (expense), net of tax:			
Items that may be reclassified subsequently to profit or loss			
Net fair value gain on available-for-sale financial assets and financial derivative		5,809	45,407
Currency translation differences		10,148	1,605
Cash flow hedges	27	(25,154)	-
Other comprehensive (expense)/income for the year, net of tax		(9,197)	47,012
Total comprehensive expense for the year		(58,290)	(13,848)
Loss attributable to:			
Owners of the Company		(48,987)	(61,056)
Non-controlling interests		(106)	196
		(49,093)	(60,860)
Total comprehensive (expense)/income attributable to:			
Owners of the Company		(54,887)	(14,044)
Non-controlling interests		(3,403)	196
		(58,290)	(13,848)
Loss per share			
- Basic	28	Cents (6.96)	Cents (10.09)
- Diluted	28	(6.96)	(10.09)

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 2013

	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	Hedging 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 2013	33,671	155,884	(2,330)	4,074	69	12,814	-	-	(15,520)	115,951	304,613	17,757	322,370
Loss for the year	-	-	-	-	-	-	-	-	-	(48,987)	(48,987)	-	(48,987)
Other comprehensive expense for the year	-	-	-	-	70	-	5,809	(20,123)	8,344	-	(5,900)	(3,403)	(9,303)
Issue of ordinary shares	3,000	20,679	-	-	-	-	-	-	-	-	23,679	-	23,679
Share option lapsed	-	-	-	-	-	(9,279)	-	-	-	9,279	-	-	-
Value for employee services received for grant of share options	-	-	-	-	-	2,440	-	-	-	-	2,440	-	2,440
Capital injection from non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	12,623	12,623
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(540)	(540)
Transfer to statutory reserve	-	-	-	1,479	-	-	-	-	-	(1,479)	-	-	-
Balance at 31 December 2013	36,671	176,563	(2,330)	5,553	139	5,975	5,809	(20,123)	(7,176)	74,764	275,845	26,437	302,282

	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	Hedging 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
Loss for the year	-	-	-	-	-	-	-	-	-	(61,056)	(61,056)	-	(61,056)
Other comprehensive expense for the year	-	-	-	-	-	-	45,407	-	1,605	-	47,012	196	47,208
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

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 2013

	Year ended 31 December 2013 A\$'000	(Restated) Year ended 31 December 2012 A\$'000
Cash Flows from Operating Activities		
Loss before income tax	(48,203)	(53,455)
Adjustments for:		
Amortisation of land use rights	626	29
Amortisation of mine development costs	2,254	1,755
Depreciation of property, plant and equipment	15,158	12,049
Equity-settled share-based payments	813	3,354
Write off of exploration and evaluation costs	566	2,288
Write-down of inventories to net realisable value	607	-
Gain on disposal of available-for-sale financial assets	-	(490)
Loss on disposal of property, plant and equipment	34	73
Impairment loss of available-for-sale financial assets	23,022	53,015
Impairment loss on property, plant and equipment	4,038	-
Interest expenses	7,046	6,263
Interest income	(608)	(1,115)
Share of results of associates	(1,710)	48
Operating profit before working capital changes	4,279	23,814
(Increase)/decrease in inventories	(768)	37,472
Decrease in trade and bill receivables	12,225	16,736
Increase in prepayments, deposits and other receivables	(17,676)	(3,231)
Increase/(decrease) in trade and bill payables	26,970	(21,869)
Increase in other payables and accruals	11,793	10,880
Increase in long-term liabilities:		
- Decrease in long-term lease obligation	(2,223)	-
- (Decrease)/increase in long-term provision (for restoration)	(85)	387
- Increase in retirement benefit obligation	451	99
- Increase in other long term payable	14,247	-
Cash generated from operations	48,577	64,288
Overseas income tax paid	(11,762)	(3,432)
Net cash generated from operating activities	36,815	60,856
Cash Flows from Investing Activities		
Payments for exploration and evaluation costs	(1,407)	(3,107)
Payments for mine development costs	(335)	(1,554)
Purchase of property, plant and equipment (Note A)	(203,131)	(36,346)
Proceeds from disposal of property, plant and equipment	219	179
Proceeds from disposal of available-for-sale financial assets	-	2,569
Payment for land use rights	-	(4,422)
Loan to an associate	(7,026)	(11,974)
Acquisition of an associate	-	(12)
Interest received	608	1,115
Net cash used in investing activities	(211,072)	(53,052)
Cash Flows from Financing Activities		
Dividends paid to non-controlling interests	(540)	-
Repayment of bank and other loans	(8,455)	(36,989)
Proceeds from bank loans	124,767	28
Payment to finance lease creditors	(45)	(21)
Capital contribution by non-controlling interests	12,623	12,274
Increase in cash collateral	(11,540)	(942)
Proceeds from convertible notes issue	-	19,946
Proceeds from the issue of shares	24,000	63,745
Payment of transaction costs on share issue	(321)	(2,934)
Interest paid	(7,046)	(6,263)
Proceeds from sale of subsidiary's shares	8	-
Proceeds from repayment of loan	-	500
Net cash generated from financing activities	133,451	48,844
Net (decrease)/increase in cash and cash equivalents	(40,806)	56,648
Cash and cash equivalents at beginning of year	69,118	12,737
Exchange difference on translation of cash and cash equivalents at beginning of year	7,740	(267)
Cash and cash equivalents at end of year (Note 16)	36,052	69,118

Note A - Purchase of property, plant and equipment exclude an amount of A\$3,883,000 which relates to capitalisation of non-cash items (Note 14 and Note 30) into construction-in-progress which are directly attributable to the construction of the ferroalloy plant in one of the subsidiaries.

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 2013

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Directors on the date of the Statement by Directors.

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

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

2(a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual IFRSs 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.

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

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

Judgments

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. In the last financial year, 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. As at 31 December 2013, the Group made an additional impairment loss of A\$17,193,000 (Note 9) as there was a further decline in the market values of these investments.

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.

The carrying amount of the Company and Group's available-for-sale financial assets as at 31 December 2013 is A\$11,691,000 (2012 - A\$28,884,000).

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 carrying amount of the Group's property, plant and equipment as at 31 December 2013 is A\$324,784,000 (2012 - A\$129,975,000).

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. The carrying amount of the Group's mine development costs as at 31 December 2013 is A\$16,910,000 (2012 - A\$18,829,000).

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

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

Impairment of goodwill

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. The carrying amount of the Group's goodwill as at 31 December 2013 is A\$2,065,000 (2012 - A\$2,065,000).

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. The carrying amount of the Group's trade receivables as at 31 December 2013 is A\$94,731,000 (2012 - A\$77,947,000).

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

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

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 recognition of rehabilitation provisions requires significant estimates including the magnitude of possible works for removal or treatment of waste materials and the extent of work required and the associated costs of rehabilitation work. These uncertainties may result in future actual expenditure differing from the amounts currently provided. 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.

The provision recognised for each mine pit is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimate future costs for operating sites are recognised in the balance sheet by adjusting the rehabilitation asset and provision. The carrying amount of the Group's provision for rehabilitation as at 31 December 2013 is A\$5,007,000 (2012 - A\$5,092,000).

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.

Provision for employee long service leave

Management judgment is applied in determining the following key assumptions used in the calculation of long service leave at reporting date:

- Future increases in wages and salaries
- Future on-cost rates and
- Experience of employee departures and period of service.

The carrying amount of the Group's provision for rehabilitation as at 31 December 2013 is A\$717,000 (2012 - A\$266,000).

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

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

Determining Ore Reserves and Remaining Mine Life

The Group estimates its ore reserves and mineral resources based on information compiled by Competent Persons (as defined in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as revised in December 2004 (the JORC code). Reserves determined in this way are taken into account in the calculation of depreciation, amortisation, impairment, deferred mining costs, rehabilitation and environmental expenditure.

In estimating the remaining life of the mine for the purpose of amortisation and depreciation calculations, due regard is given, not only to the amount of remaining recoverable ore tonnes contained in proved and probable reserves, but also to limitations which could arise from the potential changes in technology, demand and other issues which are inherently difficult to estimate over a lengthy time frame.

Where a change in estimated recoverable ore tonnes contained in proved and probable ore reserves are made, depreciation and amortisation is accounted for prospectively.

The determination of ore reserves and remaining mine life affects the carrying value of a number of the Group's assets and liabilities including deferred mining costs and the provision for rehabilitation.

2(b) Interpretations and amendments to published standards effective in 2013

On 1 January 2013, the Group adopted the new or amended IFRSs and IFRIC interpretations that are mandatory for application from that date. This includes the following IFRSs and IFRIC which are relevant to the Company and the Group:

Reference	Description
Amendments to IAS1	Financial statement presentation regarding other comprehensive income
Amendments to IAS19	Employee benefits
Amendments to IFRS 7	Financial instruments: Disclosures on asset and liability offsetting
Amendments to IFRSs 10,11,12	Transition guidance
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosures of interest in other entities
IFRS 13	Fair value measurements
IAS 27 (revised 2011)	Separate financial statements
IAS 28 (revised 2011)	Associates and joint ventures
IFRIC 20	Stripping costs in the production phase of a surface mine
Annual improvements 2011	

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 except as follows:

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 affect the presentations 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(b) Interpretations and amendments to published standards effective in 2013
(cont'd)**

IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities

The following is an illustrative disclosure of the nature of the impending changes in disclosures on adoption of amendments to IFRS 7.

The amendments to IFRS 7 provides disclosure requirements that are intended to help investors and other financial statement users better assess the effect or potential effect of offsetting arrangements on a company's financial position. The new disclosures require information about the gross amount of financial assets and liabilities before offsetting and the amounts set off in accordance with the offsetting model in FRS 32.

IFRS 13 Fair Value Measurement

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of IFRS 13 is broad and it applies for both financial and non-financial items for which other FRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The Group has however included as comparative information the IFRS 13 disclosures that were required previously by IFRS 7 'Financial Instruments: Disclosures'.

The adoption of amended above standards does not have any material impact on the basic and fully diluted EPS of the Group.

2(c) FRS not yet effective

The following are the new or amended FRS and INT FRS issued in 2013 that are not yet effective but may be early adopted for the current financial year:

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to IAS 32	Financial instruments: Presentation on asset and liability offsetting	01.01.2014
Amendments to IFRS 10,12 and IAS 27	Consolidation for investment entities	01.01.2014
Amendments to IAS 36	Impairment of assets	01.01.2014
Amendment to IAS 39	Financial instruments recognition and measurement	01.01.2014
IFRIC 21	Levies	01.01.2014
IFRS 9	Financial instruments	*

Improvements to IFRSs 2014

* No effective date yet

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

2(d) Summary of significant accounting policies

Consolidation

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

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

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

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

Acquisition of businesses

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

Consolidation (cont'd)

Disposals of subsidiaries or businesses

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

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

Transactions with non-controlling interests

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

Subsidiaries

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

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

Associates

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

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

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

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

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

Associates (cont'd)

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

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.

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

Intangible assets (cont'd)

Goodwill (cont'd)

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.

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 "6 "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):

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

Intangible assets (cont'd)

Exploration and evaluation costs (cont'd)

- (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.

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 (approximately 17 years) of the mine according to the rate of depletion of the economically recoverable mineral resources.

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

Property, plant and equipment

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

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

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

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

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

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

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

Land use rights

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

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.

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

Financial assets (cont'd)

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

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

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

Loans and receivables

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

Loans and receivables include trade and other receivables. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset

has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate.

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

Available-for-sale financial assets

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

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

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

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

Financial assets (cont'd)

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

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

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their 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.

There are 3 types of hedges as follows:

- (a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- (b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- (c) hedges of a net investment in a foreign operation (net investment hedge).

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

Financial assets (cont'd)

Derivative financial instruments and hedging activities (cont'd)

However, the group only designates certain derivatives as cash flow hedge.

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

The fair values of various derivative instruments used for hedging purposes are disclosed in note 14. Movements on the hedging reserve in other comprehensive income are shown in note 19. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. For hedging instruments used to hedge the bank borrowings that finance the construction of a subsidiary's ferroalloy plant, any ineffective portion is capitalised as part of the cost of the plant ("construction-in-progress").

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the profit or loss within 'finance income/cost'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory of fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of the fixed assets.

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

Derivatives financial instruments not designated as hedging instrument

Derivative financial instruments are not designated as hedging instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date of 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 profit or loss. Gains or losses arising from changes in fair value are recorded directly in profit or loss for the year.

The changes in fair value of the derivative financial instruments not designated as hedges are capitalised as part of the cost of plant ("construction-in-progress") if these derivatives are used to hedge the bank borrowings that finance the construction of the plant.

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

Inventories

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

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

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

Cash and cash equivalents

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

Share capital and treasury shares

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

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

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

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

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.

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

Financial liabilities (cont'd)

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.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the related asset. Otherwise, borrowing costs are recognised as expenses when incurred. Borrowing costs consist of interests and other financing charges that the Group incurs in connection with the borrowing of funds.

Capitalisation of borrowing costs commences when the activities to prepare the qualifying asset for its intended use are in progress and the expenditures for the qualifying asset and the borrowing costs have been incurred. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying assets are substantially completed for their intended use.

Foreign exchange differences arising from foreign currency borrowings are capitalised to the extent that they are regarded as an adjustment to interest costs.

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.

5% Convertible Note

Convertible notes are initially recorded at fair value. The fair value of the liability portion is determined using a market interest rate for an equivalent non-convertible bond; this amount is recorded as a non-current liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option, which is recognised and included as a current liability as the convertible note is issued in a currency that is not the functional currency of the issuer and hence, cannot be classified as equity.

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

Financial liabilities (cont'd)

Financial guarantees

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

Financial guarantee contracts are initially recognised at their fair value plus transaction costs in the statement of financial position.

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

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.

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

Leases (cont'd)

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

Where the Group is the lessee,

Finance leases

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

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

Operating leases

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

Income taxes

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

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

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

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

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realized 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.

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

Income taxes (cont'd)

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.

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.

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 venturer;

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

Related parties (cont'd)

- (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.

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.

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

Impairment of non-financial assets (cont'd)

- 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 domestic markets, transfer occurs upon satisfaction of (i) full payments by customers and, (ii) notifications issued to customers to take deliveries; 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.

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

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

Operating segments (cont'd)

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 2012	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
Additions	206,546	6	149	70	244	207,015
Transfers	(16,050)	285	15,226	539	-	-
Disposals	-	-	(628)	(59)	-	(687)
Written off	-	-	-	(21)	-	(21)
Impairment	(4,038)	-	-	-	-	(4,038)
Reclassification	54	-	-	-	-	54
Exchange realignment	2,821	3,248	3,153	78	241	9,541
At 31 December 2013	247,306	19,848	129,564	3,798	1,804	402,320
Accumulated depreciation						
At 1 January 2012	-	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
Depreciation for the year (Note 25)	-	977	13,524	425	232	15,158
Disposals	-	-	(433)	-	-	(433)
Written off	-	-	-	(21)	-	(21)
Exchange realignment	-	737	1,445	51	118	2,351
At 31 December 2013	-	5,129	68,513	2,994	900	77,536
Net book value						
At 31 December 2013	247,306	14,719	61,051	804	904	324,784
At 31 December 2012	57,973	12,894	57,687	652	769	129,975

The net book value of motor vehicles acquired under finance lease for the Group amounted to A\$237,000 (2012 - A\$72,000)(Note 21.1).

Leasehold buildings are situated in Singapore and the People's Republic of China ("PRC").

The impairment of construction-in-progress pertains to the cessation of a construction project in one of the subsidiaries.

5 Land use rights

	2013	2012
	A\$'000	A\$'000
The Group		
At the beginning of the year	35,771	21,695
Additions	-	13,429
Amortisation for the year (Note 25)	(626)	(29)
Reclassification	(54)	-
Exchange realignment	2,385	676
At the end of the year	37,476	35,771
At the end of the year		
Cost	38,392	35,996
Accumulated amortisation	(916)	(225)
Net carrying value	37,476	35,771

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

As at 31 December 2013, the land use rights for leasehold land located in Malaysia had a net carrying value of A\$36,042,000 (2012 - A\$34,547,000) and are pledged as security for borrowings referred to in Note 21.2(c) and (f).

6 Exploration and evaluation costs

	2013	2012
	A\$'000	A\$'000
The Group		
At beginning of year	819	-
Costs incurred during the year	1,407	3,107
Written off during the year (Note 25)	(566)	(2,288)
At end of year	1,660	819

The summarised financial information in relation to exploration and evaluation costs is as follows:

	2013	2012
	A\$'000	A\$'000
The Group		
Assets	35	-
Liabilities	-	-
Income and expenses	1,347	2,849
Operating cash flows	1,349	2,890
Investing cash flows	(415)	(312)

7 Mine development costs

	2013	2012
	A\$'000	A\$'000
The Group		
At beginning of year	18,829	19,030
Costs incurred during the year	335	1,554
Amortisation for the year (Note 25)	(2,254)	(1,755)
At end of year	16,910	18,829
At the end of the year		
Costs	29,965	29,630
Accumulated amortisation	(13,055)	(10,801)
Net carrying value	16,910	18,829

7 Mine development costs (cont'd)

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.

8 Goodwill

	2013	2012
	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:

	2013	2012
	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.

	2013	2012
Gross margin	0% - 13%	0% - 13%
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

	2013	2012
	A\$'000	A\$'000
The Company and The Group		
Quoted equity investments, at fair value		
At the beginning of the year	28,884	38,571
Disposals	-	(2,445)
Impairment loss		
- Impairment loss recognised directly in profit or loss	(23,022)	(7,242)
- Reversal of impairment loss recognised directly in equity	5,829	-
	(17,193)	(7,242)
At end of year	11,691	28,884

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

Represented by:

	2013 A\$'000	2012 A\$'000
Quoted equity investments, at costs	81,899	84,344
Disposal	-	(2,445)
Impairment loss		
At beginning of the year	(53,015)	-
Impairment loss recognised directly in profit or loss	(23,022)	(53,015)
Reversal of impairment loss recognised directly in profit or loss	5,829	-
At end of the year	(70,208)	(53,015)
At end of year	11,691	28,884

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. In the financial year ended 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.

During the interim review for the six months period ended 2013, there was a further decline in the market values of these investments and an additional impairment of A\$23,002,000 was made to profit or loss. As at 31 December 2013, the market values of these investments increased and the resulting gain of A\$5,829,000 transferred to equity.

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	2013 A\$ '000	2012 A\$ '000
Deferred tax assets		
Balance at beginning of year	21,312	16,536
Credited to the profit or loss (Note 26)	1,477	5,790
Exchange difference on translation	26	(13)
	22,815	22,313
Over provision in respect of prior years	(347)	(1,001)
Profit-based royalty recoverable (Northern Territory Government)	8,563	-
Balance at end of year	31,031	21,312
Deferred tax liabilities		
Balance at beginning of year	(244)	(6,822)
Credited to the profit or loss (Note 26)	270	7,629
Exchange difference on translation	(32)	-
	(6)	807
Under provision in respect of prior years	-	(1,051)
Balance at end of year	(6)	(244)

10 Deferred taxation (cont'd)

The balance comprises tax on the following temporary differences:

The Group	Excess of net book value over tax written down value of qualifying property, plant, and equipment A\$'000	Provisions A\$'000	Interest payable A\$'000	Tax losses A\$'000	Northern Territory Government royalty benefit A\$'000	Others A\$'000	Total A\$'000
At 1 January 2013	(7,238)	1,882	9,356	18,067	-	(999)	21,068
Charged/(credited) to - profit or loss (Note 26)	66	332	(9,356)	26,679	(8,563)	805	9,963
Exchange difference on translation	-	-	-	-	-	(6)	(6)
At 31 December 2013	(7,172)	2,214	-	44,746	(8,563)	(200)	31,025

As at 31 December 2013, the Group had tax losses arising in Hong Kong of A\$351,300 (2012 - A\$281,040) which is available for offsetting against future taxable profits. No deferred tax asset has been recognised in respect of these tax losses due to the uncertainty of future profit streams against which the asset can be utilised. The tax losses arising in Hong Kong can be carried forward indefinitely without any expiry date.

11 Subsidiaries

The Company	2013 A\$'000	2012 A\$'000
Unquoted equity investments, at cost	8,014	8,014
Amounts due from subsidiaries:		
- Interest-free	47,888	7
- Interest-bearing	138,673	130,322
	194,575	138,343

The amounts due from subsidiaries are unsecured and are not expected to be repaid within one year. The amounts include a balance of A\$138,673,000 (2011 - A\$130,322,000) which is interest-bearing at a weighted average effective interest rate of 9.62% (2012 - 10.20%) 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 2013 A\$	2012 A\$	Percentage of equity held 2013	2012	Principal activities
<u>Held by the Company</u>						
OM Holdings (B.V.I.) Ltd ("OMBVI") ⁽¹⁾	The British Virgin Islands	4,960,807	4,960,807	100%	100%	Investment holding
OM (Manganese) Ltd (2)	Australia	3,052,617	3,052,617	100%	100%	Operation of manganese mine
OM Holdings Investment Ltd ("OMHI") ⁽¹⁾	The British Virgin Islands	1	1	100%	100%	Investment holding*
OMH (Mauritius) Corp. (8)	Mauritius	111	111	100%	100%	Investment holding

Notes to the financial statements for the financial year ended 31 December 2013

11 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Cost of investment		Percentage of equity held		Principal activities
		2013 A\$	2012 A\$	2013	2012	
<u>Held by OMHI</u>						
Capricorn Enterprises Madagascar ⁽¹⁾	Madagascar	-	-	88%	88%	Exploration and evaluation activities
<u>Held by OMBVI</u>						
OM Resources (HK) Limited ("OMR") ⁽³⁾	Hong Kong	-	-	100%	100%	Investment holding
<u>Held by OMR</u>						
OM Materials (S) Pte Ltd ("OMS") ⁽⁴⁾	Singapore	-	-	100%	100%	Investment holding and trading of metals and ferroalloy products
OM Materials Trade (S) Pte Ltd ("OM Trade") ⁽¹⁰⁾	Singapore	-	-	100%	100%	Investment holding
OM Resources (M) Sdn Bhd ⁽⁹⁾	Malaysia	-	-	100%	100%	Exploration and evaluation activities
<u>Held by OMS</u>						
OM Materials (Sarawak) Sdn. Bhd. ⁽¹¹⁾	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 Huijin Science & Trade (Shanghai) Co. Ltd ("OMA") ⁽⁷⁾	PRC	-	-	70%	70%	Trading of metals and ferroalloy products
OM Materials (Samalaju) Sdn. Bhd. ("OM Samalaju") ⁽⁹⁾	Malaysia (Incorporated on 19 Feb 2013)	-	-	80%	-	Sales and processing of ferroalloys and ores
<u>Held by OM Trade</u>						
OM Tshipi (S) Pte Ltd ⁽⁴⁾⁽¹²⁾	Singapore	-	-	33%	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⁾	PRC	-	-	100%	100%	Trading of metals and ferroalloy products

Notes to the financial statements for the financial year ended 31 December 2013

11 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Cost of investment		Percentage of equity held		Principal activities
		2013 A\$	2012 A\$	2013	2012	
Held by OMA						
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 2013
- (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 has been liquidated
- (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
- (11) audited by Ernst & Young
- (12) during the year, the company became an associate through a share repurchase agreement entered into with its immediate shareholder, OM Trade. This resulted in a gain of A\$8,000 from the sale of the company's shares. (Note 24)
- * These companies were dormant at the end of reporting date
- ** These companies were in the construction phase at the end of reporting date
- *** The company completed liquidation in January 2014

12 Interests in associates

	2013 A\$'000	2012 A\$'000
The Group		
Unquoted equity investment, at cost	98,743	91,717
Share of post-acquisition profits/(losses) and reserves	1,593	(117)
	100,336	91,600

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, are as follows:

	2013 A\$'000	2012 A\$'000
- Assets	146,130	92,667
- Liabilities	115,120	(65,862)
- Revenue	43,740	-
- Profit/(loss) for the year	6,406	(185)

The associates are:

Name of company	Country of incorporation	Percentage of equity held		Principal activities
		2013	2012	
Main Street 774 (Pty) Limited ⁽¹⁾	South Africa	26%	26%	Investment holding
OM Tshipi (S) Pte Ltd ⁽²⁾	Singapore	33%	-	Trading of metals and ferroalloy products
OM Materials Japan Co., Ltd. ⁽³⁾	Japan	33%	33%	Mineral and metal resources marketing and consulting

12 Interests in associates (cont'd)

⁽¹⁾ audited by KPMG South Africa

⁽²⁾ audited by Foo Kon Tan Grant Thornton LLP

⁽³⁾ no audit required in the country of incorporation

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

13 Inventories

	2013 A\$'000	2012 A\$'000
The Group		
Raw materials, at cost	33,752	25,825
Work-in-progress, at cost	5,807	7,232
Work-in-progress, at net realisable value	37,095	40,351
Finished goods, at cost	43,050	45,934
	119,704	119,342

Inventories of A\$13,674,000 (2012 - A\$4,751,000) have been pledged as security for bank loans of the Group [Note 21.2(c)].

Included in inventories is an amount of A\$27,370,000 (2012 - A\$32,075,000) 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

	Notional Principal Amount A\$'000	2013 Assets A\$'000	2013 Liabilities A\$'000	2012 Assets A\$'000	2012 Liabilities A\$'000
The Group					
Non-current					
Foreign currency forward contracts [Note (a)]	264,548	-	15,714	-	-
Cross Currency Swap [Note (b)]	105,400	-	9,440	-	-
Interest Rate Swap [Note (c)]	33,150	-	2,256	-	-
	403,098	-	27,410	-	-
		Assets A\$'000	Liabilities A\$'000	Assets A\$'000	Liabilities A\$'000
The Company and The Group					
Current					
Unquoted share options		-	-	20	-
5% Convertible note (Note 21.3)		-	2,713	-	2,713

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

The changes in fair value of the derivatives not designated as cash flow hedges amounted to A\$2,256,000 (2012 - A\$NIL) and have been capitalised in construction-in-progress.

14 Derivative financial instruments (cont'd)

- (a) The nature of the risk being hedged is currency mismatch between future earnings denominated in USD and forecasted purchases in RM in respect of bank loans [Note 21.2 (f)]. Due to this exposure to the variation in cash flows, forward contracts are entered into to exchange such forecasted payments denominated in the two different currencies. The hedge is designed to swap 50% of the Group's MYR obligations into USD obligations, thus removing future currency risk for 50% of the payments.
- (b) Cross currency swap is entered into to exchange interest payments and loan principals denominated in USD and RM in respect of bank loans [Note 21.2 (f)]. The outstanding cross currency swap at the end of the financial year has a notional value that hedges 100% of such interest and principal repayments.
- (c) Interest rate swaps are used to manage the interest rate risk exposures arising from the loans and borrowings at floating rates in respect of Note 21.2 (f). At the end of the reporting period, the Group has interest rate swaps with notional values that hedge 50% of the exposure to the cash flow risk in connection with the floating interest rate of loans and borrowings.

The cashflows are expected to affect the profit or loss with effect from Feb 2015 over the next 36 months.

15 Trade and other receivables

	The Company		The Group	
	2013	2012	2013	2012
	A\$'000	A\$'000	A\$'000	A\$'000
Trade receivables	-	-	23,563	14,945
Bills receivable	-	-	71,168	63,002
Net trade receivables (i)	-	-	94,731	77,947
Other receivables				
Amounts due from subsidiaries (non-trade)	125,154	138,341	-	-
Deposits and other receivables	-	350	30,843	9,905
Net other receivables (ii)	125,154	138,691	30,843	9,905
Total (i) + (ii)	125,154	138,691	125,574	87,852

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

Bills receivable of A\$67,497,000 (2012 - A\$55,581,000) 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		The Group	
	2013	2012	2013	2012
	A\$'000	A\$'000	A\$'000	A\$'000
Australian dollar	91,770	138,691	1,633	2,174
Renminbi	-	-	76,285	74,846
United States dollar	-	-	21,553	8,878
Malaysian Ringgit	-	-	25,914	1,791
Others	33,384	-	189	163
	125,154	138,691	125,574	87,852

15 Trade and other receivables (cont'd)

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

	The Company		The Group	
	2013	2012	2013	2012
	A\$'000	A\$'000	A\$'000	A\$'000
<u>By geographical areas</u>				
People's Republic of China	-	-	73,679	70,267
United Kingdom	-	-	21,052	7,680
	-	-	94,731	77,947

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

	2013	2012	2013	2012
	A\$'000	A\$'000	A\$'000	A\$'000
Past due 0 to 3 months	-	-	387	-
Past due 3 to 6 months	-	-	-	116
Past due over 6 months	-	-	-	5
	-	-	387	121

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	
	2013	2012	2013	2012
	A\$'000	A\$'000	A\$'000	(Restated) 1.1.2012
				A\$'000
Cash at bank and on hand	50	659	56,814	35,354
Short-term bank deposits	-	3,052	10,512	53,498
Total cash and bank balances [Notes (a) (b) and (c)]	50	3,711	67,326	88,852
Less: Cash collateral [Notes (d) and (e)]	-	-	(31,274)	(19,734)
Cash and cash equivalents	50	3,711	36,052	69,118

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 2013, 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\$16,026,000 (2012 - A\$14,707,000). The RMB is not freely convertible into other currencies.
- (c) Certain bank deposits were designated to secure banking facilities provided to the Group in respect of bank loans [Noted 21.2(f)]. The weighted average effective interest rate was 2.50% (2012 - Nil) per annum.

16 Cash and bank balances (cont'd)

Notes:

- (d) 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(a), (b) and (d)]. The cash collateral has an average maturity of 1 to 3 months (2012 - 3 to 12 months) with the weighted average effective interest rates of 0.30% to 3.08% (2012 - 0.48% to 1.83%) per annum.
- (e) Certain bank deposits held by the Australian subsidiary were pledged to secure the issuance of environmental bonds. The A\$3,096,000 (A\$2,967,000) cash collateral has an average maturity of 1 month (2012 - 1 month) with the weighted average effective interest rate of 2.62% (2012 - 1.46%) per annum.

Cash and cash equivalents are denominated in the following currencies:

	The Company		The Group	
	2013	2012	2013	2012
	A\$'000	A\$'000	A\$'000	A\$'000
Australian dollar	48	3,709	3,145	27,337
Renminbi	-	-	16,026	14,707
United States dollar	2	2	37,513	39,550
Malaysian Ringgit	-	-	10,486	6,660
Others	-	-	156	598
	50	3,711	67,326	88,852

The fixed deposits have an average maturity of 1 to 3 months (2012 - 1 to 3 months) from the end of the financial year with the following weighted average effective interest rates:

The Group	2013	2012
Australian dollar	2.62%	1.78%
Renminbi	0.35% - 3.08%	0.95%
United States dollar	0.30%	0.48%
Malaysian Ringgit	2.08%	2.50%

17 Share capital

	No. of ordinary shares		Amount	
	2013	2012	2013	2012
	'000	'000	A\$'000	A\$'000
The Company and The Group				
Authorised:				
Ordinary shares of A\$0.05 (2012 - A\$0.05) each	2,000,000	2,000,000	100,000	100,000
Issued and fully paid:				
Ordinary shares of A\$0.05				
(2012 - A\$0.05) each as at 1 January	673,423	504,105	33,671	25,205
Issue of ordinary shares	60,000	169,318	3,000	8,466
Ordinary shares of A\$0.05				
(2013 - A\$0.05) each as at 31 December	733,423	673,423	36,671	33,671

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

Notes to the financial statements for the financial year ended 31 December 2013

18 Treasury shares

	No. of ordinary shares		Amount	
	2013	2012	2013	2012
	'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

The Company acquired 983,295 and 950,000 of its own shares in year 2008 and 2009 respectively, through purchase on the Australia Stock Exchange. The total amount paid was A\$2,330,000 and has been deducted from the shareholders' equity (Note 17). The shares are held as "treasury shares".

19 Reserves

	The Company		The Group	
	2013	2012	2013	2012
	A\$'000	A\$'000	A\$'000	A\$'000
Share premium	176,563	155,884	176,563	155,884
Non-distributable reserves [Note (i)]	-	-	5,553	4,074
Capital reserve [Note (ii)]	-	-	139	69
Share option reserve [Note (a)]	5,975	12,814	5,975	12,814
Fair value reserve [Note (iii)]	5,809	-	5,809	-
Contributed surplus [Note (iv)]	3,312	3,312	-	-
Hedging reserve [Note (v)]	-	-	(20,123)	-
Exchange fluctuation reserve	-	-	(7,176)	(15,520)
Retained profits	44,283	50,234	74,764	115,951
	235,942	222,244	241,504	273,272

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 asset
- (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 2013

19 Reserves (cont'd)

- (v) The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge recognised in other comprehensive income and accumulated hedging reserves is reclassified to profit or loss when the hedged transaction impacts the profit or loss.

	2013	2012
	A\$'000	A\$'000
The Company		
Share premium:		
At 1 January	155,884	117,642
Issue of ordinary shares	20,679	52,345
Share option lapsed	-	(14,103)
At 31 December	176,563	155,884

Contributed surplus		
At 1 January and 31 December	3,312	3,312

	2013	2012
	A\$'000	A\$'000
Share option reserve		
At 1 January	12,814	17,577
Equity settled share-based transactions [Note (a)]	2,440	5,160
Share options lapsed	(9,279)	(9,923)
At 31 December	5,975	12,814

Fair value reserve		
At 1 January	-	(45,407)
Fair value gain on available-for-sale financial assets	5,809	-
Transfer to profit and loss	-	45,407
At 31 December	5,809	-

Retained profits		
At 1 January	50,234	73,504
Profit for the year	(15,230)	(47,296)
Share option lapsed	9,279	24,026
At 31 December	44,283	50,234

Total reserves	235,942	222,244
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The Group		
	2013	2012
	A\$'000	A\$'000

Hedging Reserve #		
Unrealised loss on outstanding forward foreign exchange contracts and cross currency swap (Note 27)	20,123	-

- # The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge recognised in other comprehensive income and accumulated hedging reserves is reclassified to profit or loss when the hedged transaction impacts the profit or loss.

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).

20 Lease obligation

	2013	(Restated)	(Restated)
The Group	A\$'000	2012 A\$'000	1.1.2012 A\$'000
Non-current			
Lease obligation	7,612	7,519	-
Current			
Lease obligation	1,017	1,488	-

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	
	2013	2012	2013	2012
	A\$'000	A\$'000	A\$'000	A\$'000
Non-current				
Obligations under finance leases (Note 21.1)	-	-	91	24
Bank loans, secured (Note 21.2)	-	-	156,499	56,300
5% Convertible Note (Note 21.3)	18,442	17,734	18,442	17,734
Other loans (Note 21.4)	-	-	13,303	-
	18,442	17,734	188,335	74,058
Current				
Obligations under finance leases (Note 21.1)	-	-	74	24
Bank loans, secured (Note 21.2)	-	-	138,484	105,078
	-	-	138,558	105,102
	18,442	17,734	326,893	179,160

21.1 Obligations under finance leases

	2013	2012
The Group	A\$'000	A\$'000
Minimum lease payments payable:		
Due not later than one year	79	26
Due later than one year and not later than five years	98	26
	177	52
Less: Finance charges allocated to future periods	(12)	(4)
Present value of minimum lease payments	165	48
Present value of minimum lease payments:		
Due not later than one year	74	24
Due later than one year and not later than five years	91	24
	165	48

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

	2013	2012
	A\$'000	A\$'000
The Group		
Bank loans, secured [note (a)]	44,447	53,120
Bank loans, secured [note (b)]	73,211	63,789
Bank loans, secured [note (c)]	14,647	14,429
Bank loans, secured [note (d)]	43,823	25,835
Bank loans, secured [note (e)]	8,261	4,205
Bank loans, secured [note (f)]	110,594	-
	294,983	161,378
Amount repayable not later than one year	138,484	105,078
Amount repayable after one year	156,499	56,300
Bank loans	294,983	161,378

Notes:

(a) The loans are secured by:

- a charge over certain bank deposits as disclosed in Note 16 (d);
- 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;
- 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; and
- irrevocable and unconditional corporate guarantees provided by the Company and a subsidiary.

The weighted average effective interest rate was 3.90% (2012 - 3.58%) per annum.

- (b) The loans are secured by charges over certain bank deposits and bills receivables as disclosed in Note 16(d) and Note 15 respectively, and the weighted average effective interest rate of the bank loans was 3.38% (2012 - 3.15%) 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% (2012 - 2.95%) per annum.
- (d) The loans are secured by charges over certain bank deposits as disclosed in Note 16(d), and the weighted average effective interest rate of the bank loans was 1.32 % (2012 - 1.66 %) per annum.

21 Borrowings (cont'd)

Notes:

- (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 4.35% (2012 - 3.31%) per annum.
- (f) These loans are project finance loans for OM Sarawak ferroalloy projects and are secured by:
- the Company's holding of 80% shares of OM Materials (Sarawak) Sdn Bhd, a company incorporated in Malaysia;
 - charge over certain bank deposits as disclosed in Note 16(c);
 - charge over certain land use rights as disclosed in Note 5;
 - debenture;
 - borrower assignment;
 - assignment of insurances;
 - shareholder assignment;
 - assignment of reinsurances; and
 - corporate guarantee from OM Holdings Limited and Chaya Mata Sarawak Berhad.

The weighted average effective interest rates were 4.16% to 6.20% (2012 - Nil) per annum.

Classification of borrowings

As at 31 December 2013, included in bank loans classified under non-current borrowings is an amount of A\$29,380,000 with a financial institution which is due to be settled within twelve months after the reporting period which was refinanced with the same financial institution subsequent to the end of the reporting period. Terms were agreed before the year end though the final sign-off was after the year end. The Directors and the management of the Group are of the view that the agreement to refinance the loan on a long-term basis is deemed to be completed before the reporting period and accordingly this loan is classified under non-current borrowings.

In making this judgment, the Directors and management of the Group took into accounts the following factors:

- as at the end of the reporting period, management was categorically certain that the Group will be taking up this refinanced loan;
- key financing terms and conditions of the refinanced loan have been finalised and agreed by both the Group and the financial institution before the end of the reporting period; and
- the Directors of the Group formally approved and accepted the terms and conditions of the refinanced loan before the end of the reporting period.

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\$18,442,000, to be amortised over 3 years while the conversion option valued at A\$2,713,000 is recognised as current liability (Note 14). During the year, interest expense of A\$1,871,000 was recognised in the profit or loss.

21.4 Other loans

	2013	2012
	A\$'000	A\$'000
The Group		
Shareholder loan, unsecured [note (a)]	3,133	-
Shareholder loan, secured [note (b)]	10,170	-
	13,303	-

(a) The loan is unsecured and interest bearing at LIBOR + 4% per annum. Until all the secured borrowings as disclosed in Note 21.2(f) have been irrevocably paid in full, neither shareholders shall demand or receive payment or any distribution in respect of these loans.

(b) The loan is repayable on 31 December 2015. Interest is charged at LIBOR + 1% per annum. The loan is guaranteed by the Company.

21.5 Currency risk

Total borrowings are denominated in the following currencies:

	2013	2012
	A\$'000	A\$'000
The Group		
United States dollar	290,899	169,782
Renminbi	4,680	9,330
Malaysian Ringgit	31,314	48
	326,893	179,160

21.6 Effective interest rates

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

	2013	2012
The Group		
Obligations under finance leases	4.86%	2.59%
Bank loans	1.82% to 7.20%	1.66% to 3.60%
5% convertible note	7.6%	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 2013

22 Provisions

		2013	2012
		A\$'000	A\$'000
The Group			
(a) Rehabilitation			
At the beginning of year		5,092	4,705
Provision made for the year (Note 25)		409	1,443
Payments during the year		(494)	(1,056)
At end of year	(i)	5,007	5,092
(b) Employee long service leave			
At the beginning of year		266	166
Provision made for the year (Note 25)		451	100
At end of year	(ii)	717	266
Total (i) + (ii)		5,724	5,358

(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. Mine rehabilitation costs are provided for at the present value of future expected expenditure when the liability is incurred. Although the ultimate cost to be incurred is uncertain, the Company has estimated its costs based on the rates outlined by the Northern Territory Department of Resources and Mineral Energy using current restoration standards and techniques.

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

23 Trade and other payables

	The Company		The Group	
	2013	2012	2013	2012
	A\$'000	A\$'000	A\$'000	A\$'000
Non-current				
Retention monies	-	-	14,247	-
Current				
Trade payables				
- Third party payables	-	-	52,903	23,362
- Bill payables	-	-	33,611	30,767
Amount due to subsidiaries (non-trade)	33,508	30,056	86,514	54,129
Accruals	1,121	1,018	4,829	5,471
Other Payables	144	143	38,403	29,779
Retention monies	-	-	4,361	-
Welfare expense payable	-	-	1,656	917
	34,773	31,217	135,763	90,296

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 (2012 - A\$30,000,000) which bears interest of 3.93% (2012 - 4.04%) per annum. The amount due to subsidiaries represents advances which is non-trade, unsecured and repayable on demand.

Included in other payables are advances from customers of A\$6,027,000 (2012 - A\$8,960,000) and freight payable of A\$14,296,000 (2012 - A\$5,357,000).

Notes to the financial statements for the financial year ended 31 December 2013

23 Trade and other payables (cont'd)

Trade and other payables are denominated in the following currencies:

	The Company		The Group	
	2013	2012	2013	2012
	A\$'000	A\$'000	A\$'000	A\$'000
Australian dollar	32,513	31,217	35,422	17,825
Renminbi	-	-	12,706	18,336
United States dollar	-	-	72,249	50,949
Malaysian Ringgit	-	-	15,296	2,732
Others	2,260	-	90	454
	34,773	31,217	135,763	90,296

24 Other income

	2013	2012
	A\$'000	A\$'000
The Group		
Litigation settlement	-	6,737
Interest income from banks	608	1,115
Sundry income	621	1,128
Gain on disposal of available-for-sale financial assets	-	490
Proceeds from sale of subsidiary's shares (Note 11)	8	-
	1,237	9,470

In the prior year, the Supreme Court of Western Australia ruled in favour of a subsidiary for the Promet Litigation and A\$6,737,000 was recognised as other income (note 33).

25 Loss before income tax

		2013	2012
	Note	A\$'000	A\$'000
The Group			
Loss before tax has been arrived at after charging/(crediting):			
Amortisation of land use rights	5	626	29
Amortisation of mine development costs	7	2,254	1,755
Cost of inventories recognised as expenses #		389,264	357,659
Depreciation of property, plant and equipment	4	15,158	12,049
Equity-settled share-based payments *	30	813	3,354
Exchange gains		-	(853)
Exploration and evaluation costs written off	6	566	2,288
Interest expense:			
- bank loans		7,046	6,263
Loss on disposal of property, plant and equipment	4	34	252
Gain on disposal of available-for-sale financial assets		-	(490)
Operating lease charges in respect of land and buildings		462	157
Provision for rehabilitation	22	409	1,443
Provision for long service leave	22	451	100
Employee benefits expenses	29	33,173	20,806
Write-down of inventories to net realisable value		607	-

Cost of inventories included amounts of A\$25,379,000 and A\$2,536,000 (2012 - A\$14,738,000 and A\$1,891,000) related to staff costs and depreciation respectively.

* Included in other operating expenses.

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, Malaysia, 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.

The Group	2013 A\$'000	2012 A\$'000
Current taxation		
- Singapore income tax	985	1,298
- PRC tax	2,626	1,989
- others	49	24
Deferred taxation (Note 10)	(1,747)	(13,419)
	1,913	(10,108)
(Over)/under provision in the prior financial years		
- current year income tax	3,082	3,349
- deferred taxation	347	(2,052)
Income tax	5,342	(8,811)
Other tax expense/(benefit)		
- Withholding tax	939	963
- Profits-based royalty expense for 2006-2010- Northern Territory Royalty	3,172	15,253
- Profits-based royalty benefit for 2011-2013 - Northern Territory Royalty (Note10)	(8,563)	-
	890	7,405

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:

The Group	2013 A\$'000	2012 A\$'000
Loss before income tax	(48,203)	(53,455)
Tax at applicable tax rates	(8,874)	(3,474)
Deferred tax assets on temporary difference not recognised	1,535	168
De-recognition of deferred tax assets	9,356	-
Tax effect of non-taxable revenue	(1,678)	(7,324)
Tax effect of non-deductible expenses	2,236	1,322
Tax effect of allowances given by tax jurisdiction	(634)	(800)
Double tax relief	(28)	-
Under provision in prior years	3,429	1,297
	5,342	(8,811)

27 Cash Flow Hedges

	2013 A\$'000	2012 A\$'000
The Group		
Cash flow hedges:		
Loss arising during the year (Note 19)	(20,123)	-
Reclassification to profit or loss from equity on cash flow hedges	-	-
Minority interest*	(5,031)	-
	(25,154)	-

* The Group has a 80% shareholding in OM Materials (Sarawak) Sdn. Bhd., a subsidiary in which hedging takes place.

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 704,366,754 (2012 - 605,045,455) 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:

	2013 '000	2012 '000
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	704,367	605,045
Effect of dilutive potential ordinary shares:		
Share options	-	-
Weighted average number of ordinary shares for the purposes of calculating diluted loss per share	704,367	605,045

Loss figures are calculated as follows:

	2013 A\$'000	2012 A\$'000
Loss for the purpose of calculating basic and diluted loss per share	(48,987)	(61,056)

29 Employee benefits expense

	2013 A\$'000	2012 A\$'000
Directors' remuneration other than fees		
- Directors of the Company	1,475	1,393
- Directors of the subsidiaries	2,035	2,061
- Defined contributions plans	125	139
Key management personnel (other than Directors)		
- Salaries, wages and other related costs	1,970	1,712
- Defined contributions plans	150	148
Other than key management personnel		
- Salaries, wages and other related costs	24,947	14,063
- Defined contributions plans	2,471	1,290
	33,173	20,806
Directors' fees	470	472
Equity-settled share-based payments		
- Directors of the Company and subsidiaries	2,440	5,160
	36,083	26,438

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 2013 '000	Weighted Average Exercise Price 2013 A\$	Options 2012 '000	Weighted Average Exercise Price 2012 A\$
Outstanding at 1 January	15,000	2.13	26,000	2.15
Expired/lapsed	(9,000)	2.16	(11,000)	2.18
Outstanding at 31 December	6,000	2.08	15,000	2.13
Exercisable at 31 December	4,000	1.87	13,000	2.07

The following table summarises information about options outstanding and exercisable at 31 December 2013:

Exercise Price A\$	Outstanding Options '000	Average Life ⁽²⁾ Years	Exercisable Options '000	Average Exercise Price A\$
2.49	2,000	2.00	2,000	2.49
1.87	4,000	0.75	4,000	1.87
Total	6,000		6,000	

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

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 2013, the vested amount of A\$2,440,000 (2012 - A\$5,160,000) was expensed through the profit or loss, out of which A\$1,627,000 (2012 - A\$1,806,000) was reversed from the profit or loss and capitalised as part of construction in progress.

30 Employee share option plan (cont'd)

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:

	2013 A\$'000	2012 A\$'000
The Group		
Sale of goods to an associate (OM Japan)	1,190	-
Purchase of goods from an associate (OM Tshipi)	43,740	-
Management fee charged to an associate (OM Tshipi)	272	-
Payment made on behalf for an associate (OM Tshipi)	153	-
Company secretarial fees paid to a company of which a Director is a director and beneficial shareholder	-	169
Operating lease charges paid to a minority shareholder of a subsidiary	-	9
Legal fees paid to a company of which a Director is a director	58	28

32 Commitments

32.1 Capital commitments

The following table summarises the Group's capital commitments:

The Group	2013 A\$'000	2012 A\$'000
Capital expenditure contracted but not provided for in the financial statements		
- capital injection to an associate for mine development	1,328	7,694
- acquisition of property, plant and equipment to be fully financed from Project Finance Loans [Note 21.2(f)]	223,892	11,697

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:

The Group	2013 A\$'000	2012 A\$'000
Not later than one year	607	170
Later than one year and not later than five years	412	137
	1,019	307

The leases on the Group's office premises on which rentals are payable will expire earliest on the 19 July 2014 and latest on the 30 September 2015, subject to an option to renew. The current rents payable on the leases ranges from A\$510 to A\$22,346 per month respectively which are subject to revision on renewal.

32.3 Other operating commitments

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

The Group	2013 A\$'000	2012 A\$'000
Not later than one year	202	26,122
Later than one year and not later than five years	-	18,982
	202	45,104

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:

The Group	2013 A\$'000	2012 A\$'000
Mineral tenements annual expenditure commitments	177	596

32 Commitments (cont'd)

32.5 Environmental bonds

A subsidiary has environmental bonds to the value of A\$9,429,000 (2012 - A\$9,371,000) lodged with the Northern Territory Government (Department of Resources) to secure environment rehabilitation commitments. The A\$9,429,000 of bonds has been secured by A\$7,451,000 of bonds issued under financing facilities and A\$1,978,000 cash backed secured with the Northern Territory Department of Resources.

33 Contingent liabilities

Bootu Creek Mine - Promet Litigation

A subsidiary was 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 judgement (A\$7,186,318) has been paid such that there is now only approximately A\$470,000 outstanding (with interest currently accruing) as against one of the Promet Parties, Lonsdale Investments Pty Ltd. The subsidiary issued a statutory demand to Lonsdale Investments Pty Ltd in respect of this unpaid amount.

Orders were made regarding the legal costs of the action and the subsidiary was 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. The estimated value of the costs award is in excess of \$2,000,000.

Following the costs award, both of the Promet Parties are now in liquidation and all parties have now discontinued their respective appeals.

Liquidators are still conducting enquiries into the affairs of each entity; however, it appears unlikely that any substantial dividend will be distributed to creditors including the subsidiary. At the current point in time, due to the uncertainty of any substantial distribution to creditors, no provision was made as of to date.

GWA (North) Pty Ltd Wagon Derailment

On 7 June 2012 a train derailment event occurred near the Muckaty Rail Siding in the Northern Territory on rail track owned and operated by GWA (North) Pty Ltd ("GWAN"). GWAN had suggested that wagons provided by a subsidiary caused damage to a section of the railway track.

During the year, GWAN had issued the subsidiary with a demand for damages totalling A\$5,470,352, representing the loss and damage allegedly sustained by GWAN following the train derailment event. The subsidiary had denied liability and requested further information regarding the train derailment event.

The subsidiary had notified the owner of the wagons - CFCL Australia Pty Ltd ("CFCLA") - who had in turn notified the wagon maintenance subcontractor - Downer EDI Rail. Based on the facts known at the current point of time, the subsidiary believes that any monies that may be payable to GWAN (whose claim is disputed by the subsidiary), will be recoverable from contractors and has accordingly reported the claimed amount as a contingent liability.

33 Contingent liabilities (cont'd)

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 Company.

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 \$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 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 Years 2010 to 2011

On 25 July 2013 the Territory Revenue office issued royalty assessments for the 2010 and 2011 royalty years. The royalty assessment for 2010 resulted in a further royalty payable of \$2,728,095 and a negative net value of \$24,121,965 for the 2011 royalty year. On 2 October 2013 the Territory Revenue Office issued the subsidiary with an additional royalty for the 2010 royalty year imposed under Section 40(3) of the MRA which requires a further royalty payable of \$443,721.

The subsidiary has formally objected to the TRO's assessments for 2010 and 2011 and the additional royalty payable for 2010. Notwithstanding the formal objection by the subsidiary the royalty assessments for 2010 have been incorporated into the payment plan along with the assessments for 2006 to 2009 which have also been formally objected to by the subsidiary.

During the year, the subsidiary made payments to the TRO in respect of the assessed royalty obligations for a total of \$6,436,656.

33 Contingent liabilities (cont'd)

Northern Territory Mineral Royalties (cont'd)

Royalty Years 2012 to 2013

For the years 2012 and 2013 the subsidiary conducted mining operations which will be assessed under the MRA. As at the end of the reporting period, 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 2012 and 2013 years.

If the Northern Territory assesses the subsidiary's royalty liability for the 2012 and 2013 years based on similar methodologies that the Northern Territory adopted for the 6 years from 2006 to 2011 (inclusive) the subsidiary does not believe that there will be any additional royalty amounts payable for the 2012 and 2013 years.

As at the end of the reporting period, the subsidiary estimates that a net negative value for royalty exists which has led to a deferred tax asset in respect of the net value losses carried forward. Based on the gross realization methodology adopted by the TRO; the subsidiary has calculated the negative net value for royalty to be \$42,814,700 at 31 December 2013 which represents a deferred tax asset of \$8,562,940 in the subsidiary's books.

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:

	2013	2012
	A\$'000	A\$'000
Reportable segment loss	(43,475)	(48,259)
Finance income	608	1,115
Share of results of associate	1,710	(48)
Finance costs	(7,046)	(6,263)
Loss before income tax	(48,203)	(53,455)

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	
	2013	2012	2013	2012
	A\$'000	A\$'000	A\$'000	A\$'000
Principal markets				
PRC	422,264	408,229	25,721	23,379
Australia	-	-	71,215	81,742
Mauritius	-	-	100,103	91,588
Malaysia	-	-	283,116	79,566
Others (including Bermuda and Madagascar)	1,398	-	3,076	2,784
	423,662	408,229	483,231	279,059

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\$30,861,000 (2012 - A\$35,135,000) was derived from a single external customer. This revenue is attributable to the Processing segment (2012 - 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, except that the Group uses derivative instruments against certain market risks during the year. Details of these are in Note 14. 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:

	2013	2012
	A\$'000	A\$'000
The Company		
Corporate guarantees provided to banks on subsidiaries' loans	169,688	67,549

No fair value has been recognised for these corporate guarantees as the amounts are either insignificant or the respective banks have represented that there are no preferential rates extended to the subsidiaries for the loan.

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.

Notes to the financial statements for the financial year ended 31 December 2013

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

35.2 Liquidity risk (cont'd)

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 2013	A\$'000	A\$'000	A\$'000	A\$'000
Non-derivative financial liabilities				
Trade and other payables	135,763	14,247	-	150,010
Provisions	-	-	5,724	5,724
Lease obligation	1,017	7,612	-	8,629
Borrowings	138,558	161,325	27,010	326,893
	275,338	183,184	32,734	491,256
Derivative financial liabilities				
5% Convertible note	2,713	-	-	2,713
Interest rate swaps	-	2,256	-	2,256
Cross currency swaps	-	9,440	-	9,440
Forward foreign exchange contracts	-	15,714	-	15,714
	2,713	27,410	-	30,123
The Group				
As at 31 December 2012 (Restated)				
Non-derivative financial liabilities				
Trade and other payables	90,296	-	-	90,296
Provisions	-	-	5,358	5,358
Lease obligation	1,488	7,519	-	9,007
Borrowings	105,102	67,874	6,184	179,160
	196,886	75,393	11,542	283,821
Derivative financial liabilities				
5% Convertible note	2,713	-	-	2,713
The Company				
As at 31 December 2013				
Non-derivative financial liabilities				
Trade and other payables	34,773	-	-	34,773
Borrowings	-	18,442	-	18,442
	34,773	18,442	-	53,215
Derivative financial liabilities				
5% Convertible note	2,713	-	-	2,713
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

The Group has various lines of credit with major financial institutions for purposes of drawing upon short term borrowings, through the pledging of bills receivables or inventories. Further, management closely monitors the Group's capital structure to ensure that there are adequate funds to meet all its obligations in a timely and cost effective manner.

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

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. The Group uses derivative financial instruments such as interest rate swap to protect against the volatility associated with the interest payments, as disclosed in Note 14.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if USD, RMB and MYR interest rates had been 75 (2012 - 75) basis points lower/higher with all other variables held constant, the Group's loss net of tax would have been lower/higher by the amounts shown below, arising mainly as a result of lower/higher interest expense on bank borrowings, cash collaterals and fixed deposits.

		The Group Profit or loss	
		2013	2012
		A\$'000	A\$'000
United States dollars	- lower 75 basis points (2012 - 75 basis points)	1,580	(691)
	- higher 75 basis points (2012 - 75 basis points)	(1,580)	691
Renminbi	- lower 75 basis points (2012 - 75 basis points)	(70)	(30)
	- higher 75 basis points (2012 - 75 basis points)	70	30
Malaysian Ringgit	- lower 75 basis points (2012 - 75 basis points)	117	-
	- higher 75 basis points (2012 - 75 basis points)	(117)	-

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.

The Group uses derivative financial instruments such cross currency swap and interest rate swap to protect against the volatility associated with the interest payments, as disclosed in Note 14.

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			
		2013		2012	
		(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% (2012 - 5%)	3,746	3,784	(7,728)	(7,651)
	- weakened 5% (2012 - 5%)	3,746	(3,784)	7,728	7,651
RMB	- strengthened 5% (2012 - 5%)	(15,204)	(16,572)	3,094	3,094
	- weakened 5% (2012 - 5%)	15,204	16,572	(3,094)	(3,094)

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

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\$1,169,000 (2012 - A\$2,888,000) 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.

36 Capital risk management (cont'd)

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

	2013	Restated 2012
	A\$'000	A\$'000
Borrowings	326,893	179,160
Less: Cash and cash equivalents	(36,052)	(69,118)
	290,841	110,042
Total equity	302,282	322,370
Gearing ratio	0.96	0.34

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

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

37 Financial instrument

37.1 Accounting classifications of financial assets and financial liabilities

	Held for trading (fair value through profit and loss)	Loans and receivables (carried at amortised cost)	Available for sale (carried at fair value)	Total
	A\$'000	A\$'000	A\$'000	A\$'000
The Group				
31 December 2013				
Assets as per balance sheet				
Available-for-sale financial assets	-	-	11,691	11,691
Trade and other receivables	-	125,574	-	125,574
Cash and cash equivalents	-	67,326	-	67,326
	-	192,900	11,691	204,591

The Company				
31 December 2013				
Assets as per balance sheet				
Available-for-sale financial assets	-	-	11,691	11,691
Trade and other receivables	-	125,145	-	125,145
Cash and cash equivalents	-	50	-	50
	-	125,195	11,691	136,886

	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities (carried at amortised cost)	Total
	A\$'000	A\$'000	A\$'000	A\$'000
The Group				
31 December 2013				
Liabilities as per balance sheet				
Borrowings (excluding finance lease liabilities)	-	-	326,728	326,728
Finance lease liabilities	-	-	165	165
Derivative financial instruments	4,969	25,154	-	30,123
Trade and other payables	-	-	150,010	150,010
Lease obligation	-	-	8,629	8,629
	4,969	25,154	485,532	515,655

The Company				
31 December 2013				
Liabilities as per balance sheet				
Borrowings	-	-	18,442	18,442
Derivative financial instruments	2,713	-	-	2,713
Trade and other payables	-	-	34,773	34,773
	2,713	-	53,215	55,928

37 Financial instrument (cont'd)

37.1 Accounting classifications of financial assets and financial liabilities (cont'd)

	Held for trading (fair value through profit and loss) A\$'000	Loans and receivables (carried at amortised cost) A\$'000	Available for sale (carried at fair value) A\$'000	Total A\$'000
The Group				
31 December 2012				
Financial assets				
Available-for-sale financial assets	-	-	28,884	28,884
Derivative financial instruments	20	-	-	20
Trade and other receivables	-	87,852	-	87,852
Cash and cash equivalents	-	88,852	-	88,852
	20	176,704	28,884	205,608

The Company				
31 December 2012				
Financial assets				
Available-for-sale financial assets	-	-	28,884	28,884
Derivative financial instruments	20	-	-	20
Trade and other receivables	-	138,691	-	138,691
Cash and cash equivalents	-	3,711	-	3,711
	20	142,402	28,884	171,306

	Liabilities at fair value through profit and loss A\$'000	Derivatives used for hedging A\$'000	Other financial liabilities (carried at amortised cost) A\$'000	Total A\$'000
The Group				
31 December 2012				
Financial liabilities				
Borrowings (excluding finance lease liabilities)	-	-	179,112	179,112
Finance lease liabilities	-	-	48	48
Derivative financial instruments	2,713	-	-	2,713
Trade and other payables	-	-	90,296	90,296
Lease obligation	-	-	9,007	9,007
	2,713	-	278,463	281,176

The Company				
31 December 2012				
Financial liabilities				
Borrowings (excluding finance lease liabilities)	-	-	17,734	17,734
Derivative financial instruments	2,713	-	-	2,713
Trade and other payables	-	-	31,217	31,217
	2,713	-	48,951	51,664

38 Fair value measurement

Definition of fair value

FRSs define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

38.1 Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, 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 or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

Notes to the financial statements for the financial year ended 31 December 2013

38 Fair value measurement (cont'd)

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 December 2013 and 31 December 2012:

	Note	Level 1 A\$'000	Level 2 A\$'000	Level 3 A\$'000	Total A\$'000
The Group					
As at 31 December 2013					
Financial assets					
Available-for-sale financial assets	(a)	11,691	-	-	11,691
Financial liabilities					
5% convertible note	(d)	-	-	2,713	2,713
Derivatives used for hedging :		-	-	-	-
Interest rate swaps	(c)	-	2,256	-	2,256
Cross currency swaps	(c)	-	9,440	-	9,440
Forward foreign exchange contracts	(c)	-	15,714	-	15,714
		-	27,410	2,713	30,123
The Group					
As at 31 December 2012					
Financial Assets					
Available-for-sale financial assets	(a)	28,884	-	-	28,884
Unquoted share options	(b)	-	-	20	20
		28,884	-	20	28,904
Financial Liabilities					
5% convertible note	(d)	-	-	2,713	2,713
The Company					
As at 31 December 2013					
Financial assets					
Available-for-sale financial assets	(a)	11,691	-	-	11,691
The Company					
As at 31 December 2012					
Financial assets					
Available-for-sale financial assets	(a)	28,884	-	-	28,884
Unquoted share options	(b)	-	-	20	20
		28,884	-	20	28,904

There were no transfers between Level 1 and Level 2 in 2013 or 2012

- (a) 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.

38 Fair value measurement (cont'd)

Measurement of fair value of financial instruments

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the group financial controller (CFO) and to the audit committee. Valuation processes and fair value changes are discussed among the audit committee and the valuation team at least every year, in line with the Group's reporting dates.

The valuation techniques used for instruments categorised in Levels 2 and 3 are described below:

(b) Unquoted share options

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

(c) Derivatives

The fair values of interest rate swaps, cross currency swaps and forward exchange contracts (Level 2 fair values) are based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take into account the credit risk of the Group entity and counterparty when appropriate.

(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.

39 Comparative figures

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

	2012		1.1.2012	
	As restated	As previously reported	As restated	As previously reported
	A\$'000	A\$'000	A\$'000	A\$'000
<u>Statement of financial position</u>				
Lease obligation - Non-current	7,519	9,007	-	-
Lease obligation - Current	1,488	-	-	-
Cash collateral	19,734	14,962	19,143	14,269
Cash and bank balances	69,118	73,890	12,737	17,611
<u>Consolidated statement of cashflow</u>				
(Increase)/decrease in Cash collateral	(942)	(1,044)	17,199	12,325
Cash and bank balances at beginning of year	12,737	17,611	11,196	16,070
Cash and bank balances at end of year	69,118	73,890	12,737	17,611

The reclassification was made to provide more relevant information on the financial performance of the Group.

40 Other matters

Sponsor 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, and as amended in May 2013 by an Amended and Restated Power Purchase Agreement (“A&R PPA”), the Company issued the following guarantees as conditions precedent to the PPA and the A&R PPA:

The Company issued sponsor guarantee to Syarikat Sesco Berhad (“SSB”) for its 80% interest of the subsidiaries’ obligations under the Amended and Restated Power Purchase Agreement (“A&R PPA”) executed on 31 May 2013. The sponsor guarantees include but is not limited to termination payments, late payment interest and guaranteed obligations under the A&R PPA. The sponsor guarantees have been effective since the financial close of the ferro alloy smelting project. Cahya Mata Sarawak Berhad (“CMSB”) has correspondingly provided the sponsor guarantees for its 20% interest held in the subsidiaries.

The sponsor guarantee mentioned above does 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 subsidiaries 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 or the A&R PPA. There are no bank loans involved in these guarantees. As such, there is no need for the guarantees to be fair valued.

Project Support guarantee issued under the terms of the Facilities Agreement and the Project Support Agreement

OM Materials (Sarawak) Sdn Bhd, a subsidiary of the Company entered into a project finance Facilities Agreement (“FA”) on 28 March 2013 for a limited recourse senior project finance debt facilities totalling USD215 million and MYR310 million for the total cost of the Project’s Phase 1 ferrosilicon production facility and another MYR126 million credit line for the issuance of performance and payment guarantees to the power provider SSB, as part of the its obligations under the Power Purchase Agreement.

Concurrently, the Company also executed a Project Support Agreement (“PSA”) with OM Materials (Sarawak) Sdn Bhd (as Borrower), OM Materials (S) Pte. Ltd. (a wholly-owned subsidiary of the Company) and Samalaju Industries Sdn. Bhd and Cahya Mata Sarawak Berhad (as Obligors). The PSA governs the rights and obligations of the Obligors. These obligations and liabilities of the Company and the CMSB Group are several and pro-rata to their respective 80% and 20% shareholding in OM Materials (Sarawak) Sdn Bhd.

The PSA will lapse and the Project will become non-recourse 18 months after the satisfaction of pre-agreed project completion tests typical for a project financing facility of this nature.