

OM HOLDINGS LIMITED

(ARBN 081 028 337)



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135 – Annual Report 2013

24 April 2014

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

Dear Sir/Madam

2013 ANNUAL REPORT

Please find attached a copy of the 2013 Annual Report for OM Holdings Limited.

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 approximately 1,936km².

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*



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

Strengthening our Fundamentals

Annual Report 2013



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The Group continued to benefit from strong demand for all its manganese products during 2013. China's crude steel production in 2013 reached 779 million tonnes, an increase of 7.5% on 2012.

Overview

2013 has been another challenging year in the manganese industry characterised by fluctuating global and Chinese demand for manganese units, increasing energy and logistics costs, increasing seaborne supply of South African carbonate ores, a strong Australian dollar and a weak South African rand.

China continued to dominate manganese supply demand fundamentals during 2013. Despite the short-term fluctuations in Chinese GDP growth and underlying steel production, we remain a firm believer in the sustainable long-term robustness of the Chinese economy and steel industry. The key drivers remain industrialisation, urbanisation, infrastructure development and increasing consumption by the rising middle class. The policies of the new Chinese leadership focusing on fighting corruption and bureaucracy, protecting the environment, social harmony, the liberalisation of capital markets, the renminbi and interest rates and the increase in consumption driven GDP growth will define China's future GDP growth and the underlying supply demand fundamentals for raw materials.

The Manganese market in 2013

Global crude steel production reached 1,581 million tonnes for the year 2013, an increase from 1,513 million tonnes in 2012. The increase was driven predominantly by China's growing production.

According to Worldsteel, production for Asia was 1,081 million tonnes of crude steel in 2013, an increase of 6.0% compared to 2012. The region's share of world steel production increased slightly from 65.7% in 2012 to 67.3% in 2013. China's crude steel production in 2013 reached 779 million tonnes, an increase of 7.5% on 2012. China's share of world crude steel production increased from 46.7% in 2012 to 48.5% in 2013.

The International Manganese Institute estimates 2013 global manganese ore production at just over 17 million contained Mn units. In terms of wet tonnes this equates to 54 million tonnes produced, with the average manganese ore grade produced globally being just below 31%. China's manganese ore demand represented 65% of the world's total. Six countries continued to dominate manganese ore production, namely

China, Australia, South Africa, Gabon, Brazil and Ghana. China remained the largest importer with around 16 million wet tonnes imported in 2013.

Manganese ore benchmark prices (referenced by BHPB 46%Mn grade lump) ranged between US\$5.20 and US\$5.95/dmtu CIF China during the first half of 2013, while the index ore prices (referenced by 44%Mn grade lump published by Metal Bulletin) ranged between US\$5.11 and US\$5.49/dmtu CIF China during the second half of the year.

The Group continued to benefit from strong demand for all its manganese products during 2013. The manganese ore market pricing methodology has now well and truly changed from a benchmark basis to index prices. This index driven price discovery allows spot prices to more accurately reflect market trends and underlying fundamentals.

Chairman and Chief Executive Officer's Report



The Bootu Creek mine realised significant production improvements during the year as the mine successfully transitioned to an owner-miner operating model.

What we said we would do this time last year

This time last year our objectives were firmly focused on continuing to build a world class mining and ferroalloy smelting company by:

- focusing on the execution of the OM Sarawak project in Malaysia,
- the successful commissioning and market entry of the Tshipi project in South Africa,
- optimising Bootu Creek's resource, lowering its cash costs and extracting the full benefits of the owner-miner operation while preparing to integrate the mine into the supply chain of OM Sarawak,
- maximising the Qinzhou smelter's contribution to the Group through operating and marketing excellence, and

- extracting maximum value from our ore, sinter and alloy sales, the marketing of Tshipi ores, market development for OM Sarawak and the sales of NFE iron ore in China.

The on-time and on-budget execution of the OM Sarawak project remained the key focus of the Group's activities in 2013, after securing project financing, completing the EPC contract and the beginning of construction.

We are pleased to report that notwithstanding the unforeseen operational challenges at Bootu Creek and the lack of NFE iron ore sales, significant progress has been made on all other fronts during 2013.

Review of our progress during 2013

Excluding impairment and other charges the Group achieved positive operating cash EBITDA of A\$4.5 million for the year. The Group's turnover increased by 4% in 2013, however, the financial consequences of Bootu's production problems during Q3 negatively impacted our full-year financial results. The record 2013 performance of the Qinzhou smelter and the subsequent recovery of the mine's production helped us to restore a robust operating and financial performance during the last quarter of 2013. Our investments in NFE and SRR were marked to market at the end of the year, and this resulted in a further impairment of A\$23.0 million for 2013, in addition to the A\$53.0 million impaired in 2012.

Chairman and Chief Executive Officer's Report



The Bootu Creek mine realised significant production improvements during the year as the mine successfully transitioned to an owner-miner operating model. However, the poor yielding ores from the Zulu deposit in Q3 negatively impacted on overall production and cash costs. Following the decision to suspend mining at Zulu and divert resources to the Yaka and Shekuma pits we have significantly improved our operating and financial performance.

During the year the Aboriginal Areas Protection Authority lodged a complaint against OMM in relation to damage to a sacred site at the mine. We were ultimately found guilty of desecration and accepted the ruling. We would like to emphasise here again that the company never

intended to damage or disrespect the sacred site. We sincerely regret the damage and the hurt caused and unreservedly apologise to the site's custodians and traditional owners. We assure you that the lessons learnt from this incident have been firmly entrenched into our mining practices.

OMM remains in dispute with the Territory Revenue Office regarding the calculation of Northern Territory mineral royalties. While we paid and continue to pay royalties as calculated by the TRO, we consider that the TRO's royalty calculation methodology is incorrect and we are entitled to a refund for the 2006 to 2008 and 2010 royalty assessments. We have formally objected to these amended royalty assessments.

Our Qinzhou smelter achieved record production of alloy and sinter during the year. The operational performance of the smelter driven by the team's commitment, focus, technical expertise and continuous improvement philosophy helps them to outperform all expectations. The direct involvement of the OMQ team's technical and management experience will be a very major contributor to the successful commissioning and operation of OM Sarawak during 2014 and 2015.

During early 2014 our long standing financier Standard Chartered Bank ("SCB") invested US\$50 million in the Group. The facility will allow the Group to strengthen its capital structure, refinance its short-term liabilities and create additional

Chairman and Chief Executive Officer's Report



liquidity to ensure the delivery of the OMSarawak project. SCB's investment was supplemented by a further US\$10 million from the Group's management and key investors. We are very grateful for the support of SCB, our managers and investors, expressing their confidence in and demonstrating their support of the Group's strategic direction and execution capability.

As part of the funding package 26,000,000 plus 5,200,000 warrants were granted to SCB and our managers/investors respectively, exercisable within five years from issue date at a conversion price of A\$0.40 per warrant.

Activities at Tshipi Borwa continued to focus on the production and sale of ore during the year, using the temporary crushing and screening circuit, whilst continuing with the construction of the permanent 2.4 million tonne per annum processing

plant. Transnet rail has committed to the supply of two trains per week to Tshipi, with an additional train per week to be supplied at Transnet's discretion. Alternative road and rail solutions have also been implemented to increase the total logistics capacity available to Tshipi. All rail and road transportation options are explored and adopted as technically and commercially appropriate. Tshipi's production strategy is designed to maximise its logistics capacity.

Importantly, during the year we have executed the OM Tshipi joint venture with our Tshipi partners, Jupiter Kalahari (Mauritius) Limited ("Jupiter") and Ntsimbintle Mining Proprietary Limited ("Ntsimbintle"). The Singapore based joint venture will exclusively look after the global marketing and sales of Tshipi's production and the three partners will each hold an equal 33.3% stake. In a short time OMT has become a

leading marketer of South African manganese ore and demonstrated its ability to sell Tshipi's full production.

Progress with OM Sarawak

During the year we have made very significant progress with the OM Sarawak project. The project continues to represent an outstanding investment opportunity based on strong demand fundamentals, increasing industry-wide energy costs and the unique cost competitiveness of Sarawak. The project continues to benefit from its competitive advantages of competitively priced and reliable power, proximity to raw materials and customers, tax incentives, lack of import and export duties and existing infrastructure.

OM Sarawak has concluded its project financing with a syndicate of leading international and regional lenders for USD215 million and MYR310 million of project debt and a further MYR126 million credit line. It

Chairman and Chief Executive Officer's Report

has successfully executed the EPC contract with Sinohydro Corporation Limited and Sinohydro Corporation (M) Sdn Bhd ("Sinohydro") as the Project's lump-sum turn-key EPC contractor and Sinosteel Jilin Electro-Mechanical Equipment Co Ltd ("Sinosteel") as a nominated sub-contractor responsible for all engineering, manufacture, and installation and commissioning. The EPC contract will allow us to leverage Sinohydro's project management experience and Sinosteel Jilin's specialist equipment and control system expertise.

A game-changing 2014 ahead

An ambitious and exciting 2014 lies ahead of the Group and our objectives remain clear and focused.

Bootu's objective for 2014 is to deliver a steady-state operation with consistent mining, processing and logistics performance. The mine's production target will continue to revolve around the Yaka and Shekuma desposits. The mining and processing strategy needs to provide a solid operating platform whilst allowing maximum flexibility to respond to changing circumstances.

The Qinzhou smelter will continue to extract maximum value from its production and marketing performance, adjusting its smelting and sintering production parameters to the changing external market circumstances.

Tshipi will continue to progress towards the completion of the processing plant during 2014 and maximise its production strategy in line with logistics capacity. The sales of Tshipi's ore through OM Tshipi will focus on further penetrating the

Chinese market while at the same time diversifying the mine's customer base into other key manganese ore consuming regions, namely India and Europe.

We remain confident that no further impairment of our investments will be required during 2014 and we can move towards our stated objective of monetising our investments in OM Johor as well as NFE, at the right time and at the right value.

The #1 deliverable of the Group remains the commissioning of the first furnaces at OM Sarawak during the second half year of 2014, while continuing with the commissioning of subsequent furnaces during the year and achieving the full commissioning of the smelting plant by the middle of 2015.

We will progress the development of our recently announced quartzite mining joint venture in Perak, Malaysia, with a view of strengthening OM Sarawak's key raw material security of supply position while further strengthening its cost competitiveness.

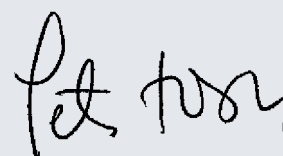
We remain very clear in our view that successful execution of OM Sarawak will be a game-changer for the Group and this view is now fully shared not only by our Board and management team but also by our key investors, financiers and other stakeholders.

OM Sarawak will not only transform the Group's production and financial profile but will also become a platform for significant future strategic growth and value creation opportunities in an industry which is ripe for consolidation.

"I leave OMH during early April 2014 with a bright future ahead of it. The Group has not only entrenched its role as a major player in the industry, but it has some very unique and exciting growth options ahead of it. The successful execution of these projects will position the Group as a leading globally integrated supplier of manganese and ferrosilicon units to the steel industry. I would like to thank the Board, the management team, our shareholders and all stakeholders for their strong support during the past 5 ½ years," Mr Toth said.



Low Ngee Tong
Executive Chairman



Peter Ivan Toth
Chief Executive Officer

Directors



Low Ngee Tong
Executive Chairman

Mr Low is a qualified Mechanical Engineer, having graduated from the National University of Singapore. He has over 34 years experience in the steel, ferro alloy and building materials industries in Asia. That experience was gained with Chiyoda Limited, a global Japanese civil engineering group, Intraco Limited, Intraco Resources Pte Limited, and C Itoh Limited, a significant Japanese metals trading house. Mr Low has demonstrated an excellent network for marketing in China. He was the Chief Executive Officer of OMH since its incorporation and subsequent listing in 1998. In October 2008, Mr Low became the Executive Chairman of OMH. Mr Low's business relationships and reputation with several large multinational corporations in Asia have enabled OMH to successfully establish its profitable operations based in Singapore and extending to China and Australia.

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



Peter Ivan Toth
Chief Executive Officer

Mr Zainul Abidin graduated with a Bachelor of Arts (Honours) in Economics and Malay Studies from the University of Singapore. Mr Zainul was, until 2011, a Member of Parliament and Senior Minister of the State for the Ministry of Foreign Affairs of the Government of Singapore, a position he held since 2006. Prior to becoming a politician, Mr Zainul Abidin had an outstanding career in journalism, which included the positions of Editor of Berita Harian, The Singapore Business, The Sunday Times and Associate Editor of The Straits Times.



Zainul Abidin Rasheed
Independent Deputy Chairman

Mr Zainul served numerous government agencies, councils and civil organisations including Executive Secretary of the Singapore Port Workers' Union, President of the Singapore Islamic Religious Council, Chairman of the Malay Heritage

Foundation, Chief Executive Officer of the Council for the Development of the Malay/Muslim Community (MENDAKI), the Council for Security Co-operation in the Asia Pacific, the National University of Singapore Council as well as being the Patron of the Singapore Rugby Union. Mr Zainul is a current member of the New York-based Asia Society Global Council. Mr Zainul Abidin is a member of the Company's Audit and Remuneration Committees.

Ms Wolseley holds a Bachelor of Commerce degree and is a Chartered Accountant. She is the Principal of a corporate advisory company and has over 22 years experience as Company Secretary to a number of ASX-listed companies operating primarily in the resources sector. Previously Ms Wolseley was an Audit Manager both in Australia and overseas for an international accounting firm. Her expertise includes corporate secretarial, management accounting, financial and management reporting in the mining industry, IPOs, capital raisings, cash flow modelling and corporate governance. Ms Wolseley is also a Member of the Australian Institute of Company Directors and has been the Joint Company Secretary of OMH since 2001. She was appointed as a Non-Executive Director on 24 February 2005.



Julie Anne Wolseley
Non-Executive Director and
Joint Company Secretary

Directors



Tan Peng Chin
Non-Executive Director

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

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



Thomas Teo Liang Huat
Independent Non-Executive Director



Peter Church OAM
Independent Non-Executive Director

Mr Church is an Australian commercial lawyer who resides in Singapore. Mr Church has had a career spanning more than 30 years encompassing significant experience throughout South East Asia and India, including providing legal and corporate services on numerous regional projects including many in the resources sector. Mr Church was a senior partner with the leading Australian and regional law firm now known as Herbert Smith Freehills, and was its Asian Regional Managing Partner at the time he retired from the firm.

Mr Church holds a Bachelor of Commerce (from the University of New South Wales) a Bachelor of Laws (from the University of Sydney) and a Master of Laws (from the University of London). Mr Church is also a fellow of the Australian Institute of Company Directors.

In 1994 Mr Church was awarded the Medal of the Order of Australia (OAM) by the Australian Government for his promotion of business between Australia and South East Asia. Presently, Mr Church is the Chairman of AFG Venture Group, an Australian and Asian corporate advisory firm with various activities throughout Australia, South East Asia and India. He is also Special Counsel to Stephenson Harwood, an English law firm with operations in multiple jurisdictions including London, Hong Kong and Singapore. Mr Church is also a non-executive director of a number of corporations and not for profit organizations, including the Singapore International Chamber of Commerce. Mr Church joined the Board on 12 December 2011. Mr Church is a member of the Audit Committee. Mr Church is viewed as having substantial legal, corporate and business experience enabling him to make a strong strategic contribution to the Company.

Key Management

Name	Position
Heng Siow Kwee	Group HR Director, Managing Director, OMS
Goh Soo Fung	Group Financial Controller, OMH
Don Heng	Group Financial Controller, OMH
Betty Tan	Director, Project, OMH
Edward Young	Director, Trades & Logistics, OMH
Tan Meng Khong	Director, Resources, OMH
Lu Rui Lin	Deputy Director, Trades & Logistics, OMS
Goh Ping Choon	General Manager, Trades & Logistics, OMS
Fanie Van Jaarsveld	Managing Director, OMM
Frank Botica	Chief Financial Officer, OMM
Trevor Cook	Chief Operating Officer, OMM
Craig Thomas Reddell	Geology Manager, OMM
Yang Li Zhong	Chairman, OMQ
Chen Xiao Dong	General Manager, OMQ
Li Xing Huo	Financial Controller, OMQ
Zheng Yuan Hua	Chairman, OMA
Pu Guo Liang	General Manager, OMA
Colin Ouwehand	Chief Executive Officer, OM Tshipi

Directors

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

Company Secretaries

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

Address of Company and Registries

The address of the Corporate Office of the Company:

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

The address of the Bermuda Registered Office:

Clarendon House
2 Church Street, Hamilton HM 11
Bermuda

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

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

The address of the Company's Branch Share Registry in Australia:

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

Name of Bankers

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

Name and Address of Auditors

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

Name and Address of Appointed Australian Agent

OM Holdings (Australia) Pty Ltd
Level I, 46 Parliament Place
West Perth, WA 6005
Telephone : (618) 9481 0955
Facsimile : (618) 9481 0966

Name of Bermuda Resident Representative

Codan Services Limited

Website : www.omholdingsltd.com

ASX Code : OMH

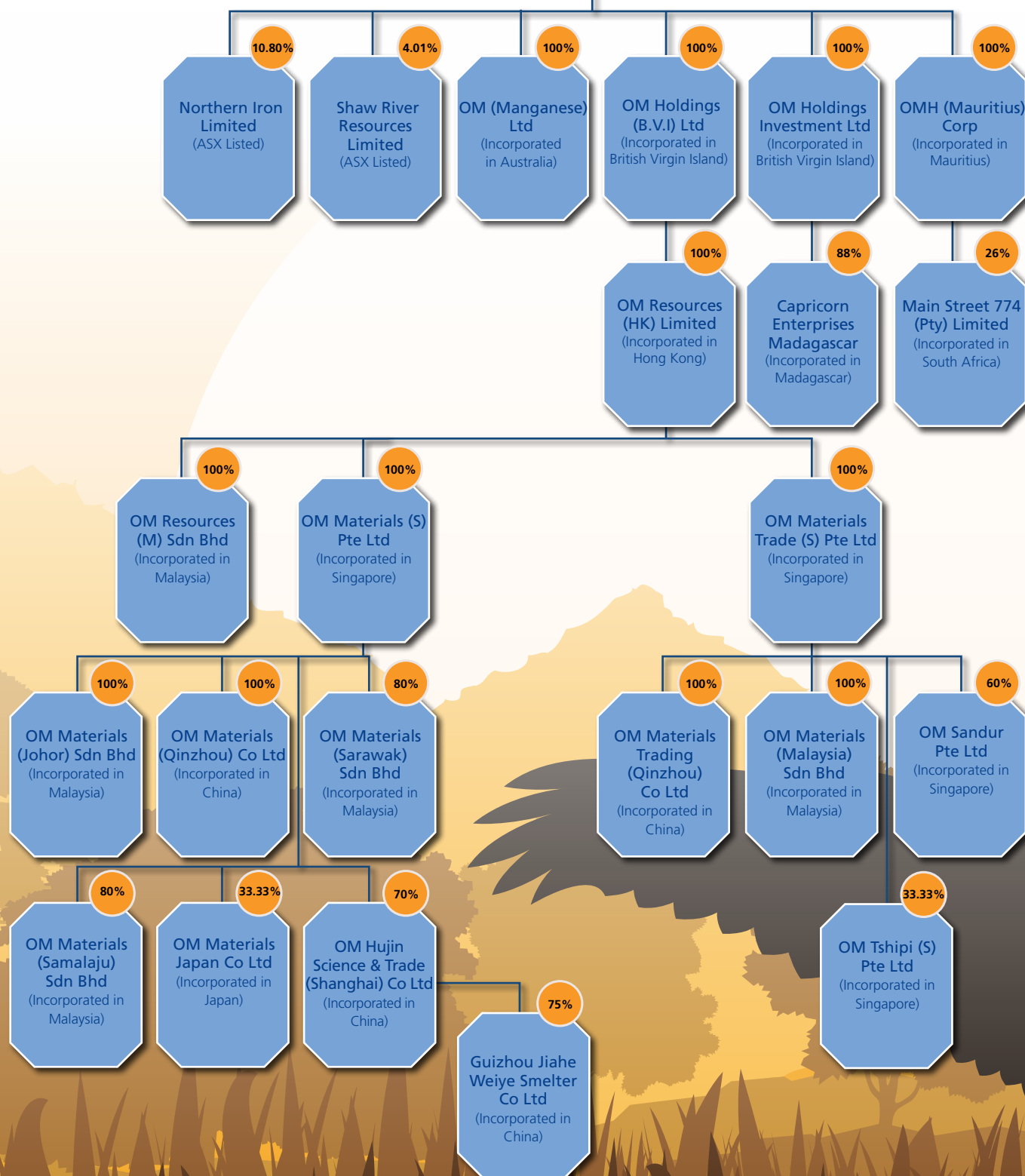
Corporate Structure



OM HOLDINGS LIMITED

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

Listed on ASX on 19 March 1998

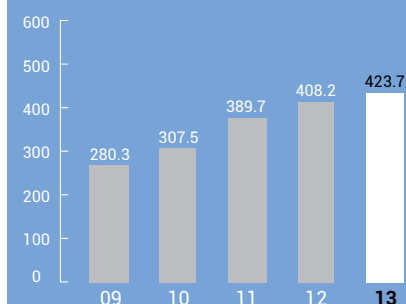


Financial Highlights

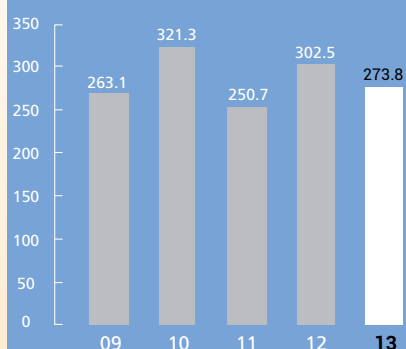
5 Year Group Financial Highlights

Financial years ended 31 December	2013	2012	2011	2010	2009
	A\$'million	A\$'million	A\$'million	A\$'million	A\$'million
Revenue	423.7	408.2	389.7	307.5	280.3
Profit/(loss) before taxation	(48.2)	(53.5)	(29.1)	55.3	28.3
Profit/(loss) attributable to shareholders	(49.0)	(61.1)	(11.5)	47.2	26.9
Total assets	840.1	626.5	553.6	509.3	323.3
Shareholders' funds	302.3	322.4	258.0	325.9	265.7
Net tangible assets	273.8	302.5	250.7	321.3	263.1
	A\$cents	A\$cents	A\$cents	A\$cents	A\$cents
Net tangible assets per share	37.33	44.92	49.73	63.87	53.60
Basic earning/(loss) per share	(6.96)	(10.09)	(2.29)	9.58	5.59
Dividend per share	Nil	Nil	Nil	2.75	3.00
	2013	2012	2011	2010	2009
Gross profit (A\$ million)	34.4	50.6	59.6	117.4	112.8
Gross profit margin (%)	8.1	12.4	15.3	38.2	40.2

REVENUE (A\$'million)



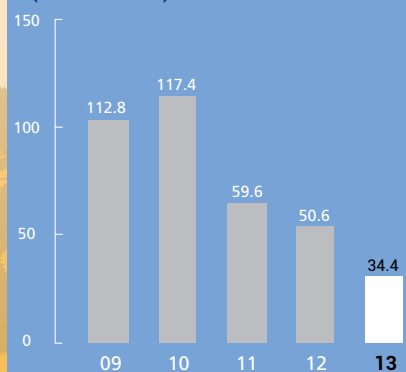
NET TANGIBLE ASSETS (A\$'million)



Comparison sales to International Regions were as follows:

Region	2013	2012	2011	2010	2009
	%	%	%	%	%
South Korea/Japan	-	-	-	-	4.2
China	99.7	100	100	96.2	91.6
Others	0.3	-	-	3.8	4.2
Total	100	100	100	100	100

GROSS PROFIT (A\$'million)



OMH Group Overview

OM Holdings Limited ("OMH" or the "Company") and its subsidiaries (collectively the Group) have a long established history of more than 16 years in exploration, project development, operations and marketing and trading. With integrated operations comprising exploration, mining, processing, smelting, sintering and marketing and trading, the Group is able to capture significant value and margins along the entire value chain.

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

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

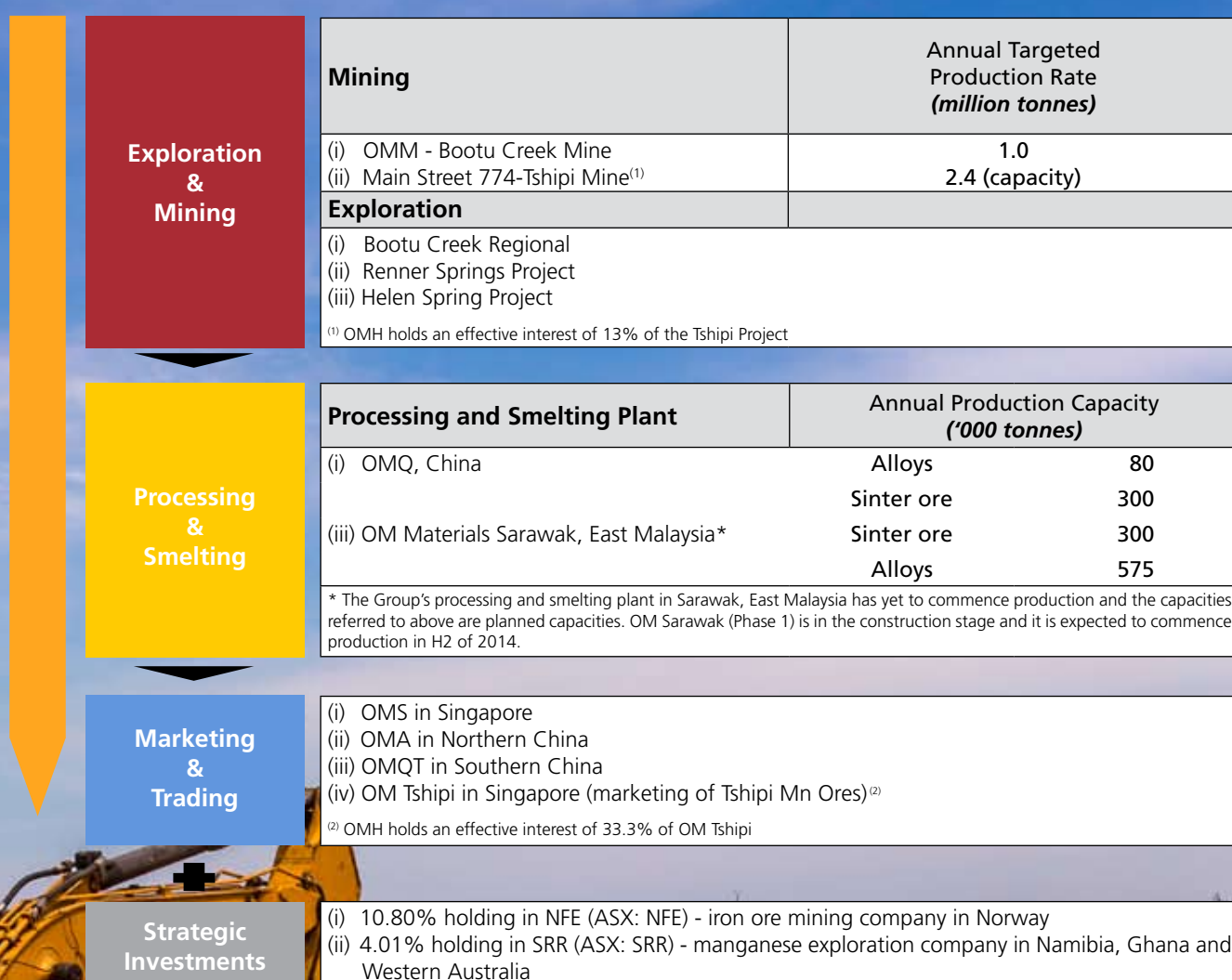
Key Operating Entities of OM Holdings Group

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

- **OM (Manganese) Ltd ("OMM")** – OMM owns the Bootu Creek mine located in the Northern Territory, Australia. The Bootu Creek mine is located ~110km north of Tennant Creek, mining operations commenced in November 2005 and the first ore was processed in April 2006.
- **OM Materials (S) Pte Ltd ("OMS")** – OMS, a company based in Singapore is the strategic trading hub of the Group. It handles the logistics, marketing, product flow and product distribution of the Group. The focus of the OMS business is currently on equity ore sales from Bootu Creek, the marketing of Tshipi's production and iron ore sales from Northern Iron's Sydvaranger Project in Norway to China.
- **OM Materials Qinzhou Co Ltd ("OMQ")** – OMQ owns the Group's ferroalloy smelter in Qinzhou in Guangxi province, China. The smelter is located ~1km from the Qinzhou port, providing OMQ a competitive advantage in ease of accessing imported raw materials, in particular manganese ore. OMQ also provides the Group with intangible benefits like market intelligence and insight in smelter economics, particularly in China where industry information (e.g. cost structures) may not be readily available.
- **OM Hujin Science and Trade (Shanghai) Co Ltd ("OMA") & OM Materials (Qinzhou) Trading Co Ltd ("OMQT")** – OMA and OMQT are both the distribution arms of OMS in China. Both companies support the operations of OMS and focus on the Northern and Southern China regions respectively.
- **OM Materials (Sarawak) Sdn Bhd ("OM Sarawak")** – The Group is establishing a ferroalloy smelter and manganese ore sinter plant in Sarawak, Malaysia which will have the capability to produce approximately 300,000 tonnes of manganese ferroalloys, and approximately 308,000 tonnes of ferrosilicon alloys for consumption by the growing Asian steel industry.



Vertically Integrated Business Model

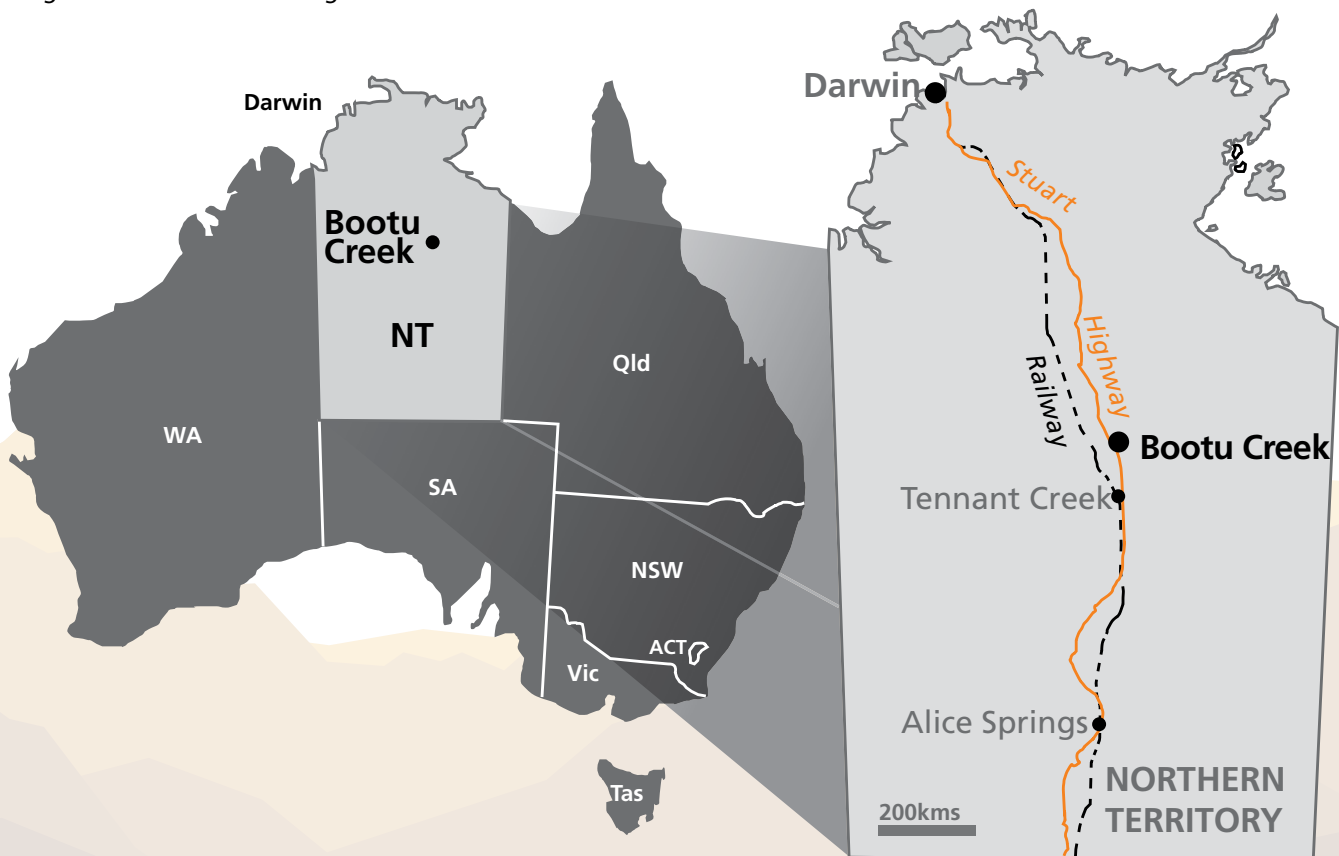


Mining Operations Review

HIGHLIGHTS

- Annual production of 826,599 tonnes grading 35.02% Mn
- Record quarterly production of 271,971 tonnes achieved in December 2014 Quarter
- November 2013 registered an all-time record production of 100,402 tonnes at a manganese grade of 35.22%
- Successful transition and commissioning to an Owner Miner Operator over second half of 2012 and first half 2013 underpins low cost mining operations
- Bootu Creek Mineral Resource of 23.5 million tonnes at 22.3% Mn continues to underpin the current processing rate of 2.5 million tonnes of ore per annum, producing up to 1.0 million tonnes of manganese product for export per annum

Figure 1. Bootu Creek Manganese Mine-site Location



Overview

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

Territory of Australia. OMM's principal administration offices are located in Perth, Western Australia and Darwin in the Northern Territory.

The exploration and subsequent development of the Bootu Creek Project commenced in September 2001. Mining operations commenced

in November 2005 and its first batch of ore was processed in April 2006.

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

Mining Operations Review

regional exploration project areas are located at Renner Springs and Helen Springs.

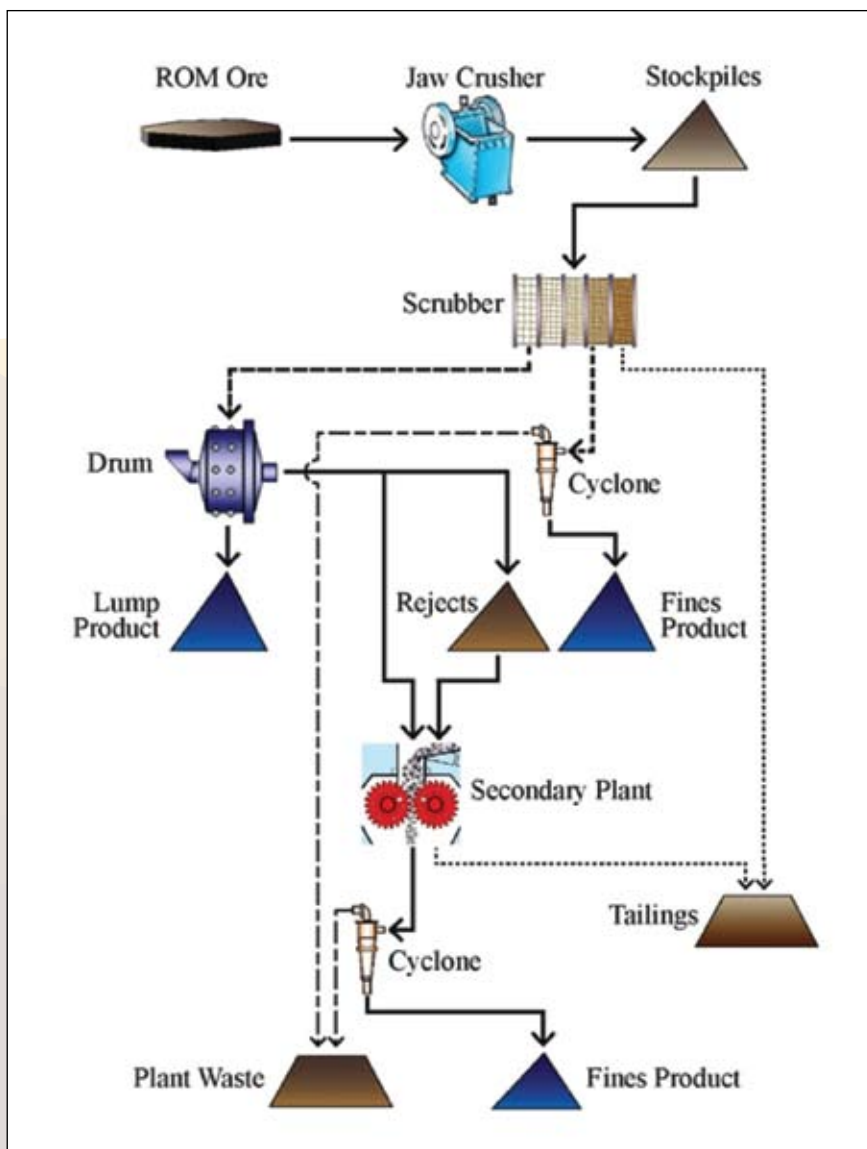
The Bootu Creek Project area contains a number of manganese deposits located along the western and eastern limbs of the Bootu syncline. The individual mineralised horizons are generally strata-bound in character and can persist over strike lengths of up to 3km. The Mineral Resources defined to date at the project are long shallow, gently dipping deposits amenable to open pit mining.

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

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

The processing of manganese ore is described diagrammatically below:

Figure 2. Bootu Creek Manganese Processing Plant Schematic



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

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

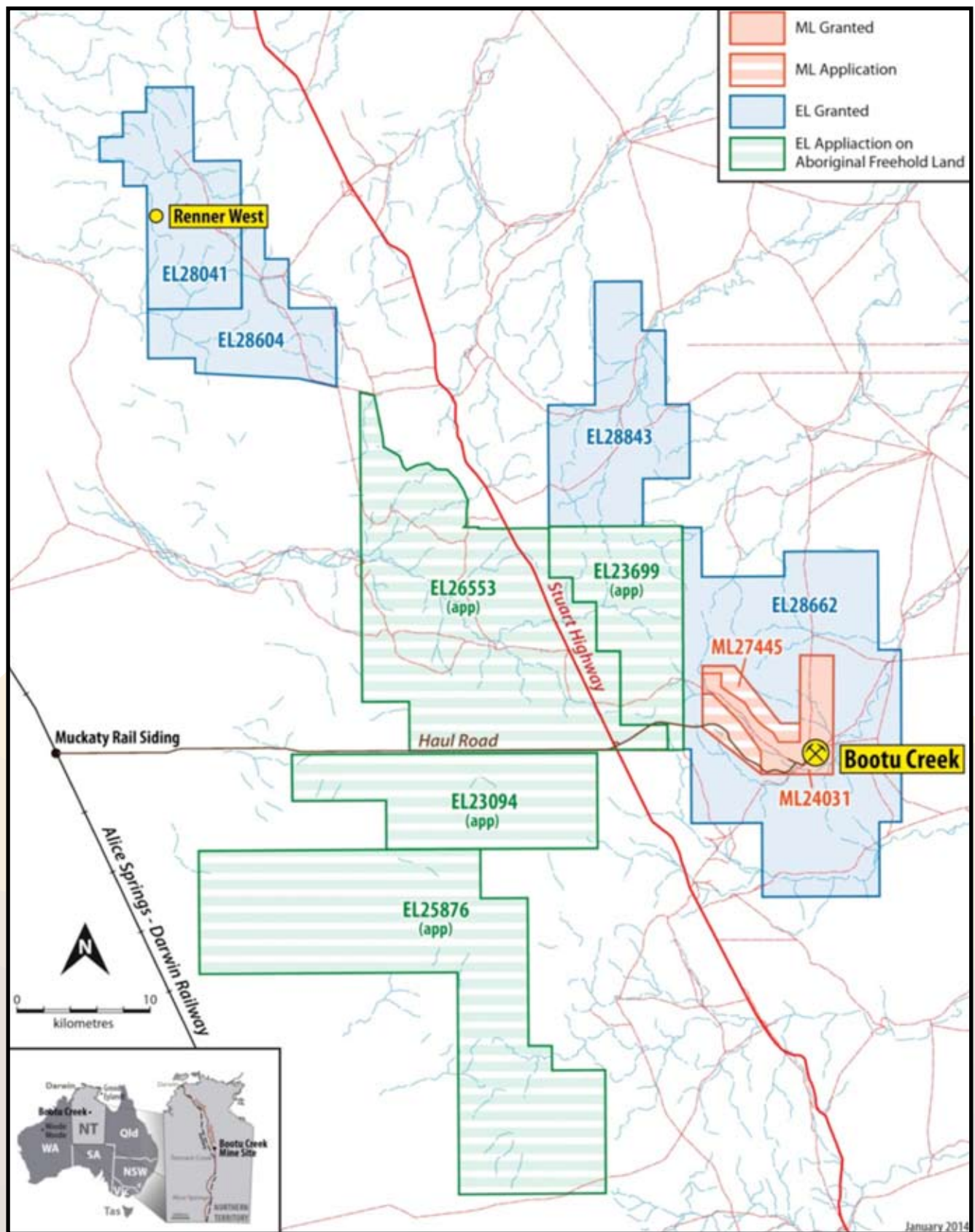
The PPP was designed to produce a nominal 550,000 tonnes of product per annum, comprising about 420,000 tonnes of lump and about 130,000 tonnes of fines. Numerous capital upgrading and improvements increased its production capacity to approximately 800,000 tonnes of product per annum. With the commissioning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

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

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

Mining Operations Review

Figure 3. Bootu Creek Manganese Project Tenement Holdings



Mining Operations Review

Table 1. Bootu Creek Operations – Production

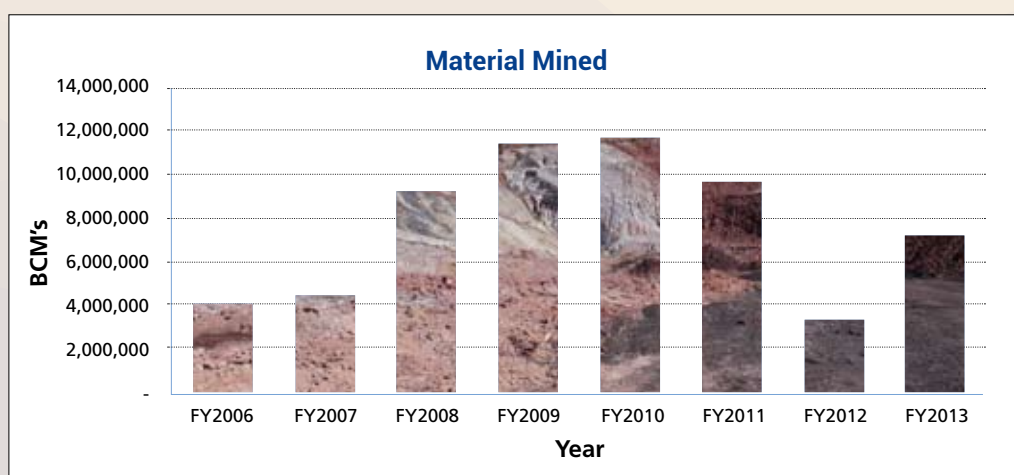
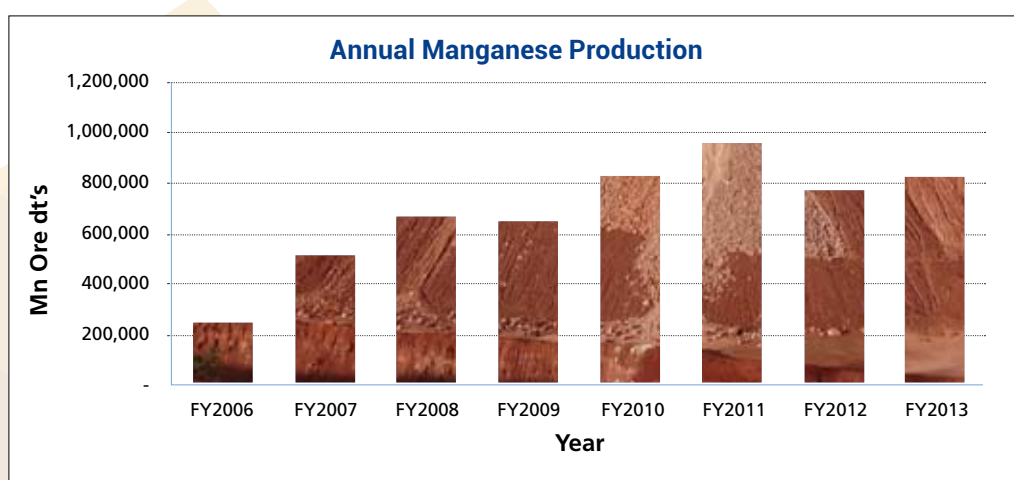
	Years ended 31 December				
	Unit	2013	2012	2011	2010
Mining					
Total Material Mined	bcms	7,178,868	3,260,984	9,677,073	11,645,873
Ore Mined - tonnes	dt's	1,842,955	1,435,874	1,669,757	2,080,168
Ore Mined - Mn grade	%	21.77	23.03	22.49	22.48
Production					
Lump - tonnes	dt's	561,499	485,585	595,543	537,759
Lump - Mn grade	%	34.23	36.14	36.31	36.33
Fines/SPP - tonnes	dt's	265,101	252,180	306,539	293,602
Fines/SPP - Mn grade	%	36.69	37.35	37.47	37.49
Total Production - Tonnes	dt's	826,599	737,766	902,082	831,361
Total Production - Mn Grade	%	35.02	36.55	36.70	36.74
Sales					
Lump - tonnes	dt's	505,397	507,941	663,186	521,374
Lump - Mn grade	%	34.15	36.23	36.19	37.09
Fines/SPP - tonnes	dt's	253,203	265,947	298,284	222,103
Fines/SPP - Mn grade	%	36.88	37.72	38.16	38.11
Total Sales - Tonnes	dt's	758,600	773,888	961,470	743,477
Total Sales - Mn Grade	%	35.06	36.74	36.80	37.40

Operations

OMM achieved production of 826,599 tonnes at an average grade of 35.02% Mn for the year ended 31 December 2013 in line with the mine's operating strategy for 2013 which centred around a normalised strip ratio operation utilising two-three mining fleets focusing on accessing previously pre-stripped high grade ore deposits and developing new deposits within the Bootu Creek Mineral Lease.

Mining

Mining activities during 2013 focused initially on the established Tourag deposit and the new Zulu deposit for two quarters. Poor metallurgical characteristics of the Zulu deposit necessitated a change to the mine



Mining Operations Review

schedule in the third quarter of 2013. Mining activities commenced thereafter on the new Yaka deposit and new stages within the established Shekuma deposit. Ore from the new mining areas consisted of highly competent and high-yielding material with elevated manganese grades throughout the length of the deposits and contributed to record quarterly production in the December 2013 quarter. A total of 7.2 million BCM's of material were mined for the year.

Processing

OMM produced 826,599 tonnes grading 35.02% Mn for the year ended 31 December 2013.

Production for the March 2013 Quarter was 195,607 tonnes at an average grade of 33.38% Mn and was produced from a blend of low and high grade ores previously stockpiled on site or accessed during the period. During the March 2013 Quarter a series of planned trial ore blends and product tests were conducted through the main processing plant and the secondary processing plant to establish optimal processing characteristics for a range of product types from 30% to 35% Mn with specific silica and iron contents, specifically targeted for Silico Manganese ferroalloy production.

The trial test work runs were planned to coincide with the Zulu pre-strip program and aimed to provide processing data to maximise product yield and metal recovery performance from a range of ore sources targeting variations in ore grade and quality while maintaining high value-in-use products for customers.

Production for the June 2013 Quarter was 208,183 tonnes at an average grade of 35.96% Mn and was produced from a blend of Zulu high grade ore and low grade stockpiled ores. Zulu ore processing performance was broadly in line with expectations although certain zones of the ore mined presented slightly elevated iron content and a higher ratio of fine materials due to localised faulting, resulting in the addition of lumpier low grade ores to maintain the appropriate lump-fine ratio in the finished product. The effect of this is a marginal reduction in the overall plant yield during the quarter.

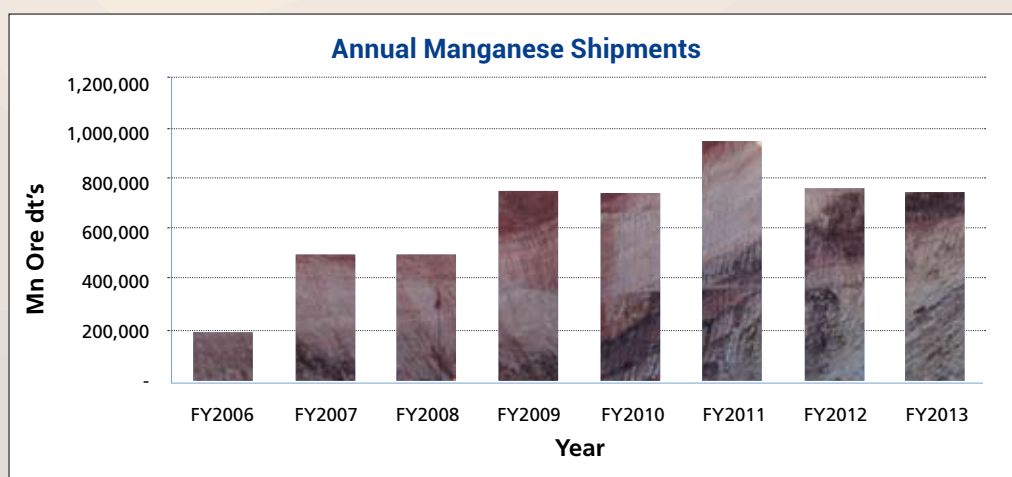
Production for the September 2013 Quarter was 150,843 tonnes at an average grade of 35.08% Mn and was negatively impacted by poor processing characteristics of the Zulu deposit ores, which resulted in significantly lower than expected mass yields when processed. Whilst

the manganese grade of the ore delivered to the processing plant improved in the September quarter, the plant mass yield continued to reduce significantly due to the overall competency of the ore and resulted in plant mass yields being significantly below forecast.

Production for the December 2013 Quarter was a record 271,971 tonnes at an average grade of 35.45% Mn and included two consecutive months (November and December) where production exceeded 100,000 tonnes. November 2013 registered an all-time record production of 100,402 tonnes at a manganese grade of 35.22%. Production for the quarter was positively impacted by higher grade, competent ore supply from the new Shekuma (stage) and Yaka deposits which significantly improved process plant mass yields. Ore from the new deposits will form the bulk of ore supply for the 2014 financial year and will underpin a positive improvement in process plant mass yields.

Logistics and Sales

During the 2013 financial year a total of 797,589 wet tonnes (758,600 dry tonnes) was exported through the Port of Darwin.



Mining Operations Review

Bootu Creek Mineral Resource and Ore Reserve Update, as at 31 December 2013

- Bootu Creek Mineral Resource as at 31 December 2013 was 23.5 million tonnes at a grade of 22.3% Mn, a net reduction of

3.6 million tonnes after allowing for the 2.4 million tonnes of ore processed through the Bootu Creek processing plant in 2013.

- Bootu Creek Ore Reserve as at December 2013 was 12.5 million

tonnes at an average diluted grade of 20.9% Mn, a net reduction of 0.8 million tonnes after allowing for the 2.4 million tonnes of ore processed through the Bootu Creek processing plant in 2013.

Table 2. Comparison of Mineral Resource and Ore Reserve at 31 December 2013 with 31 December 2012

Bootu Creek	31 December 2013		31 December 2012		Change
	Mt	%Mn	Mt	%Mn	Mt
Mineral Resource	23.5	22.3	29.5	22.2	-6.0
Ore Reserve	12.5	20.9	15.7	20.6	-3.2

The Bootu Creek Mineral Resource and Ore Reserve estimates have been completed in accordance with the JORC Code (2012 Edition). Mineral Resources quoted are reported as inclusive of Ore Reserves.

Bootu Creek Mineral Resource as at 31 December 2013

Table 3. Bootu Creek Mineral Resource Estimate as at 31 December 2013

At 15% Mn cutoff	Measured		Indicated		Inferred		Combined*	
	Mt	%Mn	Mt	%Mn	Mt	%Mn	Mt	%Mn
Deposit:								
Chugga-Gogo	1.9	23.3	5.4	22.6	0.3	24.3	7.6	22.8
Foldnose			0.6	21.1			0.6	21.1
Masai	0.7	23.1	2.3	21.7			3.0	22.0
Shekuma	0.5	25.0	2.6	24.6	0.0	21.6	3.1	24.9
Tourag	0.4	22.9	1.8	22.2			3.1	24.9
Yaka	0.1	23.1	3.3	22.1			3.5	22.2
Zulu							0.0	0.0
Zulu South			0.6	20.2			0.6	20.2
Renner West					0.3	22.1	0.3	22.1
Insitu Resource*	3.7	23.4	16.6	22.6	0.6	23.1	20.8	22.7
ROM Stocks	0.3	17.2					0.3	17.2
SPP Stocks	2.4	19.3					2.4	19.3
Total Resource*	6.3	21.6	16.6	22.6	0.6	23.1	23.5	22.3

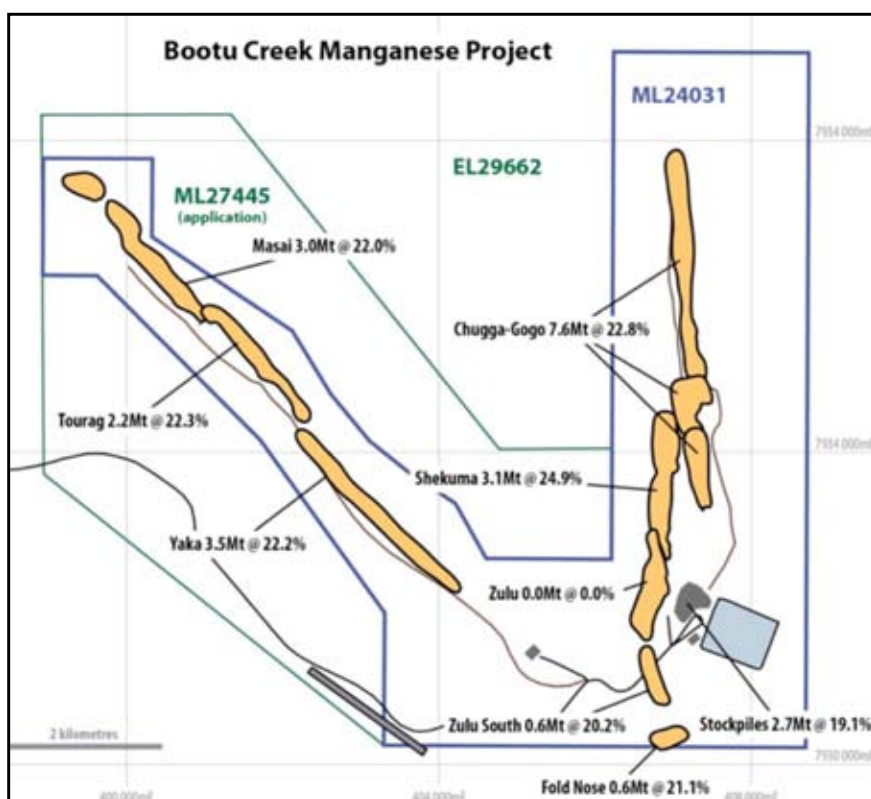
* Rounding gives rise to unit discrepancies in this table

Mining Operations Review

A total of 2.4 million tonnes of ore was processed during 2013. Other significant components contributing to the reduced 31 December 2013 Mineral Resource include a reduction in the long-term FOB Darwin Price, exclusion of the remaining Zulu resource model due to poor metallurgical performance and the partial exclusion of the Masai resource model affected by Restricted Work Areas (RWAs) protecting sacred sites. There was no new resource delineation drilling or resource estimation updates during 2013.

A total of 1.8 million tonnes of ore was mined from Shekuma, Tourag, Yaka and Zulu pits during 2013, and a further 0.6 million tonnes was depleted from low grade ore stockpiles.

Figure 4. Bootu Creek Mineral Resource location plan, as at 31 December 2013



Bootu Creek Ore Reserve as at 31 December 2013

Table 4. Bootu Creek Ore Reserve Estimate as at 31 December 2013

At 15% Mn cutoff	Proved		Probable		Combined*	
	Mt	%Mn	Mt	%Mn	Mt	%Mn
Deposit:						
Chugga-Gogo	1.6	21.3	2.4	21.0	4.0	21.1
Masai	0.7	20.9	0.5	20.6	1.2	20.8
Shekuma	0.5	22.6	1.7	22.9	2.2	22.9
Tourag	0.4	20.8	0.7	21.1	1.0	20.9
Yaka	0.1	21.1	1.2	20.9	1.3	20.9
Zulu					0.0	0.0
Insitu Resource*	3.3	21.3	6.5	21.5	9.8	21.4
ROM Stocks	0.3	17.2			0.3	17.2
SPP Stocks	2.4	19.3			2.4	19.3
Total Resource*	6.0	20.3	6.5	21.5	12.5	20.9

* Rounding gives rise to unit discrepancies in this table

Mining Operations Review

The 31 December 2013 Ore Reserve estimate was 12.5 million tonnes at an average diluted grade of 20.9% Mn, a decrease of 3.2 million tonnes when compared to the 31 December 2012 estimate. This equates to a net loss of 0.8 million tonnes after allowing for the 2.4 million tonnes of ore processed through the Bootu Creek processing plant in 2013.

Exclusion of the Zulu resource model and partial exclusion of the Masai resource model resulted in a net loss of 0.8 million tonnes to the 31 December 2013 Ore Reserve. A net increase of 0.5 million tonnes in the optimised pit shells for Shekuma, Chugga-Gogo and Tourag pits was balanced by a net decrease of 0.5 million tonnes

in optimised pit shells for Masai and Yaka pits. The main driver for changes in optimised pit shells results from the remodelled plant yield and recovery formula favouring higher grade resource blocks at the expense of lower grade resource blocks.

The Mineral Resource and Ore Reserve estimation summaries, and JORC (2012 Edition) Table 1 Sections 1 to 4 are attached to this report as appendices.

2013 Exploration Program

Approximately AUD 0.6 million was expended on exploration activities in the Bootu Creek, Renner Springs and Helen Springs Project Areas during 2013. Gradient Array IP was conducted

at Renner Springs South (EL28604), Helen Springs North (EL28843) and Masai NW Extension (ML24031 and EL28662). IP anomalies at Renner South and Masai NW warrant follow up drill testing.

Drilling in 2013 included 18 RC holes (366m) drilled at Renner Central on EL28041, 15 RC holes (801m) drilled at Looa Bore on EL28662, and 28 RC holes (1,452m) drilled at Bootu Creek on ML24031.

Sufficient encouragement was returned, from drilling at Renner Central and at Masai NW (ML24031) Prospects, to warrant follow up drilling in 2014.

The information in this report which relates to Reporting of Exploration Results, Mineral Resources and Ore Reserves estimation is based on information compiled and checked by Mr Craig Reddell a full time employee of OM (Manganese) Ltd and by Mr Mark Drabble of Optiro Pty Ltd, both members of the Australasian Institute of Mining and Metallurgy. Mr Reddell and Mr Drabble have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the JORC 2012 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Reddell and Mr Drabble consent to the reporting of this information in the form and context in which it appears.

Processing Operations Review



HIGHLIGHTS

- Record annual production of 94,118 tonnes of HCFMn, representing a 16.5% increase over the previous year
- Furnaces 101 and 102 registered the longest ever continuous production days of 1,083 and 1,110 respectively
- Annual production of 245,158 tonnes of manganese sinter ore
- Record annual sales of HCFMn of 84,339 tonnes, representing a 10.4% increase over the previous year

Overview and Update in 2013

The ferroalloy processing segment includes the operations of OMQ's smelter and sinter ore plant located in Qinzhou, and the Guizhou Jiahe Weiye ("GJW") smelter in Guiyang, of which the Group holds an effective interest of 52.5%.

Qinzhou is located in a pivotal region for ferroalloy smelters and ore distribution throughout the Chinese market. The OMQ plant is adjacent to a port operation, and has excellent transport logistics and access to power at competitive rates. The plant has a nameplate capacity of 60,000 tpa of

alloys, but has consistently exceeded this nameplate capacity since 2011. The manganese sinter plant is regarded as one the largest in China and is designed to produce 300,000 tonnes of sintered ores annually.

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

areas for raw materials and finished products.

The sinter plant was commissioned in March 2010 and as part of the Company's effort to be an environmentally responsible entity, the plant is fully automated and technologically equipped to recycle the carbon monoxide gases emitted from the smelter furnaces. The gas which would otherwise have been emitted into the environment is used instead to fire up both the rotary kiln and for the production of manganese sinter ores.

Table 1. Production

		Years ended 31 December			
	Unit	2013	2012	2011	2010
HCFMn	tonnes	94,118	80,801	73,838	36,732
Sinter ore	tonnes	245,158	230,524	255,655	103,650

Marketing and Trading Operations Review



MARKETING AND TRADING HIGHLIGHTS

- 1,893,916 tonnes of Bootu Creek and third party ore and alloy products transacted in 2013

Overview and Update in 2013

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

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

OMS represents the international segment of the division and looks after the marketing and sales of equity manganese ore products from the Bootu Creek Mine, procurement

of manganese ore for production by OMQ and trading of third party products purchased from outside the Group. In China, OMS is supported by its Chinese regional marketing hubs in Qinzhou and Shanghai, which focuses on sales and distribution in the southern and northern China regions, respectively.

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

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

Furthermore, product knowledge and technical expertise are supported by the Group's own smelting and sintering capabilities at OMQ.

Since the last quarter of 2012, the Group has commenced the marketing of South African manganese ores from the newly developed Tshipi Mine to the Chinese market. The marketing and trading segment handled a total of 619,660 tonnes of Tshipi ores during 2013.

Construction and Development Review

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



HIGHLIGHTS

- Fixed lump sum EPC contract executed with Sinohydro Corporation
- Equity for the project fully funded and to-date 42% of project finance facility drawn
- Overall project earned value to-date of approximately 57%
- Pre-commissioning commenced on 275kv power substation
- Equipment installation commenced for workshop A01
- First batch of smelting workers recruited and undergoing comprehensive training in China

Overview

OM Materials (Sarawak) Sdn Bhd (“OM Sarawak”), an 80:20 joint venture between OMH and Cahya Mata Sarawak Berhad (“CMSB”), a listed industrial conglomerate on the Main Market of the Malaysian Stock Exchange, Bursa Malaysia, is the owner of the Ferro Alloy Smelting Project in Sarawak, Malaysia (the “Project”). OM Sarawak aims to be a low cost ferrosilicon producer, with a cost of production placing it at the lower end of the global industry cost curve of ferrosilicon producers.

The Project, which represents a major step in OMH’s development as a potentially world class lowest-quartile cost producer of ferroalloys, notably ferrosilicon and manganese silicon, entails the continued development of a manganese and ferrosilicon alloy smelter with an expected annual production capacity of approximately 600,000 tonnes in the Samalaju Industrial Park, Sarawak, Malaysia. The Project will be developed in two phases at an approximate total project cost of USD 592 million.

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

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

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

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

To-date, OM Sarawak has signed off-take agreements with JFE Shoji Trade Corporation, Hanwa Co., Ltd and Fesil Sales AG, collectively exceeding 60% of the Project's expected Phase 1 production capacity. Notwithstanding this, the Project continues to receive strong interest in its product, which the company is evaluating and actively managing with a view to positioning itself to secure optimal arrangements at the opportune time. The strategic intent is to maintain a mix of long- and short-term off-take arrangements to optimise returns and flexibility, and it is envisaged that further contracts will be entered into as the Project nears commercial operation.

The market demand for both ferrosilicon and manganese alloys from this smelter is expected to be strong. This will be driven by the long-term growth prospects for steel production in the East Asian region and the smelter's competitive first quartile position on the operating and delivery cost curve thanks to its comparatively cheaper energy costs and its strategic proximity to growing East Asian markets. All this, coupled with the change in industry dynamics, which is largely being driven by rising power prices and labour costs, growing demand from China for ferrosilicon alloys, higher environmental standards affecting



Substation Switchyard



Substation Control Building



Workshops A03, A02, A01



Main Workshops A01, A02



Furnace Electrode Holder

Construction and Development Review

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



A01 workshop furnace electrode holder erection and welding



Samalaju port



Furnace Feeding Station



Furnace dedusting installation



Furnace Electrode Holder

older plants, and the Chinese Government's disincentives to export energy intensive products, augurs well for the smelter's future operations.

Plant Construction and Development

Overall schedule performance achieved as of February 2014 was reported as 57%, with the civil and structural work behind schedule by approximately 14%. Despite the delay, the Interim Commercial Operation Date is still expected to be on schedule.

The last mile connection from Samalaju substation to the smelting plant has been completed. To-date, the progress for substation is approximately 92% and installation of communication and metering panels were in the progress in the substation. The substation is expected to be ready to draw power from the Sarawak power grid well before the start of commercial operation date.

Sinosteel's fabrication work is progressing well; procurement and fabrication for most of Plant A equipment has been completed and the majority of the critical equipment delivered to site.

At the end of February 2014, the overall Project cumulative earned value progress achieved is 57%. Commercial production at the Sarawak Project will commence on a phased ramp-up basis and the company is preparing for operational readiness. To date, 65% of workers required for Plant A has been recruited and are undergoing a comprehensive training regime in China. Raw materials and certain auxiliary materials are expected to arrive on site in Q2 2014.

Financing

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

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

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

2013 HIGHLIGHTS

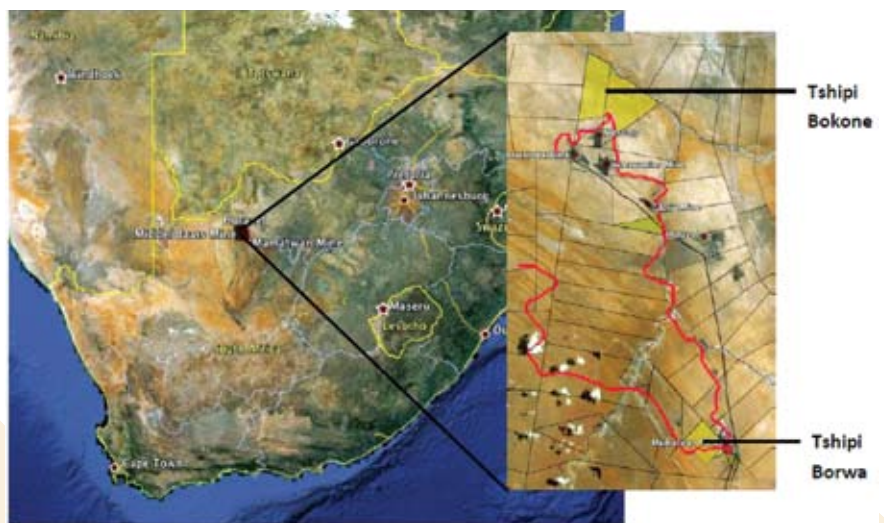
- First ever manganese ore shipment from Tshipi made during December 2012
- A total 730,534 tonnes of ores were shipped during 2013
- Transnet rail and port contracts concluded, with Transnet's commitment to supply two trains per week, with an additional train per week at Transnet's discretion
- Combination of road and rail solutions implemented to increase logistics capacity
- Construction of the 2.4 million tonne a year permanent processing plant and supporting infrastructure remains on track
- Tshipi's shareholders formed a Singapore based joint venture marketing company, OM Tshipi (S) Pte Ltd to market all of Tshipi's manganese ore production

Overview

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

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

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



Tshipi Project Locations

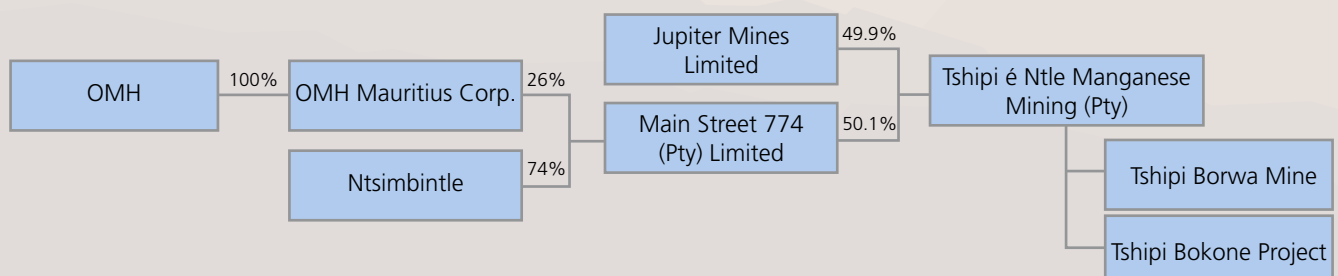
The Tshipi Borwa Mine is located on the south western outer rim of the Kalahari Manganese Field making the ore resources shallower and more amenable to open pit mining.

Tshipi Borwa ore commences at a depth of 70m below the surface and the ore is contained within a 30m to 45m thick mineralised zone which occurs along the entire Borwa

Property. The ore layer dips gradually to the north-west at approximately 5 degrees.

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

Tshipi Ownership Structure



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



Construction of the rapid load out station and feed conveyors



Tshipi's first vessel being loaded with manganese at Port Elizabeth



Tshipi Rail Siding

Mining of Tshipi Borwa is a relatively simple truck and shovel open cast operation. Once exposed the manganese ore is drilled, blasted and loaded onto a truck and hauled to the main ROM stockpile.

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

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

Inland transportation of manganese products from the mine site is carried out by rail, and complemented by a combination of road and rail solutions to increase logistics capacity, which includes the use of sea containers and skiptainers.

Operations

Tshipi Borwa

Tshipi accessed the first ore on 10 October 2012 approximately eleven months after commencing the required 70 metre pre-strip. Manganese is being produced using a temporary crushing and screening circuit.

Site construction on the 2.4mtpa processing plant and support facilities continued throughout the year. The railway siding is fully operational and the rapid load out station was completed.

Tshipi Bokone

Exploration activities at Tshipi Bokone have temporarily been put on hold as Tshipi's management focus their attention at bringing Tshipi Borwa to optimum production.

OM Tshipi (S) Pte Ltd ("OM Tshipi")

During the year OMH's wholly owned subsidiary OM Trades (S) Pte Ltd entered into a Joint Venture Agreement with Australia listed Jupiter Kalahari (Mauritius) Limited ("Jupiter") and South Africa's Ntsimbintle Mining Proprietary Limited ("Ntsimbintle").

The joint venture agreement provides for the marketing of manganese ore produced by Tshipi é Ntle Mining Pty Ltd through OM Tshipi.

OM Tshipi is a Singapore based joint venture company in which OM Trades, Jupiter and Ntsimbintle each hold an equal 33.3% stake.

OM Tshipi combines the individual and collective strengths of its shareholders which provide a solid foundation for the formation of an independent marketing entity with the exclusive right for the global marketing and sales of Tshipi's entire manganese ore production for an initial period of 2 years, extendable at the option of the parties.

OM Tshipi's ability to access the OM Group's manganese marketing experience and expertise will greatly assist OMT to become a leading marketer of South African manganese ore with the potential to sell over 2 million tonnes of Tshipi manganese ore per annum.

Colin Ouwehand has been seconded from the OM Group to take on the role of Chief Executive Officer of OM Tshipi.

Appendix – Mineral Resource and Ore Reserve estimation summary

Mineral Resource estimation summary: The Bootu Creek manganese deposits are strata-bound, located at the contact between the underlying dolomite-siltstone Attack Creek Formation and the overlying ridge forming sandstone of the Bootu Formation of the Tomkinson Group, within the Palaeozoic Tennant Creek Inlier. The mineralised manganese bearing sandstone horizon is folded around the gentle NNW plunging Bootu Syncline, can be traced for 24km and dips around 30° towards the fold axis. The manganese is considered hydrothermal in origin and supergene enriched within a deeply weathered profile. The Bootu Creek manganese resource models have a combined strike length of 16 km, with individual models ranging from 0.7 km to 2.9 km. Mineralisation widths vary from 3 m to 15 m and ore mineralogy consists predominately of Pyrolusite and Cryptomelane in a silica rich gangue.

All Bootu Creek resource models, other than Renner West, are located within Mineral Lease ML24031, located 120 km north of Tennant Creek, Northern Territory, Australia. The Renner West Inferred Mineral Resource is located on EL28041 and located 70 km NW of the Bootu Creek mine site. Both tenements are granted, 100% owned by OMM and have no security of tenure issues at the time of reporting.

Resources at Bootu Creek (BC) are predominantly sampled by vertical 5.5" face sampling Reverse Circulation (RC) drilling (91%), with HQ3 diamond (DD) drilling (2%) and open percussion (PC) drilling (7%), based on a nominal 50 m x 25 m spaced grid. Minor areas at 100 m x 50 m were classified as Inferred Mineral Resources. Hole depths range from 5 m to 164 m and collar locations are picked up by Mine Surveyors using MGA94 co-ordinates. The 31 December 2012 BC resource dataset (no new resource delineation drilling carried out in 2013) comprised 3,055 drill holes for 169,520 m. The Renner West (RW) dataset had 142 drill holes for 6,212 m.

Sampling of RC holes is done on 1 metre downhole intervals and rotary split to produce approximately 3 kg samples. Intervals selected for analysis are generally limited to visible manganese mineralisation and adjacent host rock. Mineralised diamond core is quarter sawn to obtain 1 metre or geological intervals, with half core retained for density determination and metallurgical test work. All drill samples are crushed, dried and pulverised (total prep) to produce a sub sample for XRF analysis. Field quality control procedures involve the use of field duplicates, certified BC standards (approx. 1:130 insertion rate) and use of a number of commercial laboratories for analysis.

The sample preparation of RC samples involve oven drying and full pulverisation before splitting off an XRF assay sub-sample. Diamond core assay samples are quarter sawn, jaw crushed and follow the same sample preparation technique. A pulp sub-sample is collected for analysis by XRF for the following elements: Mn, Fe, Al_2O_3 , SiO_2 , P, Pb, S, TiO_2 , MgO, K_2O , BaO, CaO, Cu and Zn. LOI (loss on ignition) is assessed by thermo-gravimetric determination. Laboratory QAQC involves the use of internal laboratory standards using certified reference material, blanks, splits and replicates as part of the in house procedures. OMM (OM Manganese Ltd) developed 6 reference standards in 2007 and 2010 for a range of grade values, using blends of Mn, Fe and quartz material. These were sent to 10 commercial laboratories with returned values in the +/-2% range against the expected value. BC standards are submitted with each assay batch and results monitored to maintain an independent check on laboratory assays.

There is a high degree of confidence in the geological interpretation of the Bootu Creek manganese deposits gained through extensive close spaced drill testing, a relatively planar strata-bound geological setting and several years of active mining at this mature mining operation. Ore mineralogy was determined by XRD analysis and optical petrology on selected drill core, RC chip and mineral product (gravity concentrate) samples. Resource models were digitised and wire-framed from interpreted geological and assay drill cross sections provided by OMM. These wireframes were used to select resource intersections and composite data was extracted for Mn, Fe, SiO_2 , Al_2O_3 , BaO and P based on one metre sample increments.

The nugget effect from variography was found to represent only 20 - 30% of the total variability, suggesting a low inherent random behaviour for the manganese mineralisation and no grade capping was warranted.

The models were estimated using the Ordinary Kriging (OK) estimation technique with Surpac resource estimation software, and coded with attributes for material type, resource classification, model domain and against OMM survey pit pickups. Block Model Parent Cells are 25 m (Y) by 10 m (X) by 5 m (Z) and compare favourably with maximum drill spacing of 50 m by 25 m or 40 m by 20 m. The along strike search radius varied from 130 m in the shorter or faulted models through to 290 m for the highly continuous Chugga-Gogo. The number of samples was set at a minimum of 15 and a maximum of 32 for passes 1 & 2. Pass 3 used a minimum of 2 samples to fill model extents. Search ranges varied from 130 m up to 290 m in the deposits of up to 3 km strike length. The search ellipsoids were flattened disc shapes in the plane of the mineralisation with varying anisotropic ratios designed to model shallowly plunging manganese trends within the domains.

Appendix

Current bulk density regression formulae are based on 366 waxed (or waxed equivalent) HQ3 core samples selected from 52 metallurgical composites distributed through all deposits included in the Ore Reserve. The bulk density measurements were determined in 2009 by Amdel (Perth) using the wet and dry methodology. Six density regressions were determined for Chugga/Gogo, Shekuma, Xhosa, Masai/Tourag, Yaka and Zulu deposits. Bulk density regressions for Foldnose and Zulu South deposits (not in Ore Reserve) are assumed as for Yaka, the nearest equivalent. Renner West also uses the Yaka (most conservative) regression option.

The mineralised domains have demonstrated sufficient continuity in both geological and grade continuity to support the definition of Mineral Resource and Ore Reserves, and the classifications applied under the JORC Code (2012 Edition). The nominal drillhole spacing of 50 m by 25 m was considered to provide adequate geological and grade continuity definition to assign an Indicated Mineral Resource classification to the majority of the deposits at Bootu Creek. Measured Mineral Resources were restricted to well drilled resource blocks within 15 m vertically of a mined pit floor, reflecting the high level of geological and grade confidence. Inferred Mineral Resources were classified for extensions to resources on a 100 m by 50 m spacing and for lower confidence deposit models such as Renner West.

Metallurgical assumptions are based on test work conducted on 93 composites selected from 79 diamond holes drilled into all deposits included in Ore Reserves. The test work consists largely of individual particle pyknometry (IPP) on lump ore and Heavy Liquid Separation (HLS) test work on fines. The heavy media treatment plant reconciliation factors, product yield regressions and recovery are updated annually.

The input data is comprehensive in its coverage of the mineralisation and does not favour or misrepresent in-situ mineralisation. Bootu Creek consists of a well-defined geological setting and this allows definition of mineralised zones based on a high level of geological understanding. The Mineral Resource models have been confirmed by open pit mining since 2006 which reconciles well against the resource estimates.

Ore Reserve Summary: The Bootu Creek mine has been operating since 2006 and Ore Reserve statements have been previously reported under JORC (2004 Edition). OMM has upgraded the reporting standard to JORC (2012 Edition) and a summary of the information used in the Ore Reserve estimation are as follows: The Optiro Pty Ltd December 2012 Mineral Resource estimates were optimised by Independent Mining Consultants as of 31st December 2013 utilising Whittle mining software to optimise economic open pit extents utilising revenue, mining, processing and logistical parameters provided by OMM. Mineral Resources quoted are reported as inclusive of Ore Reserves.

Conversion of Mineral Resources to Ore Reserves is based on optimisation parameters derived from analysis of current operating practices, technical studies, and ongoing mine and processing performance and reconciliations. Optimised pit shells are then used to revise open pit mine designs and update the mine plan.

The current 15% Mn cut-off grade has been affirmed after several years of mining and processing Bootu Creek ore. Manganese product derived from the DMS (Dense Media Separation) plant feed is not linear in relation to the plant head grade, and product yield either decreases rapidly or fails to produce an acceptable product grade below the 15% Mn cut-off grade.

All current and planned mining is by open pit mining methods. Open pit slope angles, determined by an Independent Geotechnical Consultant, are at an overall angle, including berms, of 45° for hanging wall and end walls and 31.6° for footwall with batter angles not exceeding the bedding planes.

Diluted Grade is reviewed each year by reconciliation of the previous year's mine production. The Ore Reserve grade is quoted as a 'diluted' grade and is currently set at 90% of the contributing 'undiluted' Mineral Resource block grades. Mining Recovery is also reviewed each year with a reconciliation of the previous year's mine production. The Mining Recovery Factor is currently estimated at 100% (inclusive of dilution) of the contributing 'undiluted' Mineral Resource block tonnes.

The minimum mining unit is effectively 2.5 m vertically by 5 m across and 5 m along strike. The minimum drill intersection length applied in the Mineral Resource and Ore Reserve estimation is generally 4 m and is close to true width. Inferred Mineral Resources have not been utilised nor included in the Ore Reserves. The only significant deleterious element is Fe and that is managed by blending ore sources or product stockpiles.

There are no significant environmental impacts arising from mining or processing. Waste rock and processing tails are stored on site and are not acid generating. The only additive used in ore processing is ferrosilicon. Bootu Creek is an operating open pit mine site and processing plant. Waste Management Plans for waste rock and tailings storage have been submitted to, and have been approved by the Northern Territory Department of Mines and Energy.

Operating costs and sustaining capital are derived from analysis of the current Bootu Creek mining and processing operation and budget. Deleterious elements are managed within specified maximum limits and no specific pricing allowance is used. Price discounts are applied for a specified range of lower grade manganese products. Road and rail transportation charges are based on current contracted terms and rates. Refining charges are not relevant and product specification penalties are rare and have not been applied.

Production based royalties are payable to the original project vendor and the Northern Land Council (on behalf of Traditional Owners). These royalty charges are allowed for in project costing and applied in the pit optimisation process.

Factors effecting revenue include contained dtmu (dry metric tonne units) of manganese, and discounts for lower than benchmark manganese content. Manganese products are sold on an FOB basis from the Port of Darwin. Commodity price assumptions are based on Independent Analyst 5 year forecasts (Nov 2013) for Mn Price assumptions - CIF China GEMCO 44% of US\$5.60/dtmu with adjustments for selling and shipping costs, and for discounts specific to product specification. Exchange rate (AUD:USD) assumption is based on the current trading rate of 0.90 (Dec 2013). There are no saleable by-products. NPV ranges and sensitivity to variations are not included in the Ore Reserve estimation process.

All necessary agreements and authorities are in place with the Traditional Owners for mining and royalties (via the Northern Land Council) and for heritage clearance and sacred sites (via the Aboriginal Areas Protection Authority).

The Ore Reserve classifications are as follows: Proven Ore Reserves are restricted to in-situ Measured Resources contained within pit shells optimised at the current budget cost and revenue assumptions, plus surface Ore Stocks. Probable Ore Reserves are restricted to Indicated Resources contained within pit shells optimised at the current budget cost and revenue assumptions. No Probable Ore Reserves are derived from Measured Resources. The Ore Reserve classification appropriately reflects the Competent Person's view of the deposit.

Appendix

JORC Table 1
Section 1 Sampling Techniques and Data

Criteria	Explanation
Sampling Techniques - <i>Nature and quantity of sampling</i>	- Resources at Bootu Creek (BC) were sampled by 91% Reverse Circulation (RC) and 2% diamond (DD) with 7% open percussion (PC) drilling on a nominal 50m x 25m spaced grid or 100 m x 50 m where classified as Inferred Mineral Resources. - The 31 December 2013 BC resource dataset comprised a total of 3,055 drill holes for 169,520 m. The Renner West (RW) dataset had 142 drillholes for 6,212 m. - Collar locations are picked up by Mine Surveyors using MGA94 co-ordinates. - RC holes are sampled on 1 metre downhole intervals, rotary split to produce approximately 3 kg samples. Sample intervals selected for analysis are generally limited to visible manganese mineralisation and adjacent host rock. - All drill samples are crushed, dried and pulverised (total prep) to produce a sub sample for XRF analysis. Mineralised diamond core is quarter sawn to obtain 1 metre or geological intervals for XRF analysis, with half core retained for density determination and metallurgical test work. - Sampling is carried out under OMM protocols to ensure the representivity of drill samples.
Drilling Technique	- RC drilling with 4.5" drill rods and a 5.5" face sampling drill bit. - Diamond core generally drilled using a HQ3 core barrel. - Drilling is predominately vertical and the core is not oriented. - Holes range from 5 m to 164 m in depth.
Drill Sample Recovery	- RC drill sample recovery is visually estimated and recorded in geology drill log. Diamond core recovery is measured and recorded. - RC rods and the sample cyclone are cleared as frequently as required to maintain satisfactory drill sample recovery and representivity. - DD holes use HQ3 size triple tube core barrels to maximise sample recovery. - The mineralisation style and consistency of mineralised intervals are considered to preclude any issue of sample bias due to recovery.
Logging	- RC chip and diamond drill core samples are geologically logged to the level of detail required to support the Mineral Resource estimation. Logging records: lithology, mineralogy, weathering, mineralisation, alteration, colour and other features of the samples. - Geotechnical information is collected from the BC operations open pits. - All diamond drill core is photographed. - The total length of all exploration and resource delineation drilling is logged.

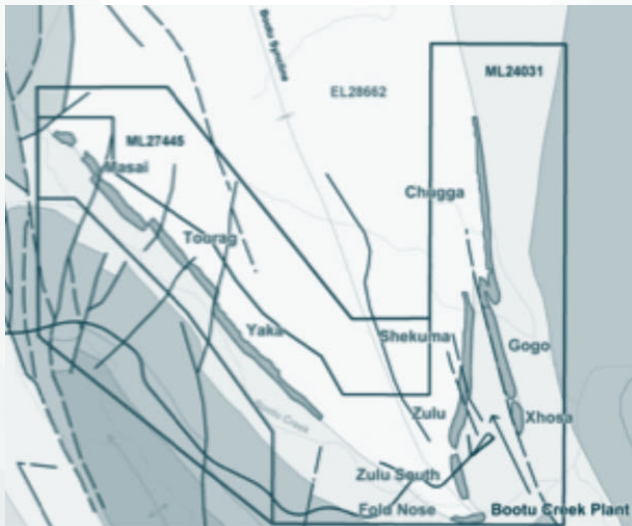
Criteria	Explanation
Sub-sampling	• Diamond core assay samples are quarter sawn, oven dried, jaw crushed and fully pulverised before splitting off an XRF assay sub-sample. • RC samples are rotary split to produce a sample of an approximately 3 kg in weight. High volume and high pressure air is used when RC drilling to ensure the sample return is kept as dry as possible. • RC samples submitted for assay are oven dried, jaw crushed and fully pulverised before splitting off an XRF assay sub-sample. • QC procedures involve the use of field duplicates, certified BC standards (approx. 1:130 insertion rate) and use of a number of commercial laboratories. • Appropriate industry standard sample preparation techniques and quality control procedures (ISO4296/2) are utilised by the contracted onsite laboratory and offsite commercial laboratories to maximise sample representivity. • Drill sample field duplicates are taken to ensure sampling is representative of the insitu sample material collected. • Sample sizes are appropriate for the grain size of the material being sampled based on the mineralisation style, intersection thickness and percent assay ranges for the primary elements.
Quality of assay data and laboratory tests	• The analytical techniques use an XRF multi element suite for assaying Mn, Fe, Al₂O₃, SiO₂, P, Pb, S, TiO₂, MgO, K₂O, BaO, CaO, Cu and Zn. LOI (loss on ignition) is assessed by thermo-gravimetric determination technique. • No geophysical tools were used to determine any element concentrations used in any of the resource estimates. • Laboratory QAQC involves the use of internal laboratory standards using certified reference material, blanks, splits and replicates as part of the in house procedures. • BC independently developed 6 reference standards in 2007 and 2010 for a range of grade values, using blends of Mn, Fe and quartz material. These were sent to 10 commercial laboratories with returned values in the +/-2% range against the expected value. The BC standards are submitted with each assay batch and results are monitored to maintain an independent check on laboratory assays.

Appendix

Criteria	Explanation
Verification of sampling and assaying	- Significant drill intersections are verified by alternative company personnel, generally the Geology Manager for OMM. - Twined holes were used in initial exploration/pre-feasibility phase but are not considered necessary in the current mature mining phase. - Data entry, verification and storage protocols are in place and managed by a dedicated GIS/Database Manager. - No adjustments of primary assay data (high grade cuts, etc.) are considered necessary.
Location of data points	- Drill collars used for Mineral Resource delineation are surveyed using the mine based DGPS survey equipment. - All locations are picked up and quoted in MGA94 grid format. - Mine lease topography is based on ortho-rectified aerial photography (2013) to produce a DTM based on a 5 m x 5 m centred grid with +/- 0.5 m RL accuracy.
Data spacing and distribution	- Data spacing is generally based on a 50 m x 25 m drill grid, with minor areas of 100 m x 50 m spacing. - The data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource classification being quoted and the Ore Reserve estimation. - Sample support is consistent with 1 m RC composite sample length applied and utilised for Mineral Resource estimation.
Orientation of data in relation to geological structure	- The manganese deposits at Bootu Creek are shallow dipping (average 30° dip), strata-bound and relatively planar. - Drill orientation is predominately vertical and any interaction with local faults or fold structures is not considered to introduce bias into the sampling results.
Sample Security	- Sample security is not considered a significant risk. - Most exploration samples are processed by the on-site laboratory and results are validated against the drill logs.
Audit or reviews	No recent audits or reviews of sampling techniques, other than ongoing internal review, have been conducted. The database was reviewed by Optiro Pty Ltd for the 31 December 2012 Mineral Resource estimate.

Section 2 Reporting of Exploration Results

Mineral tenement and land tenure status	- All Bootu Creek resource models, other than Renner West, are located within Mineral Lease ML24031, located 120km north of Tennant Creek, Northern Territory, Australia. - The Renner West Inferred Mineral Resource is located on EL28041 and located 70km NW of the Bootu Creek mine site. - Both tenements are granted, 100% owned by OMM and have no security of tenure issues at the time of reporting.
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Criteria	Explanation
Exploration done by other parties	Prospectors identified manganese outcrops and conducted small scale mining between 1955 and 1969. BHP Ltd conducted AEM and limited drilling in mid-1990's identifying manganese beneath shallow cover (<i>Ferenczi, 2001</i>).
Geology	- The Bootu Creek manganese deposits are strata-bound, located at the contact between the underlying dolomite-siltstone Attack Creek Formation and the overlying ridge forming sandstone of the Bootu Formations of the Tomkinson Group, within the Ashburton Province of the Palaeozoic Tennant Creek Inlier. - The mineralised horizon is folded around the gentle NNW plunging Bootu Syncline, can be traced 24km and dips around 30° towards the fold axis. The manganese is considered hydrothermal in origin and supergene enriched within a deeply weathered profile. - Ore widths vary from 3m to 15m and ore mineralogy consists predominately of Pyrolusite and Cryptomelane in a silica rich gangue.
Drill hole Information	Drill hole listings have not been included as they relate to Mineral Resources rather than exploration results.
Data aggregation methods	- Reported assays are length weighted with no top-cuts applied. - Higher grade mineralised zones internal to broader zones of lower grade material are reported as included intervals. - No metal equivalents are used for reporting exploration results.
Diagrams	These are included in the Mineral Resource statement. BC geology and deposit plan is shown for reference. 
Balanced reporting	All exploration results are reported.
Other substantive	Not applicable to the Mineral Resource estimates.
Further work	Not applicable to the Mineral Resource estimates.

Appendix

Section 3 Estimation and Reporting of Mineral Resources

Criteria	Explanation
Database integrity	- All geology data was captured using Field Marshall software and imported into a Geobank SQL database (both Micromine data management software). Location data was imported from DGPS export files. Assay data was imported from the original laboratory issued csv/sif files. - Geology logs are validated for errors on import, locations are checked visually and assay data quality is ensured by the use of lab and field standards. Further internal validation for duplication, overlaps, etc is carried out using Surpac prior to any resource estimate.
Site visits	The Mineral Resource is located within an active mine camp and is visited regularly by OMM Competent Persons. Optiro Pty Ltd has not visited the site but has viewed samples, photographs of the pits and ore exposures, drillcore and infrastructure. Optiro Pty Ltd has updated the Mineral Resources annually since 2010.
Geological Interpretation	- There is a high degree of confidence in the geological interpretation of the Bootu Creek manganese deposits gained through extensive close spaced drill testing, a relatively planar strata-bound geological setting and several years of active mining at this mature mining operation. - Ore mineralogy was determined by XRD analysis and optical petrology on selected drill core, RC chip and mineral product (gravity concentrate) samples. - The geological controls at BC are well understood from mining activity and form the basis for the resource interpretations. - Factors affecting continuity of grade and geology include local high and low angle faulting, local internal and adjacent high Fe concentration, and intensity and depth of weathering.
Dimensions	- The Bootu Creek manganese resource models have a combined strike length of 16km, with individual models ranging from 0.7km to 2.9km - Bootu Creek resource models are generally limited in vertical depth by economic constraints (imposed by strip ratios and cost of mining) or by faulting, rather than depth termination of the mineralisation. Individual model depth extents range from 50m to 100m below surface. All mining is by open pit. - Bootu Creek resource model widths (true width) range from the minimum width of 3m to a maximum of around 15m. - The Renner West manganese deposit extends over a strike length of 450m and to a depth of around 25m below surface.
Estimation and modelling techniques	- Estimation and modelling was undertaken by independent resource consultants, Optiro Pty Ltd. - Resource models were digitised and wire-framed from interpreted geological and assay drill cross sections provided by OMM. These wireframes were used to select resource intersections and composite data was extracted for Mn, Fe, SiO₂, Al₂O₃, BaO and P based on one metre sample increments.

Criteria	Explanation
Estimation and modelling techniques (cont'd)	• 'Supervisor' geostatistical software was used for continuity analysis to determine variograms for grade estimation. Optiro Pty Ltd found that the 10% Mn population generated more robust variograms with lower nugget effects that were applied to the resource composite data during estimation. • The nugget effect from variography was found to represent only 20-30% of the total variability, suggesting a low inherent random behaviour for the manganese mineralisation and no grade capping was warranted. • Block models were estimated using Ordinary Kriging (OK), using Surpac resource estimation software, and coded with attributes for material type, resource classification, model domain and for OMM survey pit pickups. • Block Model Parent Cells are 25m (Y) by 10m (X) by 5m (Z) and compare favourably with maximum drill spacing of 50m x 25m or 40m x 20m and with along strike search radius varying from 130m in the shorter or faulted models through to 290m for the highly continuous Chugga-Gogo. • The number of samples was set at a minimum of 15 and a maximum of 32 for passes 1 & 2. The pass 3 minimum was set to 2 samples to fill model extents. • Search ranges varied from 130 m up to 290 m in the deposits of up to 3 km strike length. The search ellipsoids were flattened disc shapes in the plane of the mineralisation with varying anisotropic ratios designed to model shallowly plunging manganese trends within the domains. • Geological interpretation provided by OMM was used to construct the digital wireframe and control assay extraction from the database, but was not otherwise used to control the resource estimate. • The only assumed correlation between variables is that used for the density regression calculated against manganese grade. There is a noted inverse relationship between manganese vs silica and Al_2O_3. There is very little relationship between manganese and iron and correlations between other elements were poor. • No selective mining units were assumed in the estimates. • Graphical 3D validation of block grades versus composite samples, used to compare modelled grade trends against the spatial distribution of the samples, demonstrated that estimated low and high grades were consistent with the composite samples. Density was also checked to confirm interpolated block values honour the regression formulas. • Validation swathe plots by Optiro Pty Ltd show that the block model estimated grades honoured local grades. All volumetric checks were within 1% of wireframes. • The significant elements specific to product quality are assayed and modelled with the only potential issue being high Fe content in product, which is managed in the mine plan. • Mineral Resource estimates endorsed by Optiro Pty Ltd were depleted for mining and reported above a cut-off grade of 15% Mn.

Appendix

Criteria	Explanation
Moisture	All tonnage is estimated on a dry tonnes basis.
Cut-off parameters	The current 15% Mn cut-off grade has been affirmed after several years of processing Bootu Creek ore. Manganese product derived from the DMS (gravity) plant is not linear in relation to head grade and product yield or grade decreases rapidly below the current cut-off grade.
Mining factors or assumptions	- Optiro Pty Ltd 31 December 2012 Mineral Resource estimates were optimised by Independent Mining Consultants utilising Whittle mining software to optimise economic open pit extents utilising long term revenue, mining, processing and logistical parameters provided by OMM. - All mining is, or is proposed, by open pit mining methods. - Parameters for determining economic extraction are based on data derived from the current mining and processing operations at Bootu Creek.
Metallurgical factors and assumptions	- Metallurgical assumptions are based on test work conducted on 93 composites selected from 79 diamond holes drilled into all deposits included in Ore Reserves. The test work consists largely of individual particle pyknometry (IPP) on lump ore and Heavy Liquid Separation (HLS) test work on fines. - Plant reconciliation factors are also reviewed annually and factors including product yield regressions and recovery are updated annually.
Environmental factors or assumptions	- Bootu Creek is an operating mine site and processing plant with Mine Management Plans submitted and approved for waste rock and tailings storage by the Northern Territory Department of Mines and Energy. - No significant sulphides are present in ore or mine waste.
Bulk Density	- Current bulk density regression formulae are based on 366 waxed (or waxed equivalent) HQ3 core samples selected from 52 metallurgical composites distributed through all deposits included in the Ore Reserve. - The bulk density measurements were determined in 2009 by Amdel (Perth) using the wet and dry methodology. Six density regressions were determined for Chugga/Gogo, Shekuma, Xhosa, Masai/Tourag, Yaka and Zulu deposits. - Bulk density regressions for Foldnose and Zulu South deposits (not in Ore Reserve) are assumed as for Yaka, the nearest equivalent. Renner West uses the Yaka (most conservative) regression option.

Criteria	Explanation
Classification	- Measured Mineral Resource – this classification is restricted to well drilled resource blocks located within 15m (vertical) of a mined pit floor, reflecting a high level of geological and grade confidence. - Indicated Mineral Resource – classified based on established grade and geological continuity defined by the tabular nature of the Bootu Creek mineralised zones, the regular drill spacing of 50m x 25m or better, estimation parameters such as kriging efficiency and the demonstrated mining history in most of the deposits . - Inferred Mineral Resource - minor extensions on 100 m by 50 m spacing and lower confidence deposit models such as Renner West. - The Mineral Resource estimate appropriately reflects the view of the Competent Persons. - All Mineral Resource reporting is economically constrained by optimised pit shells on an annual basis using updated OMM costs and parameters (see Mining Factors and Assumptions).
Audits and reviews	- Independent resource consultant Optiro Pty Ltd conducted a Client Review of wireframes, block models, classification criteria, volumetric comparison, composite versus block model grades and XYZ plots. - The independent resource consultant conducted an internal Peer Review of methodology and an application matrix checklist. - Optiro Pty Ltd has independently verified the resource figures quoted in the December 2013 Mineral Resource statement.
Discussion of relative accuracy/confidence	- The relative accuracy of the Mineral Resource estimate is reflected in the reporting of the Mineral Resource as per the guidelines of the 2012 JORC Code. - The statement relates to global estimates of tonnes and grades. - Annual reconciliation of mined resource blocks are used to compare mine production with pre-mining Mineral Resource estimates, and where necessary to update mining factors and assumptions.

Appendix

Section 4 Estimation and Reporting of Ore Reserves

Criteria	Explanation
Mineral Resource estimate for conversion to Ore Reserves	- The Optiro Pty Ltd 31 December 2012 Mineral Resource models were optimised by Independent Mining Consultants as of 31 December 2013 utilising Whittle mining software to optimise economic open pit extents utilising revenue, mining, processing and logistical parameters provided by OMM. - Mineral Resources quoted are reported as inclusive of Ore Reserves.
Site visits	The Ore Reserve is located within an active mine camp and is visited regularly by all Competent Persons, other than Optiro Pty Ltd.
Study status	- Bootu Creek manganese mine commenced production in 2006 and is an ongoing, mature manganese mining operation. - Conversion of Mineral Resources to Ore Reserves is based on parameters derived from analysis of current operating practices, technical studies, and ongoing mine and treatment performance.
Cut-off parameters	The current 15% Mn cut-off grade has been affirmed after several years of mining and processing Bootu Creek ore. Manganese product derived from the DMS (Dense Media Separation) plant feed is not linear in relation to the plant head grade and product yield either decreases rapidly or fails to produce an acceptable product grade below the 15% Mn cut-off grade.
Mining factors or assumptions	- Measured and Indicated Mineral Resource categories were optimised by Independent Mining Consultants, using Whittle mining software to optimise current economic open pit extents, utilising current budget revenue, mining, processing and logistical parameters provided by OMM. - Optimised pit shells are then used to revise open pit mine designs and update the mine plan. - All current and planned mining is by open pit mining methods. - Geotechnical parameters including batter angles and berm widths and intervals have been derived from independent geotechnical studies. - Open pit slope angles, determined by an Independent Geotechnical Consultant, are at an overall slope angle (including berms) of 45° for hanging-walls and end walls and 31.6° for footwalls, with batter angles not exceeding bedding dips. - Diluted Grade is reviewed each year by reconciliation of the previous year's mine production. The Ore Reserve grade is quoted as a 'diluted' grade and is currently set at 90% of the contributing 'undiluted' Mineral Resource block grades. - Mine Recovery is also reviewed each year by reconciliation of the previous year's mine production. The Mine Recovery Factor is currently estimated at 100% (inclusive of dilution) of the contributing 'undiluted' Mineral Resource block tonnes.

Criteria	Explanation
Mining factors or assumptions (cont'd)	- Minimum mining unit is effectively 2.5m vertically by 5m across and 5m along strike. The minimum drill intersection length applied in the Mineral Resource and Ore Reserve estimation is generally 4m and is close to true width. - Inferred Mineral Resources have not been utilised nor included in Ore Reserves. - Bootu Creek is a mature manganese mining and processing operation in continuous operation for over 8 years, with all of the necessary mining and processing infrastructures in place.
Metallurgical factors or assumptions	- The DMS treatment plant has been in operation since 2006 and has since been modified to maximise tonnes processed, product yield and manganese recovery. - The heavy media plant is well-tested technology and well suited to the manganese ores being processed. - Metallurgical test work was conducted on 93 composites selected from 79 diamond holes drilled into all deposits included in Ore Reserves. The test work consists of individual particle pyknometry (IPP) on lump ore and Heavy Liquid Separation (HLS) test work on fines. - The only significant deleterious element is Fe and that is managed by blending ore sources or product stockpiles. - Metallurgical assumptions are based on test work conducted on 93 composites selected from 79 diamond holes drilled into all deposits included in the Ore Reserve. Plant reconciliation factors are also reviewed annually and factors including product yield regressions and manganese recovery are updated annually. - Manganese oxide mineralogy is not relevant for the Ore Reserve estimation.
Environmental	- There are no significant environmental impacts arising from mining or processing. Waste rock and processing tails are stored on site are not acid generating. The only additive used in ore processing is ferrosilicon. - Bootu Creek is an operating mine site and processing plant with Waste Management Plans submitted for waste rock and tailings storage to, and approved by the Northern Territory Department of Mines and Energy.
Infrastructure	Bootu Creek mine site is a mature manganese mining and processing operation with all mining, processing, rail and port infrastructure in place and operational.

Appendix

Criteria	Explanation
Costs	• All major capital projects are completed and operational. • Operating costs and sustaining capital are derived from analysis of the current Bootu Creek mining and processing operation and 2014 budget. • Deleterious elements are managed within specified maximum limits and no specific pricing allowance is used. Price discounts are applied for a specified range of lower grade manganese products. • Commodity prices are discussed in Revenue factors. • Exchange rates are discussed in Revenue factors. • Road and rail transportation charges are based on current contracted terms and rates. • Refining charges are not relevant and product specification penalties are rare and have not been applied. • Royalties are payable to the original project vendor and the Northern Land Council (on behalf of Traditional Owners). The Northern Territory government royalty is on a net value basis (considered as a "tax") and as such is not included in the optimisation process. • Royalty charges are allowed for in project costing and applied in the pit optimisation process.
Revenue factors	• Manganese products are sold on an FOB basis from the Port of Darwin. • Factors effecting revenue include contained dtmu (dry metric tonne units) of manganese, and discounts for lower than benchmark manganese content or higher than specified iron content. • Commodity price assumptions are based on an Independent Analysts 5 year forecast (Nov 2013) for Mn Price assumptions - CIF China GEMCO 44% of US\$5.60/dtmu with adjustments for selling and shipping costs, and for discounts specific to product assay and size specifications. • Exchange rate (AUD:USD) assumption is based on the current trading rate of 0.90 (Dec 2013). • There are no saleable by-products.

Criteria	Explanation
Market assessment	- According to the International Manganese Institute ("IMNI") China's November 2013 year to date manganese ore imports reached 14.9 million tonnes, a 33% increase from the corresponding period in 2012. - Demand, supply, stock and future volume assumptions are considered in the Independent Analysts 5 year commodity price forecast (Nov 2013). - Customer and competitor factors are considered in the Independent Analysts 5 year commodity price forecast (Nov 2013). - Customer specification, testing and acceptance rely on an inbound assay. Occasional minor penalties may apply, but are not included in the Ore Reserve estimation.
Economic	NPV ranges and sensitivity to variations are not included in the Ore Reserve estimation process.
Social	All necessary agreements and authorities are in place with Traditional Owners for mining and royalties (via the Northern Land Council) and for heritage clearance and sacred sites (via the Aboriginal Areas Protection Authority).
Other	- The only significant naturally occurring risk is delays incurred from cyclone related flooding of the mine site or railway line to Darwin. - All material legal agreements and marketing arrangements are in place. - All government approvals (including the Mine Management Plan and Mineral Lease), licences, clearances and bonds necessary to operate the Bootu Creek mine site and processing plant are in place.
Classification	- Proven Ore Reserves are restricted to in-situ Measured Resources contained within pit shells optimised at the current budget cost and revenue assumptions, plus surface Ore Stocks. - Probable Ore Reserves are restricted to Indicated Resources contained within pit shells optimised at the current budget cost and revenue assumptions. - The Ore Reserve classification appropriately reflects the Competent Person's view of the deposit. - No Probable Ore Reserves are derived from Measured Resources.

Appendix

Criteria	Explanation
Audits and reviews	• An Independent Mining Consultant reviewed the validity of Client supplied mining unit cost assumptions, prior to commencing the Ore Reserve open pit optimisation. • An Independent Mining Consultant prepared and reviewed the outputs of the open pit optimisation process prior to inclusion in the Ore Reserve. • Physical geotechnical parameters used in the Ore Reserve process were as recommended by an Independent Geotechnical Consultant following ongoing review of Bootu Creek's mining operations. • There has been no independent audit of the 31 December 2014 Ore Reserve estimates.
Discussion of relative accuracy/confidence	• The Competent Person representing OMM is satisfied with the relative confidence level of this Ore Reserve, as demonstrated by ongoing annual reconciliations, and has confidence in the predictability level going forward. • The above statement relates to a global estimate. • Annual reconciliation of mined Ore Reserve blocks is used to compare mine production with the mined Ore Reserve estimates, and where necessary to update mining recovery and dilution factors applied to the current Ore Reserve.

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:

	Holdings registered in the name of Director or nominee		Holdings in which Director is deemed to have an interest	
	As at 1.1.2013	As at 31.12.2013	As at 1.1.2013	As at 31.12.2013
<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	—	—

Note:

- (1) These shares are held directly by a company named Ramley International Limited which is wholly owned by Mr Low Ngee Tong.
- (2) These shares are held by National Nominees Limited on behalf of Mr Peter Ivan Toth.
- (3) 360,000 shares are held by UOB Kay Hian Private Limited on behalf of Mr Tan Peng Chin.

- (ii) A Director holding office at the end of the financial year held interests in options to subscribe for ordinary shares of the Company granted pursuant to prior shareholder approval as set out below and disclosed in Note 30 to the financial statements.

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

Directors' Report

for the financial year ended 31 December 2013

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 Wolseley
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:

- overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit; and
- the half-yearly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2013 as well as the auditor's report thereon.

Directors' Report

for the financial year ended 31 December 2013

Audit Committee (cont'd)

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

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

Independent auditor

The independent auditor, Foo Kon Tan Grant Thornton LLP, Public Accountants and Chartered 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 member of OM Holdings Limited

Report on the financial statements

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

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	31	31	(Restated)	(Restated)
		December	December	December	December	1 January
		2013	2012	2013	2012	2012
	Notes	A\$'000	A\$'000	A\$'000	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

		Year ended 31 December 2013	Year ended 31 December 2012
	Notes	A\$'000	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			
		Cents	Cents
- Basic	28	(6.96)	(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 premium 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	Non-controlling interests A\$'000	Total attributable to equity holders of the parent 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	17,757	304,613	322,370
Loss for the year	-	-	-	-	-	-	-	-	-	(48,987)	-	(48,987)	-
Other comprehensive expense for the year	-	-	-	-	70	-	5,809	(20,123)	8,344	-	(3,403)	(5,900)	(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	26,437	275,845	302,282
Balance at 1 January 2012	25,205	117,642	(2,330)	3,941	2	17,577	(45,407)	-	(16,984)	153,133	5,194	252,779	257,973
Loss for the year	-	-	-	-	-	-	-	-	-	(61,056)	-	(61,056)	(61,056)
Other comprehensive expense for the year	-	-	-	-	-	-	45,407	-	1,605	-	196	47,012	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)	-	12,367	(93)	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	17,757	304,613	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

(Restated)

Year ended
31 December 2013
A\$'000

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	3,643	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

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

Consolidated Statement of Cash Flows (cont'd)

for the financial year ended 31 December 2013

	Year ended 31 December 2013	(Restated) Year ended 31 December 2012
	A\$'000	A\$'000
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	-
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.

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).

Notes to the Financial Statements

for the financial year ended 31 December 2013

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

Critical assumptions used and accounting estimates in applying accounting policies

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

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

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).

Notes to the Financial Statements

for the financial year ended 31 December 2013

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 employee long service leave as at 31 December 2013 is A\$717,000 (2012 - A\$266,000).

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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

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.

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 IFRS 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 IFRSs 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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

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 period 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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

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

Consolidation (cont'd)

Acquisition of businesses (cont'd)

Acquisition-related costs are expensed as incurred.

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

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

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

Disposals of subsidiaries or businesses

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

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

Transactions with non-controlling interests

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

Subsidiaries

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

In the Company's statement of financial position, 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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

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

Associates (cont'd)

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

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

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

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

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

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

Intangible assets

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

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

Goodwill

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

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

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2013

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

Intangible assets (cont'd)

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

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

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

Exploration and evaluation costs

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

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

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

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

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

- (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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

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

Intangible assets (cont'd)

Mine development costs (cont'd)

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.

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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

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

Land use rights

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

Financial assets

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

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

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

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

Loans and receivables

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

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

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

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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

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

Financial assets (cont'd)

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

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

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

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

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

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

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

Determination of fair value

The fair values of quoted financial assets are based on 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).

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

Notes to the Financial Statements

for the financial year ended 31 December 2013

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

Financial assets (cont'd)

Derivative financial instruments and hedging activities (cont'd)

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.

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 or 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.

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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

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

Inventories (cont'd)

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.

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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

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

Financial liabilities (cont'd)

Borrowings (cont'd)

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.

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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

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

Provisions and contingent liabilities (cont'd)

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

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

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

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

Leases

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

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

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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

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

Income taxes (cont'd)

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.

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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

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

Employee benefits (cont'd)

Defined contribution plan (cont'd)

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

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

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

Employee leave entitlements

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

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

Employee share option plan and other options issued following shareholder approval

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

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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

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

Related parties

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

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

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

Impairment of non-financial assets

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

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

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

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

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

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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

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.

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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

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

Conversion of foreign currencies (cont'd)

Transactions and balances (cont'd)

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

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

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

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

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

3 Principal activities and revenue

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2013

4 Property, plant and equipment

The Group	Construction in progress A\$'000	Leasehold buildings and improvements A\$'000	Plant and machinery A\$'000	Computer equipment, office and furniture A\$'000	Motor vehicles A\$'000	Total A\$'000
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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

5 Land use rights

	2013 A\$'000	2012 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 A\$'000	2012 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 A\$'000	2012 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)

Notes to the Financial Statements

for the financial year ended 31 December 2013

7 Mine development costs

	2013 A\$'000	2012 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

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 A\$'000	2012 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 A\$'000	2012 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%

Notes to the Financial Statements

for the financial year ended 31 December 2013

8 Goodwill (cont'd)

Management estimates the discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the business segment. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. Management 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 A\$'000	2012 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
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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

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:

	2013 A\$'000	2012 A\$'000
The Group		
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)

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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

11 Subsidiaries

	2013 A\$'000	2012 A\$'000
The Company		
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 (2012 - 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		Percentage of equity held		Principal activities
		2013	2012	2013	2012	
		A\$	A\$	A\$	A\$	
Held by the Company						
OM Holdings (B.V.I.) Ltd (“OMBVI”) ⁽¹⁾	The British Virgin Islands	4,960,807	4,960,807	100%	100%	Investment holding
OM (Manganese) Ltd ⁽²⁾	Australia	3,052,617	3,052,617	100%	100%	Operation of manganese mine
OM Holdings Investment Ltd (“OMHI”) ⁽¹⁾	The British Virgin Islands	1	1	100%	100%	Investment holding*
OMH (Mauritius) Corp. ⁽⁸⁾	Mauritius	111	111	100%	100%	Investment holding
Held by OMHI						
Capricorn Enterprises Madagascar ⁽¹⁾	Madagascar	–	–	88%	88%	Exploration and evaluation activities
Held by OMBVI						
OM Resources (HK) Limited (“OMR”) ⁽³⁾	Hong Kong	–	–	100%	100%	Investment holding
Held by OMR						
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 (“OMTrade”) ⁽¹⁰⁾	Singapore	–	–	100%	100%	Investment holding
OM Resources (M) Sdn Bhd ⁽⁹⁾	Malaysia	–	–	100%	100%	Exploration and evaluation activities
Held by OMS						
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*

Notes to the Financial Statements

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11 Subsidiaries (cont'd)

Name	Country of incorporation / principal place of business	Cost of investment		Percentage of equity held		Principal activities
		2013	2012	2013	2012	
		A\$	A\$	A\$	A\$	
<u>Held by OMS (cont'd)</u>						
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 Hujin 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
<u>Held by OMA</u>						
Guizhou Jiahe Weiye Smelter Co. Ltd ⁽⁷⁾	PRC	-	-	75%	75%	Trading and processing of ferroalloy and ores
		8,013,536	8,013,536			

Note:

- (1) no audit required in the country of incorporation and operations are not material to the Group for the year ended 31 December 2013
- (2) audited by Grant Thornton Audit Pty Ltd
- (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 was liquidated in January 2014

Notes to the Financial Statements

for the financial year ended 31 December 2013

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

(1) audited by KPMG Inc.

(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(e)].

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.

Notes to the Financial Statements

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14 Derivative financial instruments

	Notional Principal Amount A\$'000	2013		2012	
		Assets A\$'000	Liabilities A\$'000	Assets A\$'000	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		Assets	
		A\$'000	Liabilities A\$'000	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.

- 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.
- 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.
- 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.

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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

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

Notes to the Financial Statements

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15 Trade and other receivables (cont'd)

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

	The Company		The Group	
	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	(Restated) 2012	(Restated) 1.1.2012
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Cash at bank and on hand	50	659	56,814	35,354	8,662
Short-term bank deposits	–	3,052	10,512	53,498	23,218
Total cash and bank balances [Notes (a) (b) and (c)]	50	3,711	67,326	88,852	31,880
Less: Cash collateral [Notes (d) and (e)]	–	–	(31,274)	(19,734)	(19,143)
Cash and cash equivalents	50	3,711	36,052	69,118	12,737

Notes:

- Short-term bank deposits are for varying periods of one day to one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.
- At 31 December 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.
- 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.
- 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.
- Certain bank deposits held by the Australian subsidiary were pledged to secure the issuance of environmental bonds. The A\$3,096,000 (2012 - 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.

Notes to the Financial Statements

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16 Cash and bank balances (cont'd)

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.

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18 Treasury shares

	No. of ordinary shares		Amount	
	2013	2012	2013	2012
	'000	'000	A\$'000	A\$'000
The Company and the Group				
At the beginning and end of the year	1,933	1,933	2,330	2,330

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.
- (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.

Notes to the Financial Statements

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19 Reserves (cont'd)

	2013	2012
The Company	A\$'000	A\$'000
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
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

	2013	2012
The Group	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).

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20 Lease obligation

	2013 A\$'000	(Restated) 2012 A\$'000	(Restated) 1.1.2012 A\$'000
The Group			
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 A\$'000	2012 A\$'000	2013 A\$'000	2012 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 A\$'000	2012 A\$'000
The Group		
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).

Notes to the Financial Statements

for the financial year ended 31 December 2013

21 Borrowings (cont'd)

21.2 Bank loans

	2013 A\$'000	2012 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.
- (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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

21 Borrowings (cont'd)

21.2 Bank loans (cont'd)

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.

21.3 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 A\$'000	2012 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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

21 Borrowings (cont'd)

21.5 Currency risk

Total borrowings are denominated in the following currencies:

	2013 A\$'000	2012 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.

22 Provisions

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

Notes to the Financial Statements

for the financial year ended 31 December 2013

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
	–	–	86,514	54,129
Amount due to subsidiaries (non-trade)	33,508	30,056	–	–
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).

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

Notes to the Financial Statements

for the financial year ended 31 December 2013

24 Other income

	2013 A\$'000	2012 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

	Note	2013 A\$'000	2012 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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

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.

	2013 A\$'000	2012 A\$'000
The Group		
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 (Note 10)	(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:

	2013 A\$'000	2012 A\$'000
The Group		
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)

Notes to the Financial Statements

for the financial year ended 31 December 2013

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)

Notes to the Financial Statements

for the financial year ended 31 December 2013

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

Notes to the Financial Statements

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30 Employee share option plan (cont'd)

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

Exercise Price A\$	Outstanding Options '000	Average Life Years ⁽¹⁾	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	

(1) 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.

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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

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	1,190	–
Purchase of goods from an associate	43,740	–
Management fee charged to an associate	272	–
Payment made on behalf for an associate	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 and beneficial shareholder	58	28

32 Commitments

32.1 Capital commitments

The following table summarises the Group's capital commitments:

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

	2013 A\$'000	2012 A\$'000
The Group		
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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

32 Commitments (cont'd)

32.3 Other operating commitments

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

	2013 A\$'000	2012 A\$'000
The Group		
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:

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

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 A\$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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

33 Contingent liabilities (cont'd)

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.

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 A\$9,349,461.

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

Royalty 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 A\$2,728,095 and a negative net value of A\$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 A\$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.

Notes to the Financial Statements

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33 Contingent liabilities (cont'd)

Northern Territory Mineral Royalties (cont'd)

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

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 A\$42,814,700 at 31 December 2013 which represents a deferred tax asset of A\$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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

34 Operating segments (cont'd)

	Mining		Processing		Marketing and Trading		Others		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Reportable segment revenue										
Sales to external customers	–	–	156,589	127,416	267,073	280,005	–	808	423,662	408,229
Inter-segment sales	116,078	109,370	–	–	218,258	216,013	2,660	290	336,996	325,673
Elimination							(336,996)		(325,673)	
	116,078	109,370	156,589	127,416	485,331	496,018	2,660	1,098	423,662	408,229
Reportable segment (loss)/profit	(31,845)	(27,461)	(475)	7,459	12,924	26,753	(24,079)	(55,010)	(43,475)	(48,259)
Reportable segment assets										
Elimination	145,752	154,297	452,779	201,024	350,628	306,563	329,493	289,359	1,278,652	951,243
Interest in an associate							(614,988)		(483,629)	
Deferred tax assets							100,336		91,600	
Available-for-sale financial assets							31,031		21,312	
Derivative financial assets							11,691		28,884	
Goodwill							–		20	
Cash collateral							2,065		2,065	
Total assets							31,274		14,962	
							840,061		626,457	
Reportable segment liabilities										
Elimination	253,109	211,791	103,074	31,951	133,317	114,591	143,935	132,097	633,435	490,430
Borrowings							(438,949)		(383,056)	
Deferred tax liabilities							326,893		179,160	
Income tax payables							6		244	
							16,394		17,309	
Total liabilities							537,779		304,087	
Other segment information										
Purchase of property, plant and equipment	3,184	12,892	203,766	30,678	65	220	–	–	207,015	43,790
Depreciation of property, plant and equipment	11,924	9,434	2,880	2,277	354	338	–	–	15,158	12,049
Amortisation of land use rights	–	–	626	29	–	–	–	–	626	29
Amortisation of mine development costs	2,254	1,755	–	–	–	–	–	–	2,254	1,755
Write off of evaluation and exploration costs	253	2,288	–	–	–	–	–	–	253	2,288

Notes to the Financial Statements

for the financial year ended 31 December 2013

34 Operating segment (cont'd)

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

	2013 A\$'000	2012 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 A\$'000	2012 A\$'000	2013 A\$'000	2012 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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

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 A\$'000	2012 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

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 Company	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	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.

35.3 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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

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

35.3 Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk (cont'd)

		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	Equity	(Loss)/profit net of tax	Equity
		A\$'000	A\$'000	A\$'000	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)

35.5 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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

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

35.5 Market price risk (cont'd)

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.

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

	2013	Restated
	A\$'000	2012 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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

37 Financial instrument

37.1 Accounting classifications of financial assets and financial liabilities

	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 2013				
Financial assets				
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				
Financial assets				
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 A\$'000	Derivatives used for hedging A\$'000	Other financial liabilities (carried at amortised cost) A\$'000	Total A\$'000
The Group				
31 December 2013				
Financial liabilities				
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				
Financial liabilities				
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

Notes to the Financial Statements

for the financial year ended 31 December 2013

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	–	–	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

Notes to the Financial Statements

for the financial year ended 31 December 2013

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.

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
<i>Derivatives used for hedging :</i>					
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.

Notes to the Financial Statements

for the financial year ended 31 December 2013

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 A\$'000	As previously reported A\$'000	As restated A\$'000	As previously reported A\$'000
The Group				
<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 cashflows</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.

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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 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.

OM Holdings Limited (the “Company”) is committed to implementing and maintaining the highest standards of corporate governance. In determining what those high standards should involve, the Company has had regard to the second edition of the ASX Corporate Governance Council’s *Corporate Governance Principles and Recommendations with 2010 Amendments*. The ASX Listing Rules require the Company to report on the extent to which it has followed those principles and recommendations during its 2013 financial year.

This statement outlines the main corporate governance practices in place during the 2013 financial year, all of which comply with the ASX Corporate Governance Council recommendations unless stated otherwise.

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

The Company’s Board of Directors (the “Board”) is responsible for corporate governance, that is, the system by which the Company and its subsidiaries (together, the “OMH Group”) are managed.

1. BOARD OF DIRECTORS

1.1 Role of the Board and Management

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

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

To assist the Board in carrying out its functions, it has developed a Code of Conduct to guide the Company’s directors (“Directors”) and key executives in the performance of their respective roles. The Code of Conduct, along with a number of the Company’s other policies and protocols, is available on the Company’s website at www.omholdingsltd.com.

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

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

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

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

- Appointing and removing the Chief Executive Officer, any other executive director and the Company Secretary and determining their respective remuneration and conditions of employment;
- Determining the strategic direction of the OMH Group and measuring performance of management against approved strategies;
- Reviewing the adequacy of resources for management to properly carry out approved strategies and business plans;
- Adopting operating (including production), capital and development expenditure budgets at the commencement of each financial year and ensuring adherence to those budgets by monitoring both financial and non-financial key performance indicators;
- Monitoring the OMH Group’s medium term capital, exploration and cash flow requirements;

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

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

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

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

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

1.2 Composition of the Board

To add value to the OMH Group, the Board, which comprised of a majority of independent Directors for most of 2013, has been formed so that it has an effective composition, size and commitment to adequately discharge its responsibilities and duties. The names of the Directors and their qualifications and experience are disclosed in the 'Directors' section of the Annual Report. Directors are appointed based on the specific governance skills required by the OMH Group and on the independence of their decision-making and judgment.

The OMH Group recognises the importance of independent Non-Executive Directors and the external perspective and advice that such Directors can offer. The Board consists of the following independent Non-Executive Directors: Mr Zainul Abidin Rasheed, Mr Thomas Teo Liang Huat and Mr Peter Church. Ms Julie Wolseley and Mr Tan Peng Chin are also Non-Executive Directors but are not viewed as independent due to them also providing services to the OMH Group. It should be noted however, that the value of such services are not considered to constitute a material supply arrangement of the Company.

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

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

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

The Board considers that Mr Low's position as Executive Chairman (and acting Chief Executive Officer) is appropriate given his world-wide experience and specialised understanding of the global manganese industry. The Board believes that Mr Low has the range of skills, knowledge, and experience necessary to effectively govern the Company and understand the industries and market segments in which the Company operates. Mr Low was a founding Director of the Company and was a major force in its evolution and success. Given his technical, commercial and financial experience and knowledge of the Company, and his continuing contribution to the Board, it is appropriate that he remain in his position.

During the 2013 financial year, Mr Peter Ivan Toth was the Chief Executive Officer of the OMH Group and was a full-time employee of the Company. As announced to ASX on 10 January 2014 however, Mr Toth resigned from the Board of Directors of the Company and from his role as Chief Executive Officer.

The membership of the Board, together with its activities and composition, are subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include the quality of the individual, their background of experience and achievement, their compatibility with other Board members, their intellectual ability to contribute to Board duties and their physical ability to undertake Board duties and responsibilities.

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

1.3 Responsibilities of the Board

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

Without limiting the authority and role of the Board, the principal functions and responsibilities of the Board include the following:

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

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

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1.4 Board Policies

1.4.1 *Conflict of Interest*

Directors must:

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

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

1.4.2 *Commitments*

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

1.4.3 *Confidentiality*

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

1.4.4 *Independent Professional Advice*

The Board collectively and, each Director individually, has the right to seek independent legal, accounting or other professional advice at the OMH Group's expense, up to specified limits, to assist it or them (as applicable) in carrying out its or their (as applicable) responsibilities.

1.4.5 *Board Access to Information*

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

1.4.6 *Related Party Transactions*

Related party transactions include any financial transaction between a Director and the OMH Group. Unless there is an exemption under the Companies Act 1981 of Bermuda or any other relevant laws or regulation (including the ASX Listing Rules) from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.5 Board Meetings

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

Typically, at Board Meetings the agenda will include:

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

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The number of meetings of the Directors held in the period each Director held office during the 2013 financial year and the number of meetings attended by each Director were:

	Board of Directors' Meetings		Short Notice Meetings	
	<i>Held</i>	<i>Attended</i>	<i>Held</i>	<i>Attended</i>
Low Ngee Tong	4	3	2	2
Peter Ivan Toth†	4	4	2	2
Julie Wolseley*	4	0	2	0
Tan Peng Chin	4	4	2	2
Thomas Teo	4	3	2	2
Zainul Abidin Rasheed	4	4	2	2
Peter Church	4	4	2	2

* Due to personal circumstances, Ms Wolseley was unable attend meetings of the Board held during 2013. Ms Wolseley is however kept fully apprised of all material matters relating to the affairs of the OMH Group and is briefed prior to, and after, each Board meeting.

† Mr Peter Toth resigned from the Board and from his role as Chief Executive Officer, effective, 4 April 2014.

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

2. BOARD COMMITTEES

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

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

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

If the OMH Group's activities increase in size, scope and nature, the establishment of separate or special Board committees will be considered and implemented if appropriate.

2.1 Audit Committee

To ensure the integrity of the financial statements of the OMH Group and the independence of the external auditor, an Audit Committee has been formally established by the Board. The Audit Committee consists of three independent Non-Executive Directors being Mr Thomas Teo Liang Huat (chairman of the Audit Committee), Mr Zainul Abidin Rasheed and Mr Peter Church. All Audit Committee members have sufficient financial expertise and experience to discharge the Audit Committee's mandate.

During the financial year ended 31 December 2013, the Audit Committee had two meetings and all committee members were in attendance.

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

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

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

Key activities undertaken by the Audit Committee include:

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

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

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

2.2 Remuneration Committee

The Remuneration Committee reviews and makes recommendations to the Board on remuneration policies applicable to executive officers and Directors of the OMH Group. The Remuneration Committee comprises Mr Tan Peng Chin (chairman of the Remuneration Committee), Mr Zainul Abidin Rasheed and Mr Thomas Teo Liang Huat.

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

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

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

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

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

During the year ended 31 December 2013, the Remuneration Committee had two meetings and all committee members were in attendance.

Nomination committee

The Company does not have a nomination committee because it is not considered that such a committee would be a more efficient forum than the Board as a whole for the consideration of potential candidates to the Board or other key positions.

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

Directors are appointed based on the specific governance skills required by the OMH Group. Given the size of the OMH Group and the businesses that it operates, the OMH Group aims at all times to have at least one Director with substantial experience in the metals trading and mining industries. In addition, the Board should consist of members that have a blend of expertise and professional experience in:

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

3. ETHICAL STANDARDS

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

3.1 Code of Conduct for Directors and Key Executives

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

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

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

3.2 Code of Ethics and Conduct

As noted above, the OMH Group has implemented a Code of Ethics and Conduct, which provides guidelines aimed at maintaining the highest ethical standards, corporate behaviour and accountability at all times within the OMH Group.

All Directors and employees are expected to:

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

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

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

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Responsibilities to Shareholders and the Financial Community Generally

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

Employment Practices

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

Responsibilities to the Community

As part of the community, the OMH Group:

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

Responsibilities to the Individual

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

Conflict of Interests

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

How the OMH Group Monitors and Ensures Compliance with its Code

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

Disciplinary measures may be taken for violating the Code of Ethics and Conduct.

4. DIVERSITY

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

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

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

	Number of Women	%
Board of Directors	1	14.3%
Senior Executives	4	24%
Total OMH Group employees	128	18.1%

As at 31 December 2013, 4% of the OMH Group's mining subsidiary workforce were indigenous employees.

5. KEY MANAGEMENT PERSONNEL DEALING IN COMPANY SHARES

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

6. DISCLOSURE OF INFORMATION

6.1 Continuous Disclosure to ASX

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

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

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

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

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

6.2 Communication with Shareholders

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

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

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

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

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

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

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

7. RISK MANAGEMENT

7.1 Approach to Risk Management and Internal Control

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

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

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

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

7.2 Risk Management Roles and Responsibilities

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

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

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

Each business unit reports annually to the Board on its business plan, risk profile and management of risk. The Board confirms that each business unit has provided such a report for the 2013 financial year.

The Board is responsible for the oversight of the OMH Group's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the OMH Group with the Chief Executive Officer (with the support of the group's most senior financial executives) having ultimate responsibility to the Board for the risk management and control framework.

7.3 Internal Audit

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

The internal audit function is independent of both business management and of the activities it reviews. Internal audit provides assurance that the design and operation of the OMH Group's risk management and internal control system is effective. A risk-based audit approach is used to ensure that the higher risk activities in each business unit are targeted by the internal audit program. All audits are conducted in a manner that conforms to international auditing standards. The assigned internal audit team has all the necessary access to OMH Group management and information. The Audit Committee oversees and monitors the internal auditor's activities. It approves the annual audit program and receives reports from internal auditor concerning the effectiveness of internal control and risk management. The Audit Committee members have access to the internal auditors without the presence of other management. The internal auditor has unfettered access to the Audit Committee and its Chairman.

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

7.4 Integrity of Financial Reporting

Each year, the OMH Group's Chief Executive Officer and Group Financial Controller report in writing to the Board that:

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

The Board confirms that such a report was provided by the Chief Executive Officer and Group Financial Controller for the 2013 financial year.

7.5 Role of External Auditor

The OMH Group's practice is to invite the auditor to attend each annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

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

The services considered unacceptable for provision by the external auditor include:

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

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

8. ENCOURAGE ENHANCED PERFORMANCE

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

The Board has adopted a self-evaluation process to measure its own performance during each financial year. The Board confirms that a review, conducted in accordance with this self-evaluation process, was performed during the 2013 financial year. Also, an annual review is undertaken in relation to the composition and skills mix of the Directors.

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

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

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

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

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

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

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

The Board confirms that a review, conducted in accordance with these arrangements, was performed in relation to the performance of the Company's Executive Directors and senior management during the 2013 financial year.

Executive Remuneration Policy

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

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

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

Remuneration consists of the following key elements:

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

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

Corporate Governance

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

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors. The Board seeks independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally. Remuneration packages include fixed remuneration with bonuses or equity based remuneration entirely at the discretion of the Board based on the performance of the OMH Group.

As OMH is incorporated in Bermuda it is not required to disclose the nature and amount of remuneration for each Director. However, in the interests of good corporate governance, the following table provides the remuneration details of all Directors of the Company (and the nature and amount of their remuneration) for the year ended 31 December 2013

Director	Primary			Post Employment	Equity Compensation	Total
	Base Remuneration	Directors Fees	Performance Bonus	Defined Contributions	Employee share option benefits	
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Low Ngee Tong ⁽ⁱ⁾	671	-	-	7	-	678
Peter Ivan Toth ⁽ⁱⁱ⁾	805	-	-	-	-	805
Zainul Abidin Rasheed ⁽ⁱⁱⁱ⁾	-	120	-	-	-	120
Julie Wolseley ^(iv)	-	80	-	-	-	80
Tan Peng Chin ^(v)	-	80	-	-	-	80
Thomas Teo ^(vi)	-	80	-	-	-	80
Peter Church OAM ^(vii)	-	80	-	-	-	80
Wong Yu Loon ^(viii)	-	30	-	-	-	30
	1,476	470	-	7	-	1,953

- (i) Mr Low Ngee Tong has been the Executive Chairman since October 2008 (and was appointed as 'acting' Chief Executive Officer following the resignation of Mr Peter Toth on 4 April 2014);
- (ii) Mr Peter Toth resigned as a Director on 4 April 2014;
- (iii) Mr Zainul Abidin Rasheed was appointed as a Director on 3 October 2011;
- (iv) Ms Julie Wolseley was appointed as a Director on 24 February 2005;
- (v) Mr Tan Peng Chin was appointed as a Director on 14 September 2007;
- (vi) Mr Thomas Teo Liang Huat was appointed as a Director on 17 July 2008;
- (vii) Mr Peter Church was appointed as a Director on 12 December 2011; and
- (viii) Mr Wong Yu Loon resigned as director on 16 May 2013.

9. RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS

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

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

Corporate Governance

As at 31 December 2013, the Company complied in all material respects with each of the Corporate Governance Principles and the corresponding Recommendations as published by the ASX Corporate Governance Council except as noted below:

Recommendation Reference	Notification of Departure	Explanation for Departure
2.2	The chair should be an independent director	The Company's current Chairman, Mr Low is considered by the Board not to be independent in the light of the ASX Corporate Governance Council's definition of independent director. Refer Section 1.2 of the Corporate Governance Statement. The Board considers that Mr Low's position as Executive Chairman is appropriate given his world-wide experience and specialised understanding of the global manganese industry. The Board believes that Mr Low has the range of skills, knowledge, and experience necessary to effectively govern the Company and understand the economic sectors in which the Company operates. In addition, it should be noted that Mr Low is a substantial and longstanding shareholder of the Company and, as such, is able to clearly identify with the interests of shareholders as a whole.
2.3	A separate Nomination Committee should be established	The Board considers that the Company currently cannot justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification of the attributes required in new Directors. Where appropriate independent consultants are engaged to identify possible new candidates for the Board.
4	Disclose the measurable objectives for achieving gender diversity	The Diversity Policy outlines the strategies and process according to which the Board will set measurable objectives to achieve the aims of its Diversity Policy, with particular focus on gender diversity within the Company and representation from indigenous communities. The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements, including the achievement of diversity objectives. The Board intends to establish appropriate measurable objectives and to report progress against them in future Annual Reports.

As the Company's activities increase in size, scope and/or nature, the Company's corporate governance principles will continue to be reviewed by the Board and amended as appropriate.

ASX Additional Information

Pursuant to the listing requirements of the Australian Securities Exchange ("ASX"), the shareholder information set out below was applicable as at 04 April 2014.

1. SHAREHOLDER INFORMATION

A. Distribution of Equity Securities

Analysis of numbers of shareholders by size of holding:

Distribution	Number of Shareholders	Number of Ordinary Shares	% of Issued Capital
1 – 1,000	290	104,499	0.01
1,001 – 5,000	389	1,128,836	0.15
5,001 – 10,000	229	1,863,606	0.25
10,001 – 100,000	373	13,130,686	1.79
More than 100,000	115	717,195,710	97.80
Totals	1,396	733,423,337	100.00

There were 355 holders holding less than a marketable parcel of ordinary shares.

B. Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are listed below:

Shareholder Name	Listed Ordinary Shares	
	Number	Percentage Quoted
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	315,580,947	43.03%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	81,219,677	11.07%
STRATFORD SUN LIMITED	58,731,393	8.01%
NEWTIMES MARINE CO LTD	40,300,000	5.49%
CITICORP NOMINEES PTY LIMITED	34,209,126	4.66%
HANWA CO LTD	32,500,000	4.43%
J P MORGAN NOMINEES AUSTRALIA LIMITED	25,470,943	3.47%
NATIONAL NOMINEES LIMITED	21,168,904	2.89%
DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT>	9,709,818	1.32%
LAI SHUN HOLDINGS LTD	8,550,000	1.17%
JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	7,815,664	1.07%
MR HAMID MAHDAVI ARDABILI	7,550,000	1.03%
UOB KAY HIAN PRIVATE LIMITED <CLIENTS A/C>	7,308,888	1.00%
MS JULIE ANNE WOLSELEY	5,562,002	0.76%
BNP PARIBAS NOMS PTY LTD <DRP>	5,547,385	0.76%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	5,092,636	0.69%
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	3,958,825	0.54%
NEFCO NOMINEES PTY LTD	2,839,121	0.39%
UOB KAY HIAN (HONG KONG) LIMITED <CLIENTS A/C>	2,300,000	0.31%
MRS DEBORAH ANNE MAHDAVI ARDABILI	2,000,000	0.27%
TOTAL HELD BY 20 LARGEST SHAREHOLDERS	677,415,329	92.36%
OTHERS	56,008,008	7.64%
TOTAL	733,423,337	100.00%

ASX Additional Information

C. *Substantial Shareholders*

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

Shareholder Name	Issued Ordinary Shares	
	Number of Shares	Percentage of Shares
Huang Gang and Newtimes Marine Co Ltd	89,261,779	12.17%
Marc Chan, Amplewood Resources Ltd and Parfield International Ltd	72,060,011	9.83%
Low Ngee Tong and Ramley International Ltd	67,138,500	9.15%
Heng Siow Kwee and Dino Company Limited	65,951,769	8.99%
Stratford Sun Limited	58,731,393	8.00%

D. *Unquoted Options*

The Company has on issue the following unlisted options to subscribe for shares

Number of Unlisted Options	Exercise Price	Expiry Date	Number of option holders
4,000,000	A\$1.87	3 September 2014	1

E. *Voting Rights*

Subject to the Bye-laws of the Company and to any rights or restrictions attaching to any class of shares, every member is entitled to be present at a meeting in person, by proxy, representative or attorney. In accordance with the Company's Bye-laws, voting rights in respect of ordinary shares are on a show of hands whereby each member present in person or by proxy or representative shall have one vote and upon a poll each member present in person or by proxy or representative shall have one vote for every share held.

2. TAXATION

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

3. INVESTOR INFORMATION

(a) Stock Exchange Listing

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

(b) Company Information Contact

For further information about OM Holdings Limited please contact the Corporate office:

OM Holdings Limited
#08 – 08 Parkway Parade
80 Marine Parade Road
Singapore 449269

Telephone: (65) 6346 5515
Facsimile: (65) 6342 2242
Email: om@ommaterials.com
Website: www.omholdingsltd.com

(c) Share Registry Enquiries

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

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

Postal Address:
GPO Box D182
PERTH WA 6840

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

Each enquiry should refer to the shareholder number which is shown on the issuer sponsored holding statements and dividend statements.



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