

**OM HOLDINGS LIMITED**  
(ARBN 081 028 337)  
(Malaysian Registration No. 202002000012 (995782-P))  
Incorporated in Bermuda



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18 March 2022

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

Dear Sir/Madam

**AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

Pursuant to the Corporations Act 2001 and the ASX Listing Rule 4.5, please find attached the audited Financial Statements and Reports for the year ended 31 December 2021.

The 2021 Annual Report (including the Financial Statements and Reports) are expected to be dispatched to Shareholders who have requested a copy by Friday, 29 April 2022.

Yours faithfully

**OM HOLDINGS LIMITED**

Heng Siow Kwee/Julie Wolseley  
**Joint Company Secretary**

Financial statements  
**OM Holdings Limited**  
**and its subsidiaries**

31 December 2021

# Company information

**Australian company registration number**

ARBN 081 028 337

**Malaysian registration number**

202002000012 (995782-P)

**Registered office**

Clarendon House  
2 Church Street  
Hamilton, HM11 Bermuda

**Directors**

Low Ngee Tong (Executive Chairman and 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)  
Dato' Abdul Hamid Bin Sh Mohamed (Independent Non-Executive Director) (Appointed on 10 May 2021)  
Tan Ming-Li (Independent Non-Executive Director) (Appointed on 10 May 2021)  
Peter Church OAM (Independent Non-Executive Director) (Resigned on 5 May 2021)

**Audit committee**

Thomas Teo Liang Huat (Chairman)  
Julie Anne Wolseley  
Dato' Abdul Hamid Bin Sh Mohamed

**Remuneration committee**

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

**Secretaries**

Heng Siow Kwee  
Julie Anne Wolseley  
Conyers Corporate Services (Bermuda) Limited

**Bankers**

National Australia Bank Ltd  
Standard Chartered Bank

**Independent auditor**

Foo Kon Tan LLP  
Public Accountants and  
Chartered Accountants  
24 Raffles Place  
#07-03 Clifford Centre  
Singapore 048621

Partner in charge: Mr Ho Teik Tiong  
(since financial year ended 31 December 2018)

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## Directors' statement

### for the financial year ended 31 December 2021

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of OM Holdings Limited ("the Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2021 and the statement of financial position of the Company as at 31 December 2021.

In the opinion of the Directors,

- (a) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) 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.

The Board of Directors has on the date of this statement, authorised these financial statements for issue.

#### **Names of Directors**

The Directors of the Company in office at the date of this statement were:

Low Ngee Tong (Executive Chairman and 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)  
Dato' Abdul Hamid Bin Sh Mohamed (Independent Non-Executive Director) (Appointed on 10 May 2021)  
Tan Ming-Li (Independent Non-Executive Director) (Appointed on 10 May 2021)

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.

**Directors' statement for the financial year ended 31 December 2021**

**Directors' interests in shares**

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 1.1.2021	As at 31.12.2021	As at 1.1.2021	As at 31.12.2021
The Company -	<u>Number of ordinary shares fully paid</u>			
Low Ngee Tong	68,110,631	68,110,631	-	-
Julie Anne Wolseley	5,562,002	5,562,002	-	-
Tan Peng Chin	(1) 2,020,000	(1) 2,035,200	-	-

Note:

(1) 2,035,200 (2020 - 720,000) shares are held by bank brokerage firms on behalf of Mr Tan Peng Chin.

**Shares Options**

No options were granted during the financial year to take up unissued shares of the Company or any corporation in the Group.

No shares of the Company or any corporation in the Group were issued during the financial year by virtue of the exercise of options.

There were no unissued shares of the Company or any corporation in the Group under option at the end of the financial year.

**Audit Committee**

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

Thomas Teo Liang Huat (Chairman)

Julie Anne Wolseley

Dato' Abdul Hamid Bin Sh Mohamed

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 fourth edition of the Corporate Governance Principles and Recommendations with relevant 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 has met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluations 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 2021 as well as the auditor's report thereon.

**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 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 LLP, Public Accountants and Chartered Accountants, has expressed its willingness to accept the re-appointment.

On behalf of the Directors



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LOW NGHEE TONG  
Executive Chairman

Dated: 18 March 2022

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

## Report on the Audit of the Financial Statements

### Opinion

We have audited the accompanying financial statements of OM Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Company and the Group as at 31 December 2021, and 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the International Financial Reporting Standards (IFRSs) so as to give a true and fair view of the financial position of the Company and the consolidated financial position of the Group as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Professional Conduct and Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



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

## Key Audit Matters (Cont'd)

Key audit matter:	Risk:	Our response and work performed:
Impairment of non-financial assets	<p>The Group's non-financial assets comprise property, plant and equipment, land use rights, exploration and evaluation costs, mine development costs and right-of-use assets amounting to A\$633.7 million as at 31 December 2021. Non-financial assets 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is based on certain key assumptions, such as cash flow projections covering a five-year period and the perpetual growth rate and discount rate per cash generating unit (CGU). A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. These assumptions which are determined by management, including the impact from the COVID-19 pandemic, are judgmental.</p> <p>In determining appropriate CGU level, the Group has considered whether there are: active markets for intermediate products; external users of the processing assets; mining or smelting operations through the use of shared infrastructure; stand-alone mines or smelting plants operated on a portfolio basis. Significant judgement is required by management to determine whether multiple assets should be grouped to form a CGU.</p> <p>Due to the uncertain global economic environment, there are higher inherent risks relating to the impairment of the Group's non-financial assets.</p>	<p>Our audit procedures included among others, assessing appropriateness of CGUs identified by management, evaluating management's assessment for impairment indications, reviewing the valuation model and assumptions used, and challenging management's assumptions in our evaluation of the model.</p> <p>We evaluated whether there had been significant changes in the external and internal factors considered by the Group in assessing whether indicators of impairment exist. In the assessment of impairment, the Group takes into account the indicative open market prices of the finished products from independent experts and publication reports, and uses inputs, such as market growth rate, weighted average cost of capital and other factors, typical of similar mining and smelting industries. Senior management has applied its knowledge of the business in its regular review of these estimates. We also focused on the adequacy of disclosures about key assumptions and sensitivities. The disclosures about the Group's property, plant and equipment, land use rights, exploration and evaluation costs, mine development costs and right-of-use assets are included in Notes 4, 5, 6, 7 and 9 to the financial statements respectively.</p>

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

## Key Audit Matters (Cont'd)

Key audit matter:	Risk:	Our response and work performed:
Recognition of deferred tax assets	<p>The Group recognised deferred tax assets based upon unutilised tax losses and other temporary differences. The Group exercised its judgement to determine the amount of deferred tax assets that can be recognised, to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. As at 31 December 2021, the Group recognised deferred tax assets and deferred tax liabilities of A\$18.5 million and A\$1.3 million respectively.</p> <p>In addition, the Group has unrecorded deferred tax assets of A\$2.5 million as at 31 December 2021.</p>	<p>Our audit procedures included among others, review of the component auditors' audit working papers to understand the local tax regulations and their work performed on the recognition of deferred tax assets. We have also assessed the profit forecast to evaluate the reasonableness of the recognition of deferred tax assets.</p> <p>We discussed with the Group's key management and considered their views on the Group's recoverability of deferred tax assets, including the impact from the COVID-19 pandemic, to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilised. We also focused on the adequacy of disclosures about key assumptions and sensitivities. The disclosures about the Group's deferred tax assets and liabilities are included in Note 10 to the financial statements.</p>

## Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report. The annual report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

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

## **Responsibilities of Management and Those Charged With Governance for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The responsibilities of those charged with governance include overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

## Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr Ho Teik Tiong.



Foo Kon Tan LLP  
Public Accountants and  
Chartered Accountants

Singapore,  
18 March 2022

## Statements of financial position as at 31 December 2021

		The Company		The Group	
	Note	31 December 2021 A\$'000	31 December 2020 A\$'000	31 December 2021 A\$'000	31 December 2020 A\$'000
<b>Assets</b>					
<b>Non-Current</b>					
Property, plant and equipment	4	-	-	610,684	612,684
Land use rights	5	-	-	9,308	8,922
Exploration and evaluation costs	6	-	-	2,955	2,326
Mine development costs	7	-	-	2,689	16,726
Investment property	8	-	-	599	574
Right-of-use assets	9	-	-	8,073	1,992
Deferred tax assets	10	-	-	18,478	13,788
Interests in subsidiaries	11	143,667	142,117	-	-
Interests in associates	12	-	-	119,311	126,832
Other investment	13	-	-	-	1,888
		143,667	142,117	772,097	785,732
<b>Current</b>					
Inventories	14	-	-	353,308	216,307
Trade and other receivables	15	9,417	12,553	56,362	62,992
Capitalised contract costs	16	-	-	1,484	1,856
Prepayments		125	88	3,671	3,528
Cash and bank balances	17	44	42	112,334	63,031
		9,586	12,683	527,159	347,714
<b>Total assets</b>		<b>153,253</b>	<b>154,800</b>	<b>1,299,256</b>	<b>1,133,446</b>
<b>Equity</b>					
<b>Capital and Reserves</b>					
Share capital	18	36,931	36,931	36,931	36,931
Treasury shares	19	(2,330)	(2,330)	(2,330)	(2,330)
Reserves	20	50,581	48,308	470,665	365,042
		85,182	82,909	505,266	399,643
<b>Non-controlling interests</b>		<b>-</b>	<b>-</b>	<b>105,033</b>	<b>68,596</b>
<b>Total equity</b>		<b>85,182</b>	<b>82,909</b>	<b>610,299</b>	<b>468,239</b>
<b>Liabilities</b>					
<b>Non-Current</b>					
Borrowings	21	-	-	296,129	288,279
Lease liabilities	22	-	-	4,174	415
Trade and other payables	23	-	-	54,325	54,791
Provisions	24	-	-	7,973	10,869
Deferred tax liabilities	10	-	-	1,292	1,229
Deferred capital grant	25	-	-	10,609	10,730
		-	-	374,502	366,313
<b>Current</b>					
Borrowings	21	-	14,003	112,895	126,766
Lease liabilities	22	-	-	3,535	1,255
Trade and other payables	23	68,071	57,888	176,727	155,760
Provisions	24	-	-	1,915	1,806
Deferred capital grant	25	-	-	778	736
Contract liabilities	26	-	-	9,686	6,064
Income tax payables		-	-	8,919	6,507
		68,071	71,891	314,455	298,894
<b>Total liabilities</b>		<b>68,071</b>	<b>71,891</b>	<b>688,957</b>	<b>665,207</b>
<b>Total equity and liabilities</b>		<b>153,253</b>	<b>154,800</b>	<b>1,299,256</b>	<b>1,133,446</b>

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 2021

	Note	Year ended 31 December 2021 A\$'000	Year ended 31 December 2020 A\$'000
Revenue	3	1,040,810	784,633
Cost of sales		(766,292)	(688,371)
Gross profit		274,518	96,262
Other income	27	14,301	6,756
Distribution costs		(68,742)	(41,661)
Administrative expenses		(21,706)	(15,924)
Other operating expenses		(71,397)	(37,787)
Finance costs	28	(19,774)	(28,827)
Profit/(loss) from operations		107,200	(21,181)
Share of results of associates		5,412	16,525
Profit/(loss) before income tax	28	112,612	(4,656)
Income tax	29	(3,281)	1,718
<b>Profit/(loss) for the year</b>		<b>109,331</b>	<b>(2,938)</b>
<b>Other comprehensive income/(loss), net of tax:</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Currency translation differences arising from foreign subsidiaries (attributable to owners of the Company)		21,576	(24,160)
Cash flow hedges	30	2,854	1,253
		24,430	(22,907)
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Currency translation differences arising from foreign subsidiaries (attributable to non-controlling interests)		5,302	(6,417)
		5,302	(6,417)
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<b>29,732</b>	<b>(29,324)</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>139,063</b>	<b>(32,262)</b>
<b>Profit/(loss) attributable to:</b>			
Owners of the Company		81,907	5,352
Non-controlling interests		27,424	(8,290)
		109,331	(2,938)
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of the Company		105,623	(17,868)
Non-controlling interests		33,440	(14,394)
		139,063	(32,262)
<b>Profit per share</b>			
- Basic	31	11.11	0.73
- Diluted	31	11.11	0.73

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 2021

	Share capital A\$'000	Treasury shares A\$'000	Share premium A\$'000	Non-distributable reserve A\$'000	Capital reserve A\$'000	Hedging reserve A\$'000	Exchange fluctuation reserve A\$'000	Retained profits A\$'000	Total attributable to equity holders of the parent A\$'000	Non-controlling interests A\$'000	Total equity A\$'000
At 1 January 2021	36,931	(2,330)	178,363	8,868	16,064	(4,911)	6,021	160,637	399,643	68,596	468,239
Profit for the year	-	-	-	-	-	-	-	81,907	81,907	27,424	109,331
Other comprehensive income for the year	-	-	-	-	-	2,140	21,576	-	23,716	6,016	29,732
Total comprehensive income for the year	-	-	-	-	-	2,140	21,576	81,907	105,623	33,440	139,063
Capital injection from non-controlling interest (Note 11)	-	-	-	-	-	-	-	-	-	-	-
Transactions with owners	-	-	-	-	-	-	-	-	-	2,997	2,997
At 31 December 2021	36,931	(2,330)	178,363	8,868	16,064	(2,771)	27,597	242,544	505,266	105,033	610,299

	Share capital A\$'000	Treasury shares A\$'000	Share premium A\$'000	Non-distributable reserve A\$'000	Capital reserve A\$'000	Hedging reserve A\$'000	Exchange fluctuation reserve A\$'000	Retained profits A\$'000	Total attributable to equity holders of the parent A\$'000	Non-controlling interests A\$'000	Total equity A\$'000
At 1 January 2020	36,931	(2,330)	178,363	8,868	16,064	(5,851)	30,181	162,652	424,878	82,990	507,868
Profit/(Loss) for the year	-	-	-	-	-	-	-	5,352	5,352	(8,290)	(2,938)
Other comprehensive income/(loss) for the year	-	-	-	-	-	940	(24,160)	-	(23,220)	(6,104)	(29,324)
Total comprehensive income/(loss) for the year	-	-	-	-	-	940	(24,160)	5,352	(17,868)	(14,394)	(32,262)
Dividends paid (Note 20(viii))	-	-	-	-	-	-	-	(7,367)	(7,367)	-	(7,367)
Transactions with owners	-	-	-	-	-	-	-	(7,367)	(7,367)	-	(7,367)
At 31 December 2020	36,931	(2,330)	178,363	8,868	16,064	(4,911)	6,021	160,637	399,643	68,596	468,239

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 2021

		Year ended 31 December 2021 A\$'000	Year ended 31 December 2020 A\$'000
	Note		
<b>Cash Flows from Operating Activities</b>			
Profit/(loss) before income tax		112,612	(4,656)
Adjustments for:			
Amortisation of land use rights	5, 28	193	206
Amortisation of deferred capital grant	25, 28	(756)	(817)
Amortisation of mine development costs	7, 28	12,835	6,505
Depreciation of property, plant and equipment	4, 28	38,745	43,285
Depreciation of right-of-use assets	9, 28	5,876	5,644
Depreciation of investment property	8, 28	10	11
Loss on disposal of property, plant and equipment	28	18	-
Lease modification	28	-	296
Write-off of property, plant and equipment	28	7,341	36
Fair value gain on other investment	27	-	(1,388)
Gain on disposal of other investment	27	(799)	-
Unwinding of discount on non-current trade payables	28	84	268
Reclassification from hedging reserve to profit or loss	30	2,854	1,253
Write-down of inventories to net realisable value	14, 28	3,775	3,397
Gain from derecognition of financial liabilities	27	(9,219)	-
Write-off of exploration and evaluation costs	6, 28	153	-
Impairment loss on trade and other receivables	15, 28	646	-
Interest expense	28	19,774	28,827
Interest income	27	(298)	(691)
Share of results of associates		(5,412)	(16,525)
Operating profit before working capital changes		188,432	65,651
(Increase)/Decrease in inventories		(123,999)	4,196
Decrease/(Increase) in trade receivables		3,498	(11,397)
Decrease/(Increase) in capitalised contract costs		327	(534)
Increase in prepayments, deposits and other receivables		(3,275)	(631)
Increase in contract liabilities		3,178	765
Increase in trade payables		26,848	28,605
Increase/(Decrease) in other payables		2,752	(2,049)
Decrease in provisions		(4,701)	(1,646)
Cash generated from operations		93,060	82,960
Income tax refund/(paid)		1,157	(6,401)
Net cash generated from operating activities		94,217	76,559
<b>Cash Flows from Investing Activities</b>			
Payments for exploration and evaluation costs	6	(754)	(1,363)
Purchase of property, plant and equipment	4	(8,243)	(15,490)
Purchase of right-of-use asset		(20)	-
Proceeds from disposal of other investment		2,631	-
Purchase of other investment		-	(500)
Dividends received from an associate		12,934	6,048
Interest received		298	691
Net cash generated from/(used in) investing activities		6,846	(10,614)



## Consolidated statement of cash flows (Cont'd)

for the financial year ended 31 December 2021

	Note	Year ended 31 December 2021 A\$'000	Year ended 31 December 2020 A\$'000
<b>Cash Flows from Financing Activities</b>			
Repayment of bank and other loans (Note A)		(51,145)	(33,185)
Proceeds from bank and other loans (Note A)		21,140	12,972
Principal repayment of lease liabilities (Note A)		(5,611)	(6,241)
Capital contribution by non-controlling interest shareholder		2,997	-
Decrease/(Increase) in cash collateral		913	(2,268)
Dividend paid	20(viii)	-	(7,367)
Interest paid (Note A)		(21,902)	(30,013)
Net cash used in financing activities		(53,608)	(66,102)
Net increase/(decrease) in cash and cash equivalents		47,455	(157)
Cash and cash equivalents at beginning of the year		45,951	48,900
Exchange difference on translation of cash and cash equivalents at beginning of the year		2,761	(2,792)
Cash and cash equivalents at end of the year	17	96,167	45,951

## Consolidated statement of cash flows (Cont'd) for the financial year ended 31 December 2021

### Note A Reconciliation of liabilities arising from financing activities

The following is the disclosure of the reconciliation of items for which cash flows have been, or will be, classified as financing activities, excluding equity items:

	1 January 2021 A\$'000	Cash inflows A\$'000	Cash outflows A\$'000	Interest paid A\$'000	Non-cash changes				31 December 2021 A\$'000
					Derecognition of financial liabilities A\$'000	New leases A\$'000	Foreign exchange difference A\$'000	Interest expense A\$'000	
Lease liabilities	1,670	-	(5,611)	(330)	-	11,601	44	335	7,709
Borrowings - bank and other loans	415,045	21,140	(51,145)	-	(10,050)	-	32,711	1,323 <sup>(1)</sup>	409,024
Trade and other payables	3,692	-	-	(21,572)	-	-	-	18,116	236
- Interest payables									

  

	1 January 2020 A\$'000	Cash inflows A\$'000	Cash outflows A\$'000	Interest paid A\$'000	Non-cash changes				31 December 2020 A\$'000
					Lease modification A\$'000	New leases A\$'000	Foreign exchange difference A\$'000	Interest expense A\$'000	
Lease liabilities	7,092	-	(6,241)	(306)	(64)	960	(77)	306	1,670
Borrowings - bank and other loans	473,918	12,972	(33,185)	-	-	-	(40,894)	2,234 <sup>(1)</sup>	415,045
Trade and other payables	7,112	-	-	(29,707)	-	-	-	26,287	3,692
- Interest payables									

(1) This is related to the amortisation of borrowing cost classified as "finance cost" in the Consolidated Statement of Comprehensive Income.

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 2021

### 1 General information

The financial statements of the Company and of the Group for the financial year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors on the date of the Directors' Statement.

The Company is incorporated as a limited liability company listed on both the Australian Securities Exchange and Bursa Malaysia, and is 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 collectively includes all applicable individual IFRSs and Interpretations approved by the International Accounting Standard Board ("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 Dollar which is the Company's functional currency. All financial information is presented in Australian Dollar, unless otherwise stated.

As at 31 December 2021, the Company has net assets of A\$85,182,000 (2020 - A\$82,909,000) and net current liabilities of A\$58,485,000 (2020 - A\$59,208,000). Included in the Company's current liabilities as at 31 December 2021 are a non-trade amount owing to OM Materials (S) Pte Ltd ("OMS"), a wholly-owned subsidiary, of A\$64,543,000 (2020 - A\$55,093,000). OMS has provided a letter of undertaking that it shall provide continuing financial support to the Company, including not demanding immediate repayment for debts owing to OMS. Therefore, the Company is of the view that the preparation of financial statements on a going concern basis is appropriate.

#### *Impact of COVID-19*

The ongoing and evolving Coronavirus Disease ("COVID-19") pandemic has had a significant impact on the global economy and the economies of the countries in which the Group operates. There is significant uncertainty as to the duration of the pandemic and its impact on those economies. In regard to the Group, the consideration of COVID-19 has been in the following areas:

- Impairment of non-financial assets (Notes 4, 5, 6, 7 and 9)
- Recognition of deferred tax assets (Note 10)
- Allowance for expected credit losses of trade and other receivables (Note 15)

#### Significant accounting estimates and judgements

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

**2(a) Basis of preparation (Cont'd)**

**Significant accounting estimates and judgements (Cont'd)**

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

**Significant judgements in applying accounting policies**

**Income taxes (Note 29)**

The Group has exposures to income taxes in numerous jurisdictions. Significant judgement 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 a determination is made.

**Determination of functional currency**

The Group measures foreign currency translation in the respective currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

**Allowance for expected credit losses (ECL) of trade and other receivables (Note 15)**

Allowance for ECL of trade and other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the ECL calculation, based on the Group's past collection history, existing market conditions as well as forward looking estimates at each reporting date. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The Company and the Group adopt a simplified approach and use a provision matrix to calculate ECL for receivables which are trade in nature. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and forecast economic conditions.

The Company and the Group apply the 3-stage general approach to determine ECL for receivables which are non-trade in nature. ECL is measured as an allowance equal to 12-month ECL for stage-1 assets, or lifetime ECL for stage-2 or stage-3 assets. An asset moves from stage-1 to stage-2 when its credit risk increases significantly and subsequently to stage-3 as it becomes credit-impaired. In assessing whether credit risk has significantly increased, the Company considers qualitative and quantitative reasonable and supportable forward looking information. Lifetime ECL represents ECL that will result from all possible default events over the expected life of a financial instrument whereas 12-month ECL represents the portion of lifetime ECL expected to result from default events possible within 12 months after the reporting date.

**Deferred tax assets (Note 10)**

The Group reviews the carrying amount of deferred tax assets at the end of each reporting period. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilised. This involves judgement regarding future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. Management has assessed that it is reasonable to recognise deferred tax assets based on probable future taxable income.



## 2(a) Basis of preparation (Cont'd)

### Significant accounting estimates and judgements (Cont'd)

#### Significant judgements in applying accounting policies (cont'd)

##### Determination of cash-generating units (CGU) for non-financial assets

A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In determining appropriate CGU level, the Group has considered whether there are: active markets for intermediate products; external users of the processing assets; mining or smelting operations through the use of shared infrastructure; stand-alone mines or smelting plants operated on a portfolio basis. Significant judgement is required by management to determine whether multiple assets should be grouped to form a CGU. Management has identified the appropriate CGU level to be the mine or smelting plant together with their direct processing assets at the same location.

#### Critical assumptions used and accounting estimates in applying accounting policies

##### Impairment of non-financial assets

Non-financial assets comprise property, plant and equipment (Note 4), land use rights (Note 5), exploration and evaluation costs (Note 6), mine development costs (Note 7) and right-of-use assets (Note 9). Determining whether the carrying value is impaired requires an estimation of the value in use of the cash-generating units. This requires the Group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of cash flows. The carrying amounts of non-financial assets are disclosed in the consolidated statement of financial position.

##### Mine development costs (Note 7)

The fair value of the mine development costs was determined based on the property's highest and best use, using the income approach. If the fair value of the mine development costs increases/decreases by 10% from management's determination, the Group's profit for the year will decrease/increase by approximately A\$269,000 (2020 - A\$1,673,000).

##### Impairment of investment in subsidiaries (Note 11)

Determining whether an investment in a subsidiary is impaired requires an estimation of the value-in-use of that investment. The value-in-use calculation requires the Company to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverability of the investment based on such estimates and assessed that no impairment was required. If the present value of estimated future cash flows decreased by 1% from management's estimates, it is not likely to materially affect the carrying amount.

##### Net realisable value of inventories (Note 14)

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 changes in market conditions. Management reassesses the estimations at the end of each reporting date. The carrying amount of the inventories carried at net realisable value as at 31 December 2021 is A\$20,010,000 (2020 - A\$7,455,000). If the net realisable value of the inventories decreases by 10% from management's estimates, the Group's loss for the year will increase by A\$2,001,000 (2020 - A\$745,500).

Notes to the financial statements for the financial year ended 31 December 2021

**2(a) Basis of preparation (Cont'd)**

Significant accounting estimates and judgements (Cont'd)

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

Estimation of the incremental borrowing rate ("IBR")

For the purpose of calculating the right-of-use asset and lease liability, an entity applies the interest rate implicit in the lease ("IRIIL") and, if the IRIIL is not readily determinable, the entity shall use its IBR applicable to the lease asset. The IBR is the rate of interest that the entity would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. For most of the leases whereby the Group is the lessee, the IRIIL is not readily determinable. Therefore, the Group estimates the IBR relevant to each lease asset by using observable inputs (such as market interest rate and asset yield) when available, and then making certain lessee specific adjustments (such as a group entity's credit rating). The carrying amounts of the Group's right-of-use assets and lease liabilities are disclosed in Note 9 and 22 respectively. An increase/decrease of 50 basis points in the estimated IBR will not significantly decrease/increase the Group's right-of-use assets and lease liabilities.

**2(b) Adoption of new and revised standards effective for the current financial year**

On 1 January 2021, the Group and the Company have adopted all the new and revised IFRS, IFRS Interpretations ("IFRS INT") and amendments to IFRS, effective for the current financial year that are relevant to them. The adoption of these new and revised IFRS pronouncements does not result in significant changes to the Group's and the Company's accounting policies and has no material effect on the amounts or the disclosures reported for the current or prior reporting periods:

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to IFRS 16	<i>COVID-19 Related Rent Concessions</i>	1 June 2020
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16	<i>Interest Rate Benchmark Reform - Phase 2</i>	1 January 2021

**2(c) New and revised IFRS in issue but not yet effective**

The following are not expected to have any financial impact, being the new or amended IFRS and Interpretations issued as of 2021 that are relevant to the Group and the Company and which are not yet effective but may be early adopted for the current financial year:

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to IFRS 16	<i>COVID-19-Related Rent Concessions beyond 30 June 2021</i>	1 April 2021
Amendments to IAS 16	<i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to IAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022

Notes to the financial statements for the financial year ended 31 December 2021

2(c) New and revised IFRS in issue but not yet effective (Cont'd)

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to IFRS 9	<i>Fees in the '10 per cent' Test for Derecognition of Financial Liabilities</i>	1 January 2022
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023

**Amendment to IFRS 16 COVID-19-Related Rent Concessions beyond 30 June 2021**

As a result of the evolving COVID-19 situation, rent concessions continue to be granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. The amendment provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. The application period of the above practical expedient has been extended by one year to help lessees accounting for COVID-19-related rent concessions.

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic, and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

Entities applying the practical expedient must disclose this fact, whether the expedient has been applied to all qualifying rent concessions, and the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

**Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use**

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. An entity shall recognise such sales proceeds and related costs in profit or loss and measure the cost of those items in accordance with IAS 2 *Inventories*.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly' and specify this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

**2(c) New and revised IFRS in issue but not yet effective (Cont'd)**

**Amendments to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract***

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (e.g. direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (e.g. depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted. The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

**Amendments to IFRS 9 *Fees in the '10 per cent' Test for Derecognition of Financial Liabilities***

The amendments clarify that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity shall include only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendments are applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendments. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

**Amendments to IAS 1 *Classification of Liabilities as Current or Non-current***

The amendments affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on the rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise the right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer of cash, equity instruments, other assets or services to the counterparty.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.



**2(c) New and revised IFRS in issue but not yet effective (Cont'd)**

**Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies***

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. Applying the amendments, an entity discloses its material accounting policies instead of its significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. However, accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. In addition, if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. In support of the amendments to IAS 1, amendments are also made to IFRS Practice Statement 2 to illustrate how an entity could judge whether information about an accounting policy is material to its financial statements.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

**Amendments to IAS 8 *Definition of Accounting Estimates***

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Accordingly, an entity develops accounting estimates if the accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. Illustrative examples are also added to help entities understand and apply the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 and are applied prospectively to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

## 2(c) New and revised IFRS in issue but not yet effective (Cont'd)

### Amendments to SFRS(I) 1-12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations.

IAS 12 *Income Taxes* specifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future.

In specified circumstances, companies are exempted from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which companies recognise both an asset and a liability.

The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

## 2(d) Summary of significant accounting policies

### Group accounting

#### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intragroup transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continues to be consolidated until the date that such control ceases.

Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

#### Transactions with Non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

#### Changes in ownership interests in subsidiaries without change of control

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

**2(d) Summary of significant accounting policies (Cont'd)**

**Group accounting (Cont'd)**

Changes in ownership interests in subsidiaries resulting in loss of control

When the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts as at that date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in the profit or loss; and
- re-classifies the Group's share of components previously recognised in other comprehensive income to the profit or loss or retained earnings, as appropriate.

When the Group loses control of a subsidiary, a gain or loss is recognised in the profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to the profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Business combination is accounted for using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether it includes, as a minimum, an input and substantive process, and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional 'concentration test' is met, and the acquired set of activities and assets is not a business, if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the profit or loss as incurred.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in the profit or loss. The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in the profit or loss on the acquisition date.

**2(d) Summary of significant accounting policies (Cont'd)**

**Subsidiaries**

In the Company's separate financial statements, investments in subsidiaries are stated at cost less the allowance for any impairment losses on an individual subsidiary basis.

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if and only if the Group has all of the following:

- power over the investee;
- exposure, or rights to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if the facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

**Joint operations**

A joint arrangement is an arrangement in which two or more parties have joint control. Joint control is the contractually agreed sharing of control such that decisions about the relevant activities of the arrangement (those that significantly affect the returns) require the unanimous consent of the parties sharing control.

A joint operation is a joint arrangement in which the parties that share joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement. This includes situations where the parties benefit from the joint activity through a share of the output, rather than by receiving a share of the results of trading. In relation to its interest in a joint operation, the Group recognises: its share of assets and liabilities; revenue from the sale of its share of the output and its share of any revenue generated from the sale of the output by the joint operation; and its share of expenses. All such amounts are measured in accordance with the terms of the arrangement, which is in proportion to the Group's interest in the joint operation. These amounts are recorded in the Group's consolidated financial statements on the appropriate line items.



**2(d) Summary of significant accounting policies (Cont'd)**

**Associates**

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

The Group accounts for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investments in associates are carried in the Group's statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss, on the Group's investment in the associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired.

If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence or joint control over the associate, the Group measures any retained interest at fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in the profit or loss.

**2(d) Summary of significant accounting policies (Cont'd)**

**Associates (Cont'd)**

The Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would have been required if that associate or joint venture had directly disposed of the related assets or liabilities.

When an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not re-measure the retained interest.

If the Group's ownership interest in an associate is reduced, but the Group continues to apply the equity method, the Group reclassifies to the profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to the profit or loss on the disposal of the related assets or liabilities.

**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 on the acquisition of subsidiaries on or after 1 January 2010 represents 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.

Goodwill on acquisition of subsidiaries prior to 1 January 2010 and on acquisition of joint ventures and associated companies represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired.

Goodwill on subsidiaries and joint ventures is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on associated companies is included in the carrying amount of the investments.

**2(d) Summary of significant accounting policies (Cont'd)**

**Intangible assets (Cont'd)**

Goodwill (Cont'd)

Gains and losses on the disposal of subsidiaries, joint ventures and associated companies include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisition prior to 1 January 2001. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in the profit or loss on disposal.

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 costs upon the commencement of mine development, when technical feasibility and commercial viability of extracting mineral resources becomes demonstrable.

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

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

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

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

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

**2(d) Summary of significant accounting policies (Cont'd)**

**Intangible assets (Cont'd)**

Mine development costs

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

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

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

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

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

**Property, plant and equipment**

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

Buildings and infrastructure	3 to 20 years
Plant and machinery	3 to 20 years
Computer equipment, office equipment and furniture	1 to 10 years
Motor vehicles	5 to 10 years

Plant and equipment - Process facility, stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed using the unit of production method to allocate the depreciable amount of these assets over the estimated useful lives as follows:

Plant and equipment - Process facility	Life of mine
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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.



**2(d) Summary of significant accounting policies (Cont'd)**

**Property, plant and equipment (Cont'd)**

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 expenditures relating to property, plant and equipment that have been recognised are 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 period in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition 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.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in the profit or loss when the changes arise.

**Investment property**

Investment property comprises leasehold property that is held for long-term rental yields and for capital appreciation. Investment property is not occupied by the Group.

The Group applies the cost model. Investment property is initially recognised at cost and subsequently carried at cost less accumulated depreciation, less any impairment in value similar to that for property, plant and equipment. Such costs include costs of renovation or improvement of the existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Depreciation is computed using the straight-line method over the estimated useful lives of the investment property of 73 years.

Investment property is de-recognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. On disposal or retirement of an investment property, the difference between any disposal proceeds and the carrying amount is recognised in the profit or loss.

The carrying value of investment property is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from the investment property when and only when, there is a change in use, evidenced by the commencement of owner-occupation or commencement of development with a view to sell.

**2(d) Summary of significant accounting policies (Cont'd)**

**Inventories**

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

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

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

**Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Financial assets**

Classification

Financial assets are classified, at initial recognition, in the following measurement categories: amortised cost; fair value through other comprehensive income (FVOCI); and fair value through the profit or loss (FVTPL). The classification depends on the Group's business model for managing the financial assets and the contractual terms of their cash flows determining whether those cash flows represent 'solely payment of principal and interest' (SPPI).

For assets measured at fair value, gains and losses will either be recorded in the profit or loss or other comprehensive income (OCI). For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity instruments at FVOCI. The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of a third party, if the trade receivables do not contain a significant financing component at initial recognition.

## 2(d) Summary of significant accounting policies (Cont'd)

### Financial assets (Cont'd)

#### Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- *Amortised cost:* Financial assets that are held for the collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the profit or loss when the assets are derecognised or impaired, and through the amortisation process. The Company's and the Group's debt instruments at amortised cost include trade and other receivables, and cash and cash equivalents (including cash collateral).
- *FVOCI:* Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in the profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.
- *FVTPL:* Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through the profit or loss. A gain or loss on debt instruments that are subsequently measured at fair value through the profit or loss and are not part of a hedging relationship is recognised in the profit or loss in the period in which it arises.

#### Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in the profit or loss when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value. The Group's equity instrument at FVTPL includes other investment.

#### Impairment

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost and FVOCI. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

**2(d) Summary of significant accounting policies (Cont'd)**

**Financial assets (Cont'd)**

Impairment (Cont'd)

For receivables which are trade in nature, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

*Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. The Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

*Credit-impaired financial asset*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.



**2(d) Summary of significant accounting policies (Cont'd)**

**Financial assets (Cont'd)**

Impairment (Cont'd)

*Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes, as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*Measurement of expected credit losses*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by the default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

*Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the profit or loss.

**Determination of fair value of financial assets**

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.

**Financial liabilities**

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

All interest-related charges are recognised as an expense in "finance cost" in the profit or loss. Financial liabilities are de-recognised if the Company's and the Group's obligations specified in the contract expire or are discharged or cancelled.

**2(d) Summary of significant accounting policies (Cont'd)**

**Financial liabilities (Cont'd)**

Borrowings

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

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

Borrowings which are due to be settled within 12 months after the end of the reporting period are included in current borrowings in the statements of financial position even though the original terms were for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of the reporting period. Borrowings to be settled within the Company's and 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 interest and other financing charges that the Company and the Group incur 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 cease 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 cost, 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 then recorded as a non-current liability on an amortised cost basis until extinguished on conversion, redemption 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. As the economic characteristics and risks of the redemption option are closely related to the host contract, the redemption option is not accounted for separately from the host contract.

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.

**2(d) Summary of significant accounting policies (Cont'd)**

**Financial liabilities (Cont'd)**

Financial guarantees (Cont'd)

Financial guarantee contracts are initially recognised at their fair value plus transaction costs in the statement of financial position. The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the ECL model under IFRS 9 and the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

**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.

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.

Movements on the hedging reserve in other comprehensive income are shown in Note 20. 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 hedges

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

## **2(d) Summary of significant accounting policies (Cont'd)**

### **Derivative financial instruments and hedging activities (Cont'd)**

#### Cash flow hedges (Cont'd)

Amounts accumulated in equity are reclassified to the profit or loss in the periods when the hedged item affects the 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 which hedge 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 the 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 the profit or loss.

#### Derivative 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 the profit or loss. Gains or losses arising from changes in fair value are recorded directly in the 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 the ferrosilicon production facility ("construction-in-progress") if these derivatives are used to hedge the bank borrowings that finance the construction of the ferrosilicon production facility.

### **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.



**2(d) Summary of significant accounting policies (Cont'd)**

**Share capital and treasury shares (Cont'd)**

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

**Share premium**

Any excess of the proceeds received over the par value of the shares is recorded in share premium.

**Government grants**

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to the profit or loss over the expected useful life of the relevant asset by equal annual instalments.

**Provisions and contingent liabilities**

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

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

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

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

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

**Leases**

**(i) The Group as lessee**

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

**2(d) Summary of significant accounting policies (Cont'd)**

**Leases (Cont'd)**

**(i) The Group as lessee (Cont'd)**

**(a) *Lease liability***

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in the profit or loss in the periods that trigger those lease payments.

For all contracts that contain both lease and non-lease components, the Group has elected to not separate lease and non-lease components and account these as one single lease component.

The lease liabilities are presented as a separate line item in the statement of financial position.

The lease liability is subsequently measured at amortised cost, by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (with a corresponding adjustment to the related right-of-use asset or to the profit or loss if the carrying amount of the right-of-use asset has already been reduced to nil) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

**2(d) Summary of significant accounting policies (Cont'd)**

**Leases (Cont'd)**

**(i) The Group as lessee (Cont'd)**

**(b) *Right-of-use asset***

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Depreciation on right-of-use assets is calculated using the straight-line method to allocate their depreciable amounts over the shorter period of lease term and useful life of the underlying asset, are as follows:

Leasehold buildings	: over lease term of 1 to 2 years
Plant and machinery	: 1 to 2 years
Office equipment	: 5 years
Motor vehicles	: 5 to 10 years

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Costs prepaid for the usage of land in the PRC and Malaysia under leasing agreements form part of the Group's right-of-use assets and are presented as land use rights in the statement of financial position. Amortisation of land use rights is calculated on a straight-line method over the term of use being 50 to 60 years.

The right-of-use assets, except for land use rights, are presented as a separate line item in the statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

**(ii) The Group as lessor**

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16, except for the classification of the sublease entered into that resulted in a finance lease classification.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

**2(d) Summary of significant accounting policies (Cont'd)**

**Leases (Cont'd)**

**(ii) The Group as lessor (Cont'd)**

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received from investment property under operating leases as income on a straight-line basis over the lease term within "other income" in the profit or loss.

**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 the reporting period.

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

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

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

Deferred income tax is measured:

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

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

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

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



**2(d) Summary of significant accounting policies (Cont'd)**

**Income taxes (Cont'd)**

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 amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**Royalties and Special Mining Taxes**

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

**Employee benefits**

Defined contribution plan

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

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

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

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

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 the reporting period.

Key management personnel

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



**2(d) Summary of significant accounting policies (Cont'd)**

**Related parties**

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Company and the Group if that person:
  - (i) has control or joint control over the Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of the key management personnel of the Company or the Group or of a parent of the Company.
- (b) An entity is related to the Company and the Group if any of the following conditions applies:
  - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) both entities are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
  - (viii) the entity, or any member of a group which is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

**Impairment of non-financial assets**

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

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

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

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

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

## **2(d) Summary of significant accounting policies (Cont'd)**

### **Impairment of non-financial assets (Cont'd)**

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

With the exception of goodwill,

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

An impairment loss in respect of goodwill is not reversed, even if it relates to an 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 the end of a reporting period.

### **Revenue recognition**

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

#### Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied and the customer obtains control of the goods. Control of an asset refers to an entity's ability to direct the use of and obtain substantially all of the remaining benefits (that is, the potential cash inflows or savings in outflows) from the asset. The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price, net of the estimated volume discounts and adjusted for expected returns.

The Group supplies ores into the China market and international shipments. For the China market, transfer of goods and control is passed to the customers upon full payment and notification to take deliveries. For international shipments, as the Group does not have the right to re-direct shipments and the risk of shipments loss in transit and at destination ports is covered by the buyers' insurance, the transfer of goods and control is passed to the customers upon loading of the goods onto the relevant carrier at the port of shipment. The majority of customers are required to make full payment before the loading of goods at the port of shipment.

#### Transportation of goods sold on CFR or CIF Incoterms

Revenue from rendering service for transportation of goods sold is on Cost & Freight (CFR) or Cost, Insurance & Freight (CIF) Incoterms and is recognised over the period of transportation to the customer. A significant proportion of the Group's products are sold under CFR or CIF Incoterms, in which the Group is responsible for providing transportation of the goods after the date that the Group transfers control of the goods to the customers at the loading port.

**2(d) Summary of significant accounting policies (Cont'd)**

**Revenue recognition (Cont'd)**

Transportation of goods sold on CFR or CIF Incoterms (Cont'd)

The Group's provision of transportation service for contracts under CFR and CIF Incoterms is a distinct service and, therefore, a separate performance obligation. The total sales price or transaction price is allocated to the separate performance obligations comprising of: (a) the product sold; and (b) the transportation service including insurance and freight. Revenue earned from transportation of goods is recognised over time as the customer simultaneously receives the benefits provided as the Group performs the transportation service.

Interest income

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

Dividend income

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

**Contract liabilities**

Contract liabilities relate to the Group's obligation to perform services for which the Group has received advances from customers. Contract liabilities are recognised as revenue as the Group performs the service under the contract.

**Capitalised contract costs**

Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the services to which the contract costs relate, less the costs that relate directly to providing the services and that have not been recognised as expense.

**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 Company and the Group are presented in Australian Dollar, 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 the profit or loss, as part of the gain or loss on disposal.

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

**2(d) Summary of significant accounting policies (Cont'd)**

**Conversion of foreign currencies (Cont'd)**

Transactions and balances (Cont'd)

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

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

Group entities

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

- (i) Assets and liabilities are translated at the closing exchange rates at the end of the reporting period;
- (ii) Income and expenses for each statement presenting the profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and
- (iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are translated at the closing rates at the reporting date. For acquisitions prior to 1 January 2010, 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 a review of the Group's major products and services.

The Group has identified the following reportable segments:

Mining	Exploration and mining of manganese ore
Smelting	Production of manganese ferroalloys, ferrosilicon and manganese sinter ore
Marketing and trading	Trading of manganese ore, manganese ferroalloys, ferrosilicon, 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.

**2(d) Summary of significant accounting policies (Cont'd)**

**Operating segments (Cont'd)**

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

**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 derived from activities related to the sales of ore and ferroalloy products and related services which represent the invoiced value of goods or services sold, net of discounts, goods and services tax and other sales taxes.



Notes to the financial statements for the financial year ended 31 December 2021

3 Principal activities and revenue (Cont'd)

Disaggregation of the Group's total revenue

Segments	Mining		Smelting		Marketing and Trading		Total Revenue	
	2021 A\$'000	2020 A\$'000	2021 A\$'000	2020 A\$'000	2021 A\$'000	2020 A\$'000	2021 A\$'000	2020 A\$'000
Primary geographical markets								
Asia Pacific	-	1,042	248,455	194,728	650,799	480,184	899,254	675,954
Europe	-	-	-	1,601	65,240	41,274	65,240	42,875
Middle East	-	-	21	968	37,628	48,543	37,649	49,511
Africa	-	-	-	-	64	3,220	64	3,220
Others	-	-	-	-	38,603	13,073	38,603	13,073
	-	1,042	248,476	197,297	792,334	586,294	1,040,810	784,633
Major product or service lines								
Ores	-	1,042	-	-	268,494	202,547	268,494	203,589
Alloys	-	-	242,388	192,952	477,333	360,877	719,721	553,829
Services	-	-	6,088	4,345	46,507	22,870	52,595	27,215
	-	1,042	248,476	197,297	792,334	586,294	1,040,810	784,633
Timing of transfer of goods or services								
At a point in time	-	1,042	242,388	192,952	745,827	563,424	988,215	757,418
Over time	-	-	6,088	4,345	46,507	22,870	52,595	27,215
	-	1,042	248,476	197,297	792,334	586,294	1,040,810	784,633

Notes to the financial statements for the financial year ended 31 December 2021

4 Property, plant and equipment

The Group

	Construction -in-progress A\$'000	Buildings and infrastructure A\$'000	Plant and machinery A\$'000	Computer equipment, office equipment and furniture A\$'000	Motor vehicles A\$'000	Total A\$'000
<u>Cost</u>						
At 1 January 2020	74,148	23,594	768,547	5,683	2,095	874,067
Additions	14,164	67	549	708	2	15,490
Transfers	(65,847)	1,968	63,879	-	-	-
Written off	-	-	(42)	-	(5)	(47)
Exchange realignment	(1,425)	(897)	(70,337)	(368)	(121)	(73,148)
At 31 December 2020 and 1 January 2021	21,040	24,732	762,596	6,023	1,971	816,362
Additions	4,310	319	2,447	1,105	62	8,243
Transfers (Note 9)	(11,911)	307	11,529	(6)	-	(81)
Written off	(6,257)	(78)	(1,861)	(442)	(289)	(8,927)
Exchange realignment	984	2,139	44,360	299	218	48,000
At 31 December 2021	8,166	27,419	819,071	6,979	1,962	863,597
<u>Accumulated depreciation and impairment loss</u>						
At 1 January 2020	344	12,662	157,171	3,669	1,815	175,661
Depreciation for the year (Note 28)	-	1,292	41,058	861	74	43,285
Transfers	(344)	-	344	-	-	-
Written off	-	-	(6)	-	(5)	(11)
Exchange realignment	-	(500)	(14,438)	(214)	(105)	(15,257)
At 31 December 2020 and 1 January 2021	-	13,454	184,129	4,316	1,779	203,678
Depreciation for the year (Note 28)	-	1,428	36,568	682	67	38,745
Transfers (Note 9)	-	225	24	(250)	-	(1)
Written off	-	(3)	(872)	(424)	(287)	(1,586)
Exchange realignment	-	1,185	10,511	170	211	12,077
At 31 December 2021	-	16,289	230,360	4,494	1,770	252,913
<u>Net book value</u>						
At 31 December 2021	8,166	11,130	588,711	2,485	192	610,684
At 31 December 2020	21,040	11,278	578,467	1,707	192	612,684

Buildings are located in the PRC.

As of 31 December 2021, property, plant and equipment with a total net carrying amount of A\$586,403,000 (2020 - A\$576,099,000) had been pledged for banking facilities granted to subsidiaries (Note 21.1).

The Group evaluates any indication of impairment in the property, plant and equipment at the end of each reporting period. Cash flow projections used in these calculations are based on financial budgets approved by management. Cash flows beyond the budget period are useful life of the property, plant and equipment are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate of the industry in which the CGU operates.

These assumptions are used for the analysis of each CGU within the business segment. Management determines budgeted gross margins based on past performance and its expectations of market developments. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. A further decrease in the budgeted gross margin by 1% (2020 - 1%) would not result in indication of impairment of the carrying amount of property, plant and equipment.

Notes to the financial statements for the financial year ended 31 December 2021

**4 Property, plant and equipment (Cont'd)**

Key assumptions used for value-in-use calculations:

	2021			2020		
	People's Republic of China Smelting operations	Malaysia	Australia	People's Republic of China Smelting operations	Malaysia	Australia
Gross margin <sup>1</sup>	3.18%	18%	29%	11%	21%	15%
Growth rate <sup>2</sup>	0% before 2026, 0% after 2026	2% - 3% before 2026, 0% after 2026	0% before 2026, 0% after 2026	0% before 2025, 0% after 2025	2% - 5% before 2025, 0% after 2025	0% before 2025, 0% after 2025
Discount rate <sup>3</sup>	4.9%	6.3%	12.8%	5.9%	6.1%	12.3%

- <sup>1</sup> Budgeted gross margin. The gross margin differs due to the different operating efficiencies of the various subsidiaries located in different geographical locations.
- <sup>2</sup> Weighted average growth rate used to extrapolate cash flows beyond the budget period.
- <sup>3</sup> Pre-tax discount rates applied to the pre-tax cash flow projections. The discount rates vary due to the geographical locations of the businesses.

**5 Land use rights**

	2021 A\$'000	2020 A\$'000
The Group		
At beginning of the year	8,922	9,920
Amortisation for the year (Note 28)	(193)	(206)
Exchange realignment	579	(792)
At end of the year	9,308	8,922

The land use rights, that form part of the Group's right-of-use assets, are for leasehold land located in the PRC and Malaysia.

The land use rights for leasehold land located in Malaysia had a net carrying value of A\$7,918,000 (2020 - A\$7,608,000) and were pledged as security for borrowings referred to in Note 21.1(c).

Information about the Group's leasing activities are disclosed in Note 34.

**6 Exploration and evaluation costs**

	2021 A\$'000	2020 A\$'000
The Group		
At beginning of the year	2,326	963
Costs incurred during the year	754	1,363
Written off during the year (Note 28)	(153)	-
Exchange realignment	28	-
At end of the year	2,955	2,326

The Group has a 40% (2020 – 30%) interest in a joint arrangement in Australia which is involved in the exploration of manganese. This interest in the joint arrangement is accounted for as a joint operation. In 2021 and 2020, the expenditure capitalised during the year relate to the Group's share of exploration expenditure invested in the joint operation. The joint operation has no contingent liabilities or commitments as at 31 December 2021 and 2020.

Subsequent to the reporting period, the funding requirement under this joint arrangement has been completed and the Group's interest in the joint arrangement has increased to 51% with effect from 17 February 2022.

**7 Mine development costs**

	2021 A\$'000	2020 A\$'000
The Group		
At beginning of the year	16,726	23,363
Adjustments to rehabilitation provisions (Note 24)	(1,202)	(132)
Amortisation for the year (Note 28)	(12,835)	(6,505)
At end of the year	2,689	16,726

**8 Investment property**

	2021 A\$'000	2020 A\$'000
The Group		
<u>Cost</u>		
Balance at beginning of year	735	808
Exchange realignment	45	(73)
Balance at end of year	780	735
<u>Accumulated depreciation</u>		
Balance at beginning of year	161	166
Depreciation for the year (Note 28)	10	11
Exchange realignment	10	(16)
Balance at end of year	181	161
Net book value	599	574
Rental income	128	126
Direct operating expenses arising from investment property that generates rental income	(23)	(25)
Gross profit arising from investment property	105	101

Notes to the financial statements for the financial year ended 31 December 2021

8 Investment property (Cont'd)

The following are details of the investment property of the Group:

Property Name	Location	Description	Total net lettable area (sq m)	Tenure
Parkway Parade	80 Marine Parade Road, #08-08 Parkway Parade, Singapore 449269	Office premises	148	73-year leasehold commenced from 31 August 2005

Fair value hierarchy

	Fair value measurements using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	A\$'000	A\$'000	A\$'000
2021	-	-	2,950
2020	-	-	2,535

Valuation techniques used to derive fair values

As of 31 December 2021, the fair value of investment property amounted to approximately A\$2,950,000 (2020 - A\$2,535,000) as determined by management with reference to recent market transactions of comparable properties in close proximity, adjusted for differences in key attributes such as property size, which is based on the property's highest and best use.



**Notes to the financial statements for the financial year ended 31 December 2021**

**9 Right-of-use assets**

The Group	Leasehold buildings A\$'000	Plant and machinery A\$'000	Office equipment A\$'000	Motor vehicles A\$'000	Total A\$'000
<u>Cost</u>					
At 1 January 2020	7,059	10,258	37	521	17,875
Exchange realignment	(419)	(505)	(3)	(46)	(973)
Lease modification	(276)	(320)	-	-	(596)
Write-off	(1,120)	-	-	-	(1,120)
Additions	28	932	-	-	960
At 31 December 2020 and at 1 January 2021	5,272	10,365	34	475	16,146
Exchange realignment	421	303	1	28	753
Transfers (Note 4)	(55)	136	-	-	81
Write-off	(3,415)	-	-	-	(3,415)
Additions	8,118	3,503	-	-	11,621
<b>At 31 December 2021</b>	<b>10,341</b>	<b>14,307</b>	<b>35</b>	<b>503</b>	<b>25,186</b>
<u>Accumulated depreciation and impairment</u>					
At 1 January 2020	3,719	6,800	9	216	10,744
Exchange realignment	(411)	(440)	(2)	(25)	(878)
Lease modification	(214)	(22)	-	-	(236)
Write-off	(1,120)	-	-	-	(1,120)
Depreciation	2,828	2,750	9	57	5,644
At 31 December 2020 and at 1 January 2021	4,802	9,088	16	248	14,154
Exchange realignment	205	275	1	16	497
Transfers (Note 4)	-	1	-	-	1
Write-off	(3,415)	-	-	-	(3,415)
Depreciation	2,186	3,633	8	49	5,876
<b>At 31 December 2021</b>	<b>3,778</b>	<b>12,997</b>	<b>25</b>	<b>313</b>	<b>17,113</b>
<u>Carrying amount</u>					
<b>At 31 December 2021</b>	<b>6,563</b>	<b>1,310</b>	<b>10</b>	<b>190</b>	<b>8,073</b>
At 31 December 2020	470	1,277	18	227	1,992

Leaschold buildings are located in Malaysia, Singapore and Australia.

Information about the Group's leasing activities are disclosed in Note 34.

**Notes to the financial statements for the financial year ended 31 December 2021**

**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 in similar tax legislations, are shown on the statement of financial position as follows:

	2021 A\$'000	2020 A\$'000
The Group		
<b>Deferred tax assets</b>		
At gross	84,932	89,785
Less: Set off of tax in similar legislations	(66,454)	(75,997)
At net	18,478	13,788
<b>Deferred tax liabilities</b>		
At gross	(1,292)	(1,229)
Less: Set off of tax in similar legislations	-	-
At net	(1,292)	(1,229)
<b>Deferred tax assets</b>		
To be recovered within one year	-	-
To be recovered after one year	18,478	13,788
	18,478	13,788
<b>Deferred tax liabilities</b>		
To be settled within one year	-	-
To be settled after one year	(1,292)	(1,229)
	(1,292)	(1,229)

Deferred tax assets (at gross) comprise tax on the following deductible temporary differences:

	Excess of tax written down value over net book value of qualifying property, plant and equipment A\$'000	Provisions A\$'000	Tax losses A\$'000	Others A\$'000	Total A\$'000
The Group					
At 1 January 2020	-	6,097	78,166	1,256	85,519
Credited/(charged) to profit or loss (Note 29)	1,186	(448)	12,394	(1,030)	12,102
Exchange difference on translation	-	-	(7,836)	-	(7,836)
At 31 December 2020 and 1 January 2021	1,186	5,649	82,724	226	89,785
Credited/(charged) to profit or loss (Note 29)	406	(1,292)	(8,471)	126	(9,231)
Exchange difference on translation	-	-	4,378	-	4,378
At 31 December 2021	1,592	4,357	78,631	352	84,932

**Notes to the financial statements for the financial year ended 31 December 2021**

**10 Deferred taxation (Cont'd)**

Deferred tax liabilities (at gross) comprise tax on the following taxable temporary differences:

	Excess of net book value over tax written down value of qualifying property, plant and equipment, and mine development costs A\$'000	Provisions A\$'000	Others A\$'000	Total A\$'000
The Group				
At 1 January 2020	(71,602)	(2,950)	(812)	(75,364)
(Charged)/credited to profit or loss (Note 29)	(11,050)	2,266	(246)	(9,030)
Exchange difference on Translation	7,168	-	-	7,168
At 31 December 2020 and 1 January 2021	(75,484)	(684)	(1,058)	(77,226)
(Charged)/credited to profit or loss (Note 29)	20,391	(83)	(318)	19,990
Exchange difference on Translation	(10,510)	-	-	(10,510)
<b>At 31 December 2021</b>	<b>(65,603)</b>	<b>(767)</b>	<b>(1,376)</b>	<b>(67,746)</b>

Unrecognised deferred tax assets

Deferred tax assets of A\$2,501,000 (2020 - A\$2,914,000) have not been recognised in respect of the following items:

	2021 A\$'000	2020 A\$'000
The Group		
Tax losses	10,423	12,032

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. The deductible temporary differences have an expiry term of 7 years. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable income will be available against which the Group can recognise the benefits.

**11 Subsidiaries**

	2021 A\$'000	2020 A\$'000
The Company		
Unquoted equity investments, at cost	8,013	8,013
Amounts due from subsidiaries	219,071	217,521
Less: Accumulated impairment losses	(83,417)	(83,417)
At beginning and end of the year	135,654	134,104
<b>Total</b>	<b>143,667</b>	<b>142,117</b>

The amounts due from subsidiaries are loans to subsidiaries, representing an extension of its investments in the subsidiaries. These amounts are unsecured with indeterminate repayment terms.

The Group evaluates any indication of impairment on the investment in subsidiaries at the end of each reporting period. The Group carries out a review of the recoverable amount of its investment in subsidiaries based on the higher of its fair value less cost to sell and value in use.

**Notes to the financial statements for the financial year ended 31 December 2021**

**11 Subsidiaries (Cont'd)**

Cash flow projections used in these calculations are based on financial budgets approved by management. Cash flows beyond the budget period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate of the industry in which the CGU operates.

These assumptions are used for the analysis of each CGU within the business segment. Management determines budgeted gross margins based on past performance and its expectations of market developments. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. A further decrease in the budgeted gross margin by 1% (2020 - 1%) would not result in indication of impairment of the carrying amount of the investments in subsidiaries.

Key assumptions used for value-in-use calculations:

	2021			2020		
	People's Republic of China Smelting operations	Malaysia	Australia	People's Republic of China Smelting operations	Malaysia	Australia
Gross margin <sup>1</sup>	3.18%	18%	29%	11%	21%	15%
Growth rate <sup>2</sup>	0% before 2026, 0% after 2026	2% - 3% before 2026, 0% after 2026	0% before 2026, 0% after 2026	0% before 2025, 0% after 2025	2% - 5% before 2025, 0% after 2025	0% before 2025, 0% after 2025
Discount rate <sup>3</sup>	4.9%	6.3%	12.8%	5.9%	6.1%	12.3%

- <sup>1</sup> Budgeted gross margin. The gross margin differs due to the different operating efficiencies of the various subsidiaries located in different geographical locations.
- <sup>2</sup> Weighted average growth rate used to extrapolate cash flows beyond the budget period.
- <sup>3</sup> Pre-tax discount rate applied to the pre-tax cash flow projections. The discount rates vary due to the geographical locations of the businesses.

Details of the Group's material subsidiaries at the end of the reporting period are set out below:

Name	Place of incorporation/ Operation	Proportion of ownership interest and voting rights held by the Group		Principal activities
		2021 %	2020 %	
<u>Held by the Company</u>				
OM (Manganese) Ltd. <sup>(1)</sup>	Australia	100	100	Operation of manganese mine
<u>Held by OM Resources (HK) Limited</u>				
OM Materials (S) Pte. Ltd. <sup>(2)</sup>	Singapore	100	100	Investment holding and trading of metals and ferroalloy products
<u>Held by OM Materials (S) Pte. Ltd.</u>				
OM Materials (Sarawak) Sdn. Bhd. <sup>(3)</sup>	Malaysia	75	75	Sales and processing of ferroalloys and ores
OM Materials (Qinzhou) Co. Ltd. <sup>(4)</sup>	PRC	100	100	Sales and processing of ferroalloys and ores
<u>Held by OM Materials Trade (S) Pte. Ltd.</u>				
OM Materials Trading (Qinzhou) Co. Ltd. <sup>(4)</sup>	PRC	100	100	Sales and processing of ferroalloys and ores

**Notes to the financial statements for the financial year ended 31 December 2021**

**11 Subsidiaries (Cont'd)**

Note:

- (1) audited by Grant Thornton Audit Pty Ltd
- (2) audited by Foo Kon Tan LLP
- (3) audited by Ernst & Young, Malaysia
- (4) audited by Guangxi JiaHai Accountant Affairs Office Co. Ltd. for statutory purposes and reviewed by Foo Kon Tan LLP for group consolidation

At the end of the reporting period, the Group has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

<u>Principal activities</u>	<u>Place of incorporation/ operation</u>	<u>Number of subsidiaries</u>	
		2021	2020
Investment holding	The British Virgin Islands	1	1
Investment holding	Mauritius	1	1
Investment holding	Hong Kong	1	1
Investment holding	Singapore	1	1
Logistics services and rental of machinery	Malaysia	1	1
Engineering, procurement and construction services, and trading of metals and ferroalloy products	PRC	1	1
Project development and project management services	Malaysia	1	1
Exploration and mining of minerals	Malaysia	2	2
Engineering services	Malaysia	1	1
		10	10

Additional investment in OM Materials (Sarawak) Sdn. Bhd. ("OM Sarawak")

On the 4 March 2021, pursuant to the Equity Injection Notice dated 24 February 2021 from OM Sarawak, OM Materials (S) Pte Ltd ("OMS") contributed shares of US\$6,839,250 (A\$9,425,000) of the additional capital injection in OM Sarawak by subscribing 27,685,284 ordinary shares at an issue price of RM1.00 per share.

The table below shows details of a non-wholly owned subsidiary of the Group that has material non-controlling interests:

<u>Name</u>	<u>Place of Incorporation and principal place of business</u>	<u>Proportion of ownership interests and voting rights held by non- controlling interests</u>		<u>Profit/(loss) allocated to non-controlling interests</u>		<u>Accumulated non- controlling interests</u>	
		2021	2020	2021	2020	2021	2020
		%	%	A\$'000	A\$'000	A\$'000	A\$'000
OM Materials (Sarawak) Sdn. Bhd.	Malaysia	25	25	29,356	(8,139)	94,757	56,967



**Notes to the financial statements for the financial year ended 31 December 2021**

**11 Subsidiaries (Cont'd)**

Summarised financial information in respect of the above subsidiary that has material non-controlling interests ("NCI") is set out below.

	2021 A\$'000	2020 A\$'000
<b>OM Materials (Sarawak) Sdn. Bhd.</b>		
<u>Summarised Statement of Financial Position</u>		
Current assets	388,899	228,907
Non-current assets	591,284	583,058
Current liabilities	(238,673)	(227,511)
Non-current liabilities	(362,475)	(352,327)
Equity attributable to owners of the Company	284,278	175,160
Non-controlling interests	94,757	56,967
<u>Summarised Statement of Comprehensive Income</u>		
Revenue	582,353	521,940
Expenses	(469,045)	(554,497)
Profit/(loss) for the year	113,308	(32,557)
Profit/(loss) attributable to owners of the Company	84,981	(24,418)
Profit/(loss) attributable to NCI	28,327	(8,139)
Profit/(loss) for the year	113,308	(32,557)
Other comprehensive income attributable to owners of the Company	2,178	768
Other comprehensive income attributable to NCI	726	256
Other comprehensive income for the year	2,904	1,024
Total comprehensive income/(loss) attributable to owners of the Company	87,159	(23,650)
Total comprehensive income/(loss) attributable to NCI	29,053	(7,883)
Total comprehensive income/(loss) for the year	116,212	(31,533)
<u>Other summarised information</u>		
Net cash inflow from operating activities	44,746	77,404
Net cash outflow from investing activities	(6,652)	(8,038)
Net cash outflow from financing activities	(27,426)	(61,585)
Net cash inflow/(outflow)	10,668	7,781

**12 Interests in associates**

	2021 A\$'000	2020 A\$'000
The Group		
Cost of investment in associates <sup>(1)</sup>	77,669	77,672
Share of post-acquisition profits and reserves, net of dividends	41,642	49,160
	119,311	126,832

(1) Comprised unquoted equity shares at cost and advances to associates net of repayments. The advances to associates represent extensions of the investment in associates which are unsecured with indeterminate repayment terms.

Notes to the financial statements for the financial year ended 31 December 2021

12 Interests in associates (Cont'd)

Details of the Group's material associate at the end of the reporting period was as follows:

Name	Country of incorporation	Proportion of effective ownership interest and voting rights held by the Group		Principal activities
		2021 %	2020 %	
Ntsimbintle Mining Proprietary Limited ("NMPL") <sup>(1)</sup>	South Africa	26	26	Investment holding
Held by NMPL <sup>(2)</sup> Tshipi é Ntle Manganese Mining Proprietary Limited ("Tshipi Mining") <sup>(1)</sup>	South Africa	13	13	Exploration and exploitation of minerals

(1) audited by KPMG Inc.

(2) NMPL holds a 50.1% interest joint venture in Tshipi Mining whose results are equity-accounted in NMPL.

Shares in the Group's material associate are held by a wholly-owned subsidiary of the Group, OMH (Mauritius) Corp.

All of the Group's associates are accounted for using the equity method in the Group's consolidated financial statements.

The financial year end date of NMPL is 28 February. For the purposes of applying the equity method accounting, the management accounts of NMPL for the year ended 31 December 2021 have been used and appropriate adjustments have been made as necessary.

Summarised financial information in respect of the Group's material associate are set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRS.

	Ntsimbintle Mining Proprietary Limited	
	2021 A\$'000	2020 A\$'000
Current assets	4,705	3,556
Non-current assets <sup>(1)</sup>	176,290	193,787
Current liabilities	(76)	(11)
Non-current liabilities	(156,233)	(368,290)
Net assets/(liabilities)	24,686	(170,958)
Income <sup>(1)</sup>	40,043	64,146
Profit for the year	20,883	63,649
Total comprehensive income for the year	20,883	63,649
Dividends received from associate	12,934	6,048

(1) Inclusive of equity-accounted results of Tshipi Mining.

**Notes to the financial statements for the financial year ended 31 December 2021**

**12 Interests in associates (Cont'd)**

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	Ntsimbintle Mining Proprietary Limited		Total	
	2021	2020	2021	2020
	A\$'000	A\$'000	A\$'000	A\$'000
Net assets/(liabilities) of the associate	24,686	(170,958)	24,686	(170,958)
Shareholder loans	156,233	368,290	156,233	368,290
	180,919	197,332	180,919	197,332
Proportion of the Group's ownership interest in the associate	47,039	51,306	47,039	51,306
Goodwill	59,842	59,842	59,842	59,842
Currency translation difference	12,417	15,655	12,417	15,655
Carrying value	119,298	126,803	119,298	126,803
Add:				
Carrying value of individually immaterial associates			13	29
Carrying value of Group's interest in associates			119,311	126,832

Aggregate information of associates that are not individually material

The summarised financial information of the immaterial associate not adjusted for in the Group's share of equity interest is as follows:

	2021	2020
	A\$'000	A\$'000
- Loss for the year	(53)	(71)
- Total comprehensive loss for the year	(53)	(71)
	2021	2020
	A\$'000	A\$'000
The Group's share of loss	(18)	(24)

**13 Other investment**

	2021	2020
	A\$'000	A\$'000
The Group		
<b>Non-current</b>		
Equity investments at FVTPL		
- Quoted equity shares	-	1,888

The investment in quoted equity shares offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

Fair value hierarchy – Recurring fair value measurements

	Fair value measurements using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	A\$'000	A\$'000	A\$'000
2021	-	-	-
2020	1,888	-	-

**Notes to the financial statements for the financial year ended 31 December 2021**

**14 Inventories**

	2021 A\$'000	2020 A\$'000
The Group		
<b>At cost</b>		
Raw materials	214,894	147,354
Work-in-progress	18,542	15,561
Finished goods	99,862	45,937
	<b>333,298</b>	<b>208,852</b>
<b>At net realisable value</b>		
Work-in-progress	953	898
Finished goods	19,057	6,557
	<b>20,010</b>	<b>7,455</b>
<b>Total</b>	<b>353,308</b>	<b>216,307</b>
Cost of inventories recognised as an expense and included in cost of sales (Note 28)	766,292	688,371
Write-down of inventories to net realisable value (Note 28)	3,775	3,397

**15 Trade and other receivables**

	The Company		The Group	
	2021 A\$'000	2020 A\$'000	2021 A\$'000	2020 A\$'000
Trade receivables (i)	-	-	44,963	48,130
Other receivables:				
Amounts due from subsidiaries (non-trade)	9,417	12,553	-	-
Deposits and other receivables:				
- third party	-	-	12,272	15,111
- associate	-	-	51	29
	<b>9,417</b>	<b>12,553</b>	<b>12,323</b>	<b>15,140</b>
Less: Allowance for impairment of other receivables:				
At beginning of the year	-	-	(278)	(278)
Impairment loss (Note 28)	-	-	(646)	-
At end of the year	-	-	(924)	(278)
Net other receivables (ii)	<b>9,417</b>	<b>12,553</b>	<b>11,399</b>	<b>14,862</b>
<b>Total (i) + (ii)</b>	<b>9,417</b>	<b>12,553</b>	<b>56,362</b>	<b>62,992</b>

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

Included in the Group's deposits and other receivables from third parties is tax recoverable of A\$459,000 (2020 - A\$6,763,000) from tax authorities.

Trade and other receivables are denominated in the following currencies:

	The Company		The Group	
	2021 A\$'000	2020 A\$'000	2021 A\$'000	2020 A\$'000
Australian Dollar	9,417	12,553	1,540	9,171
Renminbi	-	-	8,602	5,277
United States Dollar	-	-	42,205	44,855
Malaysian Ringgit	-	-	556	425
Others	-	-	3,459	3,264
	<b>9,417</b>	<b>12,553</b>	<b>56,362</b>	<b>62,992</b>

**Notes to the financial statements for the financial year ended 31 December 2021**

**15 Trade and other receivables (Cont'd)**

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

	The Company		The Group	
	2021 A\$'000	2020 A\$'000	2021 A\$'000	2020 A\$'000
<u>By geographical areas</u>				
Asia Pacific	9,417	9,441	40,584	52,682
Europe	-	-	6,249	4,187
Africa	-	3,112	5,044	29
Others	-	-	4,485	6,094
	<b>9,417</b>	<b>12,553</b>	<b>56,362</b>	<b>62,992</b>

Neither past due nor impaired

Trade and other receivables that were neither past due nor impaired amounting to A\$9,417,000 (2020 - A\$12,553,000) and A\$56,329,000 (2020 - A\$62,153,000) for the Company and the Group respectively related to a wide range of debtors for whom there was no recent history of default.

Past due but not impaired

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

	The Company		The Group	
	2021 A\$'000	2020 A\$'000	2021 A\$'000	2020 A\$'000
Past due 0 to 3 months	-	-	29	643
Past due 3 to 6 months	-	-	-	-
Past due over 6 months	-	-	4	196
	-	-	<b>33</b>	<b>839</b>

Trade and other receivables that were past due but not impaired related to a number of debtors 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 and other receivables not past due or past due over 6 months. These receivables are mainly arising from debtors that have a good credit record with the Group.

**16 Capitalised contract costs**

	2021 A\$'000	2020 A\$'000
The Group		
Costs to fulfil service rendered for transportation of goods sold under CFR and CIF Incoterms	1,484	1,856
Amortisation recognised as cost of sales during the year	<b>1,856</b>	<b>1,015</b>

The Group's capitalised contract costs relate to fulfilment costs of freight and insurance for the transportation of goods sold under CFR and CIF Incoterms. These costs are charged to the profit or loss on a basis consistent with the pattern of recognition of the associated revenue.



**Notes to the financial statements for the financial year ended 31 December 2021**

**17 Cash and bank balances**

	The Company		The Group	
	2021	2020	2021	2020
	A\$'000	A\$'000	A\$'000	A\$'000
Cash at bank and on hand	44	42	109,824	58,905
Short-term bank deposits	-	-	2,510	4,126
Total cash and bank balances	44	42	112,334	63,031
Less: Cash collateral	-	-	(16,167)	(17,080)
Cash and cash equivalents	44	42	96,167	45,951

Included in the cash collateral were amounts of A\$1,399,000 (2020 - A\$2,140,000) and A\$14,602,000 (2020 - A\$14,553,000) which were pledged to banks as security for banking facilities and the issuance of environmental bonds (Note 35.4) respectively.

Cash and bank balances are denominated in the following currencies:

	The Company		The Group	
	2021	2020	2021	2020
	A\$'000	A\$'000	A\$'000	A\$'000
Australian Dollar	41	39	19,083	17,639
Renminbi	-	-	16,275	15,381
United States Dollar	3	3	70,104	23,637
Malaysian Ringgit	-	-	5,351	6,195
Others	-	-	1,521	179
	44	42	112,334	63,031

The short term bank deposits have an average maturity of 3 months (2020 - 3 months) from the end of the financial year with the following weighted average effective interest rates:

	2021	2020
	Per annum	Per annum
The Group		
United States Dollar	0.06% to 0.16%	0.18% to 0.92%
Renminbi	-	1.38%
Malaysia Ringgit	1.15%	1.15%

**18 Share capital**

	No. of ordinary shares		Amount	
	2021	2020	2021	2020
	'000	'000	A\$'000	A\$'000
The Company and The Group				
<b>Authorised:</b>				
Ordinary shares of A\$0.05 (2020 - A\$0.05) each	2,000,000	2,000,000	100,000	100,000
<b>Issued and fully paid:</b>				
Ordinary shares of A\$0.05 (2020 - A\$0.05) each				
At 1 January and 31 December	738,623	738,623	36,931	36,931

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

**Notes to the financial statements for the financial year ended 31 December 2021**

**19 Treasury shares**

The Company and The Group	No. of ordinary shares		Amount	
	2021 '000	2020 '000	2021 A\$'000	2020 A\$'000
At 1 January and 31 December	1,933	1,933	2,330	2,330

Treasury shares relate to ordinary shares of the Company that are held by the Company. During the year, the Company acquired Nil shares (2020 - Nil shares) in the Company through on-market purchase on the Australian Securities Exchange.

**20 Reserves**

		The Company		The Group	
		2021 A\$'000	2020 A\$'000	2021 A\$'000	2020 A\$'000
Share premium	[Note (i)]	178,363	178,363	178,363	178,363
Non-distributable reserve	[Note (ii)]	-	-	8,868	8,868
Capital reserve	[Note (iii)]	-	-	16,064	16,064
Contributed surplus	[Note (iv)]	3,312	3,312	-	-
Hedging reserve	[Note (v)]	-	-	(2,771)	(4,911)
Exchange fluctuation reserve	[Note (vi)]	-	-	27,597	6,021
(Accumulated losses)/					
Retained profits	[Note (vii)]	(131,094)	(133,367)	242,544	160,637
		50,581	48,308	470,665	365,042
<b>Share premium</b>					
At 1 January and 31 December		178,363	178,363	178,363	178,363
<b>Non-distributable reserve</b>					
At 1 January and 31 December		-	-	8,868	8,868
<b>Capital reserve</b>					
At 1 January and 31 December		-	-	16,064	16,064
<b>Contributed surplus</b>					
At 1 January and 31 December		3,312	3,312	-	-
<b>Hedging reserve</b>					
At 1 January		-	-	(4,911)	(5,851)
Cash flow hedges		-	-	2,140	940
At 31 December		-	-	(2,771)	(4,911)
<b>Exchange fluctuation reserve</b>					
At 1 January		-	-	6,021	30,181
Currency translation differences		-	-	21,576	(24,160)
At 31 December		-	-	27,597	6,021
<b>Retained profits/(Accumulated losses)</b>					
At 1 January		(133,367)	(122,213)	160,637	162,652
Profit/(loss) for the year		2,273	(3,787)	81,907	5,352
Dividends paid	[Note (viii)]	-	(7,367)	-	(7,367)
At 31 December		(131,094)	(133,367)	242,544	160,637

**20 Reserves (Cont'd)**

Notes:

- (i) The share premium reserve comprises the value of shares that have been issued at a premium, meaning the price paid was in excess of the share's quotient value. The amount received in excess of the quotient value was transferred to the share premium reserve.
- (ii) 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 profits 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 the 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.

- (iii) The capital reserve 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.
- (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. At the Group level, the contributed surplus is eliminated against the cost of investment in subsidiaries.
- (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 the profit or loss when the forecast transaction is ultimately recognised in the profit or loss.
- (vi) The translation reserve comprises all foreign exchange differences arising on the translation of the financial statements of foreign subsidiaries and associates stated in a currency different from the Group's presentation currency.
- (vii) Retained earnings comprise the distributable reserves recognised in the preceding year less any dividend declared. The total of such profits brought forward and the profit derived during the period constitute the total distributable reserves, that is the maximum amount available for distribution to the shareholders.

**Notes to the financial statements for the financial year ended 31 December 2021**

**20 Reserves (Cont'd)**

Notes: (cont'd)

		2021 A\$'000	2020 A\$'000
(viii)	The Group and The Company		
	Final tax-exempt (one-tier) dividend of 0.01 cents per share for 2019	-	7,367
		-	7,367

**21 Borrowings**

	The Company		The Group	
	2021 A\$'000	2020 A\$'000	2021 A\$'000	2020 A\$'000
<b>Non-current</b>				
Bank loans (Note 21.1)	-	-	282,147	275,360
Other loans (Note 21.3)	-	-	14,789	13,893
	-	-	296,936	289,253
Structuring and arrangement fee	-	-	(807)	(974)
	-	-	296,129	288,279
<b>Current</b>				
Bank loans (Note 21.1)	-	-	101,345	103,184
5% Convertible Note (Note 21.2)	-	14,003	-	14,003
Other loans (Note 21.3)	-	-	12,138	10,177
	-	14,003	113,483	127,364
Structuring and arrangement fee	-	-	(588)	(598)
	-	14,003	112,895	126,766
	-	14,003	409,024	415,045

**21.1 Bank loans**

	The Company		The Group	
	2021 A\$'000	2020 A\$'000	2021 A\$'000	2020 A\$'000
Bank loans, unsecured	-	-	-	3,796
Bank loans, secured [Note (a)]	-	-	-	6,764
Bank loans, secured [Note (b)]	-	-	8,670	1,622
Bank loans, secured [Note (c)]	-	-	374,821	366,362
	-	-	383,491	378,544
Amount repayable not later than one year	-	-	101,343	103,184
Amount repayable after one year:				
Later than one year and not later than five years	-	-	282,148	275,360
	-	-	383,491	378,544

Notes:

- (a) These loans are secured by charges over certain bank deposits as disclosed in Note 17.

**Notes to the financial statements for the financial year ended 31 December 2021**

**21 Borrowings (Cont'd)**

**21.1 Bank loans (Cont'd)**

Notes:

- (b) These loans are secured by a charge over land and buildings and certain bank deposits, as disclosed in Note 4 and Note 17 respectively.
- (c) These loans are secured by:
- shares of OM Materials (Sarawak) Sdn Bhd, a company incorporated in Malaysia;
  - a charge over certain bank accounts;
  - a charge over land use rights;
  - a debenture;
  - a borrower assignment;
  - an assignment of insurances;
  - a shareholder assignment;
  - an assignment of reinsurances; and
  - a corporate guarantee from OM Holdings Limited and Chaya Mata Sarawak Berhad (holds 25% ownership interest in OM Materials (Sarawak) Sdn Bhd).

**21.2 5% Convertible Note**

	The Company		The Group	
	2021	2020	2021	2020
	A\$'000	A\$'000	A\$'000	A\$'000
5% Convertible Note:				
Due not later than one year	-	14,003	-	14,003

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% per annum, 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. On 4 March 2016, the Company executed an amendment and restatement agreement with Hanwa Co. Ltd to extend the Convertible Note terms for a further 4 years to 6 March 2020, which was assessed and accounted for as a non-substantial modification of the original financial liability. The conversion option was not recognised as a derivative financial instrument because the fair value was assessed to be insignificant.

In March 2018, the convertible notes on issue were reduced from 25,000,000 to 20,000,000 following the redemption of 20% of the convertible notes for US\$4,290,000 (equivalent to approximately A\$5,500,000).

In April 2018, the convertible notes on issue were reduced further from 20,000,000 to 17,435,500 following the redemption by the Company of a further 10.26% of the original convertible notes for US\$2,200,000 (equivalent to approximately A\$2,900,000).

In February 2019, the convertible notes on issue were reduced further from 17,435,500 to 12,500,000 following the redemption by the Company of 19.74% of the original convertible notes for US\$4,234,000 (equivalent to approximately A\$5,826,000).

In December 2019, the Company executed an amendment and restatement agreement with Hanwa Co. Ltd to extend the Convertible Note terms for a further 1 year to 6 March 2021, which was assessed and accounted for as a non-substantial modification of the original financial liability. The conversion option was not recognised as a derivative financial instrument because the fair value was assessed to be insignificant.

As of 31 December 2020, the Company had 12,500,000 convertible notes on issue with Hanwa Co. Ltd, due on 6 March 2021. In March 2021, the 12,500,000 convertible notes were fully redeemed by the Company for A\$13,900,000 (approximately equivalent to US\$10,700,000).



**Notes to the financial statements for the financial year ended 31 December 2021**

**21 Borrowings (Cont'd)**

**21.3 Other loans**

	The Company		The Group	
	2021	2020	2021	2020
	A\$'000	A\$'000	A\$'000	A\$'000
Shareholder loan, unsecured [Note (a)]	-	-	3,075	2,857
Shareholder loan, unsecured [Note (b)]	-	-	11,277	10,177
Third party loan, secured [Note (c)]	-	-	11,714	11,036
Third party loan, unsecured	-	-	861	-
	-	-	26,927	24,070
Amount repayable not later than one year	-	-	12,138	10,177
Amount repayable after one year:				
Later than one year and not later than five years	-	-	11,714	11,036
Later than five years	-	-	3,075	2,857
	-	-	14,789	13,893
	-	-	26,927	24,070

Notes:

- (a) These loans are unsecured. None of the shareholders are entitled to demand or receive payment or any distribution in respect of any shareholders' loans from the Group. Repayment may be made subject to satisfaction of pre-agreed tests typical for a project financing of this nature.
- (b) The loan is unsecured and repayable on demand.
- (c) The loan is secured by a corporate guarantee from OM Holdings Limited. As at 31 December 2020, the loan was repayable on 4 January 2022. In December 2021, the repayment date was extended to 4 January 2023.

**21.4 Currency risk**

Total borrowings are denominated in the following currencies:

	The Company		The Group	
	2021	2020	2021	2020
	A\$'000	A\$'000	A\$'000	A\$'000
United States Dollar	-	14,003	399,493	337,745
Malaysian Ringgit	-	-	-	75,678
Renminbi	-	-	8,670	1,622
Others	-	-	861	-
	-	14,003	409,024	415,045

**21.5 Effective interest rates**

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

	The Company		The Group	
	2021	2020	2021	2020
	Per annum		Per annum	
Bank loans (Note 21.1)	-	-	1.88% to 5.07%	0.41% to 6.87%
5% convertible note (Note 21.2)	-	9.00%	-	9.00%
Other loans (Note 21.3)	-	-	1.24% to 4.53%	1.53% to 5.95%

**Notes to the financial statements for the financial year ended 31 December 2021**

**21 Borrowings (Cont'd)**

**21.6 Carrying amounts and fair values**

The carrying amounts of current borrowings approximate their fair value. The carrying amounts and fair values of non-current borrowings were as follows:

	The Company		The Group	
	Carrying amounts A\$'000	Fair values A\$'000	Carrying amounts A\$'000	Fair values A\$'000
<b>2021</b>				
Bank loans	-	-	282,148	279,221
Other loans	-	-	14,789	14,789
<b>2020</b>				
Bank loans	-	-	275,360	273,840
Other loans	-	-	13,893	13,893

The fair values above are determined from the discounted cash flow analysis, discounted at market borrowing rates (per annum) of an equivalent instrument at the end of the reporting period which the Directors expect to be available to the Group.

**22 Lease liabilities**

	2021 A\$'000	2020 A\$'000
The Group		
Undiscounted lease payments due:		
- Year 1	3,479	1,336
- Year 2	2,505	332
- Year 3	2,199	103
- Year 4 and onwards	4	-
	8,187	1,771
Less: Unearned interest cost	(478)	(101)
Lease liabilities	7,709	1,670
Presented as:		
- Non-current	4,174	415
- Current	3,535	1,255
	7,709	1,670

Interest expense on lease liabilities of A\$330,000 (2020 - A\$306,000) is recognised within "finance costs" in the profit or loss.

Rental expenses not capitalised in lease liabilities but recognised within "operating expenses" in the profit or loss are set out below:

	2021 A\$'000	2020 A\$'000
The Group		
Short-term leases	9,707	9,865
Leases of low-value assets	19	454

Total cash outflows for all leases in the year amounted to A\$5,941,000 (2020 - A\$6,547,000).

As at 31 December 2021, the Group's short-term lease commitments at the reporting date are not substantially dissimilar to those giving rise to the Group's short-term lease expense for the year.

**Notes to the financial statements for the financial year ended 31 December 2021**

**22 Lease liabilities (Cont'd)**

The Group's lease liabilities are secured by the lessors' title to the leased assets.

Further information about the financial risk management are disclosed in Note 38 and leasing activities in Note 34.

Lease liabilities are denominated in the following currencies:

	2021 A\$'000	2020 A\$'000
The Group		
Australian Dollar	743	613
Malaysian Ringgit	5,719	730
Others	1,247	327
	<u>7,709</u>	<u>1,670</u>

**23 Trade and other payables**

	The Company		The Group	
	2021 A\$'000	2020 A\$'000	2021 A\$'000	2020 A\$'000
<b>Non-current</b>				
Trade payables - third party	-	-	54,164	54,530
Other payables	-	-	118	232
Retention monies	-	-	43	29
	-	-	<u>54,325</u>	<u>54,791</u>
<b>Current</b>				
Trade payables				
- third party	-	-	139,453	114,433
Amount due to subsidiaries (non-trade)	65,643	55,280	-	-
Accruals	2,234	1,673	14,867	9,417
Other payables	194	258	17,559	23,103
Retention monies	-	-	1,815	2,820
Welfare expense payable	-	-	2,797	2,295
Interest payables	-	677	236	3,692
	<u>68,071</u>	<u>57,888</u>	<u>37,274</u>	<u>41,327</u>
	<u>68,071</u>	<u>57,888</u>	<u>176,727</u>	<u>155,760</u>
<b>Total</b>	<u>68,071</u>	<u>57,888</u>	<u>231,052</u>	<u>210,551</u>

Non-current trade payables relate to payables to vendors which bear interest of 5.5% (2020 - 5.5%) per annum.

The current amount due to subsidiaries (non-trade) represents advances which are unsecured, interest-free and repayable on demand.

Trade and other payables are denominated in the following currencies:

	The Company		The Group	
	2021 A\$'000	2020 A\$'000	2021 A\$'000	2020 A\$'000
Australian Dollar	39,253	39,884	13,473	14,340
Renminbi	-	-	14,651	11,440
United States Dollar	28,614	17,622	45,092	37,400
Malaysian Ringgit	-	182	157,463	145,121
Others	204	200	373	2,250
	<u>68,071</u>	<u>57,888</u>	<u>231,052</u>	<u>210,551</u>

All trade payables are generally on 30 to 120 (2020 - 30 to 120) days' credit terms.

**Notes to the financial statements for the financial year ended 31 December 2021**

**23 Trade and other payables (Cont'd)**

The carrying amounts of current trade and other payables approximate their fair value. The carrying amounts and fair values of non-current trade and other payables are as follows:

	The Company		The Group	
	Carrying Amounts A\$'000	Fair values A\$'000	Carrying Amounts A\$'000	Fair values A\$'000
<b>2021</b>				
Trade payables - third party	-	-	54,164	54,164
Other payables	-	-	118	118
Retention monies	-	-	43	43
<b>2020</b>				
Trade payables - third party	-	-	54,530	54,530
Other payables	-	-	232	232
Retention monies	-	-	29	29

**24 Provisions**

	2021 A\$'000	2020 A\$'000
The Group		
<u>Rehabilitation</u>		
At beginning of the year	12,675	14,453
Additions	-	-
Adjustments from mine development costs (Note 7)	(1,202)	(132)
Utilisation	(1,585)	(1,646)
At end of the year	9,888	12,675
Non-current	7,973	10,869
Current	1,915	1,806
	9,888	12,675

According to the Mine Management and Environmental Management Plans submitted to the Northern Territory Government in Australia, the wholly-owned subsidiary, OM (Manganese) Ltd is obligated for the rehabilitation and restoration of areas disturbed arising from mining activities conducted by OM (Manganese) Ltd. 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 Group has estimated its costs based on the rates outlined by the Northern Territory Department of Industry, Tourism and Trade using current restoration standards and techniques.

**25 Deferred capital grant**

	2021 A\$'000	2020 A\$'000
The Group		
Government grant	11,387	11,466
Non-current	10,609	10,730
Current	778	736
	11,387	11,466

A government grant was awarded for the construction of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached. The movement in the deferred capital grant is due to amortisation costs of A\$756,000 (2020 - A\$817,000) (Note 28) and foreign currency translation differences.

**Notes to the financial statements for the financial year ended 31 December 2021**

**26 Contract liabilities**

	2021 A\$'000	2020 A\$'000
The Group		
Transportation of goods sold under CFR and CIF Incoterms	9,686	6,064

The Group's contract liabilities relate to the Group's obligation to transport goods sold to customers under CFR and CIF Incoterms for which the Group has received advance payments from these customers.

Unsatisfied performance obligations in relation to contract liabilities at the end of the reporting period are:

	2021 A\$'000	2020 A\$'000
The Group		
Aggregate amount of transaction price allocated to contracts that are partially or fully unsatisfied at the end of the year	9,686	6,064

The Group expects that 100% of the transaction price allocated to the unsatisfied performance obligations at the end of the current year may be recognised as revenue during the next reporting period.

**27 Other income**

	2021 A\$'000	2020 A\$'000
The Group		
Interest income from banks	298	691
Commission income	1,169	2,189
Fair value gain on other investment (Note 13)	-	1,388
Government grant	506	735
Gain on disposal of other investment	799	-
Gain from derecognition of financial liabilities	9,219	-
Sundry income	2,310	1,753
	14,301	6,756

**28 Profit/(loss) before income tax**

	Note	2021 A\$'000	2020 A\$'000
The Group			
Profit/(loss) before income tax has been arrived at after charging/(crediting):			
Depreciation of property, plant and equipment:			
- cost of sales		21,976	27,630
- other operating expenses		16,769	15,655
	4	38,745	43,285
Loss on disposal of property, plant and equipment <sup>(1)</sup>		18	-
Write off of property, plant and equipment <sup>(1)</sup>		7,341	36
Amortisation of land use rights <sup>(1)</sup>	5	193	206
Write-off of exploration and evaluation costs <sup>(1)</sup>	6	153	-
Amortisation of mine development costs <sup>(1)</sup>	7	12,835	6,505
Depreciation of investment property <sup>(1)</sup>	8	10	11
Depreciation of right-of-use assets <sup>(1)</sup>	9	5,876	5,644
Cost of inventories recognised as expenses and included in cost of sales	14	766,292	688,371
Write-down of inventories to net realisable value <sup>(1)</sup>	14	3,775	3,397
Impairment loss on trade and other receivables <sup>(1)</sup>	15	646	-
Unwinding of discount on non-current trade payables <sup>(1)</sup>		84	268
Amortisation of deferred capital grant <sup>(2)</sup>	25	(756)	(817)
Foreign exchange loss/(gain) - net <sup>(1)</sup>		11,684	(574)
Lease modification <sup>(1)</sup>		-	296
Rental expenses:			
- short-term leases	22	9,707	9,865
- leases of low-value assets	22	19	454



**Notes to the financial statements for the financial year ended 31 December 2021**

**28 (Loss)/profit before income tax**

	Note	2021 A\$'000	2020 A\$'000
The Group			
Finance costs:			
- loans		18,512	27,309
- lease liabilities		335	306
- others		927	1,212
		19,774	28,827
Employee benefits expenses	32	85,608	70,238

(1) These are included under "Other operating expenses" in the Consolidated Statement of Comprehensive Income.

(2) This is included under "Cost of sales" in the Consolidated Statement of Comprehensive Income.

**29 Income tax**

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

A Global Trader Programme is granted by the Singapore Ministry of Trade and Industry to a Singapore subsidiary, OM Materials (S) Pte. Ltd., for a concessionary rate of 10% valid up to December 2023, subject to the fulfilment of specific conditions.

In November 2017, OM Materials (Sarawak) Sdn. Bhd. ("OM Sarawak") was awarded Pioneer Status by the Malaysian Investment Development Authority ("MIDA"), which entitles OM Sarawak exemption from tax for a period of 5 years effective 1 December 2017 to 30 November 2021 on 100% of statutory income derived from the production of ferro-silicon, silicon manganese and high carbon ferromanganese. OM Sarawak is permitted to apply for an additional 5 years exemption on 70% of its statutory income on or before 31 December 2022 subject to the satisfaction of MIDA on pre-agreed criterion.

Taxation has been provided at the appropriate tax rates prevailing in Australia, Singapore, Malaysia, Hong Kong and PRC in which the Group operates on the estimated assessable profits for the year. These rates generally range from 10% to 30% for the reporting period.

	2021 A\$'000	2020 A\$'000
The Group		
Current taxation:		
- Singapore income tax (concessionary tax rate of 10%)	2,752	3,292
- PRC tax (tax rate of 25%)	2,832	(127)
- Australia income tax (tax rate of 30%)	-	-
- Other jurisdictions	6,810	384
Deferred taxation	(11,076)	(5,765)
	1,318	(2,216)
(Over)/under provision in prior years:		
- current taxation	(655)	(2,599)
- deferred taxation	317	2,693
	(338)	94
Income tax	980	(2,122)
Other taxation:		
- withholding tax	663	406
- profits-based royalty and special mining taxes	1,638	(2)
	3,281	(1,718)

**Notes to the financial statements for the financial year ended 31 December 2021**

**29 Income tax (Cont'd)**

A reconciliation of the income tax applicable to the accounting profit/(loss) at the applicable tax rates to the income tax expense for the reporting period was as follows:

	2021 A\$'000	2020 A\$'000
The Group		
Profit/(loss) before income tax	112,612	(4,656)
Tax at applicable tax rates	25,053	(2,960)
Tax effect of non-taxable revenue <sup>(1)</sup>	(22,781)	(317)
Tax effect of non-deductible expenses <sup>(2)</sup>	6,849	3,490
Tax effect of allowances and concessions given by tax jurisdictions	(2,003)	(2,392)
Deferred tax assets on temporary difference not recognised	-	3,173
Utilisation of deferred tax assets on temporary difference not recognised in previous years	(4,987)	(714)
Effects of share of results of associates	(813)	(2,480)
Tax rebate	-	(16)
(Over)/under provision in prior years	(338)	94
	980	(2,122)

(1) Non-taxable revenue relates mainly to Pioneer Income contributed by OM Sarawak.

(2) Non-deductible expenses relate mainly to depreciation and amortisation of non-qualifying assets, overseas accrued interest expenses and provision of expenses.

**30 Cash flow hedges**

	2021 A\$'000	2020 A\$'000
The Group		
Cash flow hedges:		
Gain arising during the year	2,854	1,253

**31 Profit per share**

The Group

Basic profit per share is calculated based on the consolidated profit attributable to owners of the parent divided by the weighted average number of shares on issue of 736,690,000 (2020 - 736,690,000) shares during the financial year.

Fully diluted profit per share was calculated on the consolidated profit attributable to owners of the parent divided by 736,690,000 (2020 - 736,690,000) ordinary shares. The number of ordinary shares was calculated based on the weighted average number of shares on issue during the financial year adjusted for the effects of all dilutive convertible bonds and warrants. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the year or if later, the date of the issue of the potential ordinary shares.

For calculation of diluted earnings per share in 2020 and 2021, the convertible bonds are not included because they are anti-dilutive.

**Notes to the financial statements for the financial year ended 31 December 2021**

**31 Profit per share (Cont'd)**

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

	2021 '000	2020 '000
The Group		
Weighted average number of ordinary shares for the purpose of basic profit per share	736,690	736,690
Effect of dilutive potential ordinary shares:		
Convertible bonds	-	-
Weighted average number of ordinary shares for the purpose of diluted profit per share	736,690	736,690

Profit figures were calculated as follows:

	2021 A\$'000	2020 A\$'000
Profit for the year attributable to owners of the Company	81,907	5,352
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	-	-
Profit for the purposes of diluted profit per share	81,907	5,352

**32 Employee benefits expense**

	2021 A\$'000	2020 A\$'000
The Group		
Directors' fees	804	693
Directors' remuneration other than fees:		
- Directors of the Company	2,980	1,540
- Directors of the subsidiaries	1,628	1,418
- Defined contributions plans	79	76
Key management personnel (other than Directors):		
- Salaries, wages and other related costs	4,459	4,087
- Defined contributions plans	400	376
	10,350	8,190
Other than key management personnel:		
- Salaries, wages and other related costs	69,920	57,145
- Defined contributions plans	5,338	4,903
	85,608	70,238

**33 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:

	2021 A\$'000	2020 A\$'000
The Group		
Commission charged to an associate	2,885	2,665
Commission charged by an associate	(336)	(400)
Sales of goods to an associate	8,697	1,691
Purchases of goods from an associate	(100,421)	(86,624)

### **34 Leases**

#### **(i) The Group as lessee**

##### *(a) Properties*

The Group leases several buildings including a warehouse for operational and storage purposes (Note 9).

The Group makes prepayments for usage of land in the PRC and Malaysia under leasing agreements where the Group constructs buildings and infrastructure for office and operational use.

There are no externally imposed covenants on these property lease arrangements.

##### *(b) Plant and machinery, office equipment and motor vehicles*

The Group makes monthly lease payments to acquire plant and machinery and office equipment used for manufacturing and operational activities. The Group also acquires motor vehicles under hire purchase arrangements to render internal logistics support. These plant and machinery, office equipment and motor vehicles are recognised as the Group's right-of-use assets (Note 9). The lease agreements for plant and machinery, office equipment and motor vehicles prohibit the Group from subleasing them to third parties.

Information regarding the Group's right-of-use assets and lease liabilities are disclosed in Note 9 and 22 respectively.

#### **(ii) The Group as lessor**

##### *Investment property*

Operating leases, in which the Group as the lessor, relate to investment property (Note 8) owned by the Group with a remaining lease term of 13 months. The operating lease contract contains market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The Group's revenue from rental income received on the investment properties are disclosed in Note 8.

The future minimum rental receivable under non-cancellable operating leases contracted for the reporting date are as follows:

	2021 A\$'000	2020 A\$'000
The Group		
Undiscounted lease payments to be received:		
- Year 1	132	127
- Year 2	77	11
	<u>209</u>	<u>138</u>

**Notes to the financial statements for the financial year ended 31 December 2021**

**35 Commitments**

**35.1 Capital commitments**

The following table summarises the Group's capital commitments:

	2021 A\$'000	2020 A\$'000
The Group		
Capital expenditure contracted but not provided for in the financial statements:		
- acquisition of property, plant and equipment	16,328	872

**35.2 Other operating commitments**

Other contracted operating commitments represent the provision of 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.

	2021 A\$'000	2020 A\$'000
The Group		
Not later than one year	2,740	3,807
Later than one year and not later than five years	-	-
Later than five years	-	-
	2,740	3,807

**35.3 Mineral Tenements**

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

	2021 A\$'000	2020 A\$'000
The Group		
Mineral tenements annual expenditure commitments	153	101

**35.4 Environmental bonds**

A subsidiary had environmental bonds to the value of A\$14,602,000 (2020 - A\$14,553,000) lodged with the Northern Territory Government (Department of Industry, Tourism and Trade) to secure environmental rehabilitation commitments. The A\$14,602,000 (2020 - A\$14,553,000) of bonds are secured by A\$13,054,000 (2020 - A\$12,973,000) of bonds issued under financing facilities and certain cash backed.

**36 Other matters**

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

Pursuant to the execution of the Amended Power Purchase Agreement ("PPA") between a subsidiary, OM Materials (Sarawak) Sdn. Bhd., and Syarikat Sesco Berhad ("SSB"), the Company issued sponsor guarantees to SSB for its 75% interest of the subsidiary's obligations under the PPA.



### **36 Other matters (Cont'd)**

#### **Sponsor Guarantee issued under the terms of the Power Purchase Agreement with Syarikat Sesco Berhad (Cont'd)**

The sponsor guarantees disclosed above do not fall into the category of financial guarantees as they do not relate to debt instruments. The purpose of these guarantees is essentially to enable SSB to provide the power supply to the subsidiary on the condition that these guarantees are provided by the Company in the event that there are any unpaid claims arising from the PPA owed to SSB. 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") for a limited recourse senior project finance debt facility.

Concurrently, the Company also executed a Project Support Agreement ("PSA") with OM Materials (Sarawak) Sdn Bhd (as Borrower), and the ultimate shareholders of the Borrower (as Obligor). The PSA governs the rights and obligations of the Obligor. These obligations and liabilities of the Obligor are severally liable on the basis of its shareholding proportion in OM Materials (Sarawak) Sdn. Bhd.

The PSA will lapse upon the final payment of the project financing facilities.

### **37 Operating segments**

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

Mining	Exploration and mining of manganese ore
Smelting	Production of manganese ferroalloys, ferrosilicon and manganese sinter ore
Marketing and Trading	Trading of manganese ore, manganese ferroalloys, ferrosilicon 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, 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 2021

## 37 Operating segments (Cont'd)

	Mining		Smelting		Marketing and Trading		Others		Total	
	2021 A\$'000	2020 A\$'000	2021 A\$'000	2020 A\$'000	2021 A\$'000	2020 A\$'000	2021 A\$'000	2020 A\$'000	2021 A\$'000	2020 A\$'000
Reportable segment revenue										
Sales to external customers	-	1,042	248,476	197,295	792,334	586,296	-	-	1,040,810	784,633
Inter-segment sales	84,029	84,863	390,675	351,408	133,661	129,775	37,159	14,006	645,524	580,052
Elimination									(645,524)	(580,052)
	84,029	85,905	639,151	548,703	925,995	716,071	37,159	14,006	1,040,810	784,633
Reportable segment (loss)/profit	(35,058)	(19,919)	139,682	(5,357)	28,619	32,833	(6,567)	(602)	126,676	6,955
Reportable segment assets										
Elimination	97,733	99,151	1,075,163	895,887	559,356	449,772	182,761	182,568	1,915,013	1,627,378
Investment in associates									(735,068)	(620,764)
Total assets									119,311	126,832
									1,299,256	1,133,446
Reportable segment liabilities										
Elimination	197,061	172,257	635,074	602,732	241,933	185,002	88,390	92,234	1,162,458	1,052,225
Total liabilities									(473,501)	(387,018)
									688,957	665,207
Other segment information										
Purchase of property, plant and equipment	1,653	455	6,095	14,602	156	94	359	339	8,263	15,490
Depreciation of property, plant and equipment	6,017	8,832	31,788	33,489	164	191	776	773	38,745	43,285
Write off of property, plant and equipment	122	36	886	-	75	-	6,258	-	7,341	36
Loss on disposal of property, plant and equipment	-	-	18	-	-	-	-	-	18	-
Lease modification	-	296	-	-	-	-	-	-	-	296
Amortisation of land use rights	-	-	193	206	-	-	-	-	193	206
Addition of evaluation and exploration costs	644	1,200	-	-	-	-	110	163	754	1,363
Amortisation of mine development costs	12,835	6,505	-	-	-	-	-	-	12,835	6,505
Depreciation of right-of-use assets	3,435	2,813	1,746	2,184	441	456	254	191	5,876	5,644
Depreciation of investment property	-	-	-	-	10	11	-	-	10	11
Write off of evaluation and exploration costs	-	-	-	-	-	-	153	-	153	-
Fair value gain on other investment	-	-	-	-	-	(1,388)	-	-	-	(1,388)
Write-down of inventories to net realisable value	3,775	2,973	-	424	-	-	-	-	3,775	3,397
Impairment loss on trade and other receivables	-	-	-	-	-	-	646	-	646	-
Amortisation of deferred capital grant	-	-	(756)	(817)	-	-	-	-	(756)	(817)

**Notes to the financial statements for the financial year ended 31 December 2021**

**37 Operating segments (Cont'd)**

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

The Group	2021 A\$'000	2020 A\$'000
Reportable segment profit	126,676	6,955
Finance income	298	691
Share of results of associates	5,412	16,525
Finance costs	(19,774)	(28,827)
(Loss)/profit before income tax	112,612	(4,656)

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

	Revenue from external customers		Non-current assets	
	2021 A\$'000	2020 A\$'000	2021 A\$'000	2020 A\$'000
Asia Pacific	899,254	675,954	634,321	645,141
Europe	65,240	42,875	-	-
Middle East	37,649	49,511	-	-
Africa	64	3,220	119,298	126,803
Others	38,603	13,073	-	-
	1,040,810	784,633	753,619	771,944

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 assets.

**38 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 Company's and the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

### **38 Financial risk management objectives and policies (Cont'd)**

#### **38.1 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 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.

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.

#### *Guarantees*

The Company provides corporate guarantees to its subsidiaries on their bank borrowings. The Company's maximum exposure to credit risk in respect of the intra-group corporate guarantees at the reporting date is equal to the facilities drawn down by the subsidiaries in the amounts of A\$485,440,000 (2020 - A\$505,000,000). At the reporting date, the Company does not consider it probable that a claim will be made against the Company under these intragroup corporate guarantees.

There is no impact on the corporate guarantee as there are no differential rates given by the financial institutions.

#### *Undrawn credit facilities*

The Group has undrawn credit facilities of approximately A\$53,400,000 (2020 - A\$11,550,000) at the reporting date.

#### **38.2 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 2021**

**38 Financial risk management objectives and policies (Cont'd)**

**38.2 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:

	Less than 1 year A\$'000	Between 2 and 5 Years A\$'000	Over 5 years A\$'000	Total A\$'000	Total carrying amount A\$'000
<b>The Group</b>					
<b>As at 31 December 2021</b>					
Trade and other payables	176,727	54,325	-	231,052	231,052
Borrowings	113,241	340,666	3,075	456,982	409,024
Lease liabilities	3,478	4,709	-	8,187	7,709
	<b>293,446</b>	<b>399,700</b>	<b>3,075</b>	<b>696,221</b>	<b>647,785</b>
<b>As at 31 December 2020</b>					
Trade and other payables	155,760	54,874	-	210,634	210,551
Borrowings	128,631	320,346	2,856	451,833	415,045
Lease liabilities	1,336	435	-	1,771	1,670
	<b>285,727</b>	<b>375,655</b>	<b>2,856</b>	<b>664,238</b>	<b>627,266</b>
<b>The Company</b>					
<b>As at 31 December 2021</b>					
Trade and other payables	68,071	-	-	68,071	68,071
	<b>68,071</b>	<b>-</b>	<b>-</b>	<b>68,071</b>	<b>68,071</b>
Intragroup financial guarantees	485,440	-	-	485,440	-
<b>As at 31 December 2020</b>					
Trade and other payables	57,888	-	-	57,888	57,888
Borrowings	14,154	-	-	14,154	14,003
	<b>72,042</b>	<b>-</b>	<b>-</b>	<b>72,042</b>	<b>71,891</b>
Intragroup financial guarantees	505,000	-	-	505,000	-

The table analyses the financial instruments of the Group for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The Group has various lines of credit with major financial institutions for the purpose 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.

The Group manages its liquidity risk by ensuring there are sufficient cash and current assets to meet all their normal operating commitments in a timely and cost-effective manner and having adequate amount of credit facilities. The Group has the ability to generate additional working capital through financing from financial institutions.



Notes to the financial statements for the financial year ended 31 December 2021

**38 Financial risk management objectives and policies (Cont'd)**

**38.3 Interest rate risk**

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

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

Sensitivity analysis for interest rate risk

At the end of the reporting period, if United States Dollar ("USD"), Renminbi ("RMB") and Malaysian Ringgit ("MYR") interest rates had been 75 (2020 - 75) basis points lower/higher with all other variables held constant, the Company's and the Group's profit net of tax would have been higher/lower by the amounts shown below, arising mainly as a result of lower/higher interest expense on bank borrowings and higher/lower interest income on cash and bank balances.

		The Company Resulting effect: profit/(loss)		The Group Resulting effect: profit/(loss)	
		2021 A\$'000	2020 A\$'000	2021 A\$'000	2020 A\$'000
United States Dollar (USD)	- lower 75 basis points (2020 - 75 basis points)	-	105	1,852	1,822
	- higher 75 basis points (2020 - 75 basis points)	-	(105)	(1,852)	(1,822)
Renminbi (RMB)	- lower 75 basis points (2020 - 75 basis points)	-	-	(43)	(57)
	- higher 75 basis points (2020 - 75 basis points)	-	-	43	57
Malaysian Ringgit (MYR)	- lower 75 basis points (2020 - 75 basis points)	-	-	(31)	396
	- higher 75 basis points (2020 - 75 basis points)	-	-	31	(396)

**38.4 Foreign currency risk**

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

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

Notes to the financial statements for the financial year ended 31 December 2021

**38 Financial risk management objectives and policies (Cont'd)**

**38.4 Foreign currency risk (Cont'd)**

Sensitivity analysis for foreign currency risk

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

		2021		2020	
		Resulting effect - profit/ (loss) A\$'000	(Decrease)/ increase in equity A\$'000	Resulting effect - profit/ (loss) A\$'000	(Decrease)/ increase in equity A\$'000
The Group					
United States Dollar	- strengthened 5% (2020 - 5%)	(16,614)	(17,350)	(15,333)	(13,131)
	- weakened 5% (2020 - 5%)	16,614	17,350	15,333	13,131
Renminbi	- strengthened 5% (2020 - 5%)	78	78	380	376
	- weakened 5% (2020 - 5%)	(78)	(78)	(380)	(376)
Malaysian Ringgit	- strengthened 5% (2020 - 5%)	(7,864)	(7,921)	(10,745)	(10,512)
	- weakened 5% (2020 - 5%)	7,864	7,921	10,745	10,512
The Company					
United States Dollar	- strengthened 5% (2020 - 5%)	(1,431)	(1,494)	(1,581)	(1,354)
	- weakened 5% (2020 - 5%)	1,431	1,494	1,581	1,354

**38.5 Market price risk**

The Group is exposed to equity risks arising from its equity investments carried at FVTPL. If equity prices had been 10% higher/lower, the Group's net profit for the year ended 31 December 2021 would increase/decrease by A\$Nil (2020 - A\$189,000).

**39 Capital risk management**

The Company's and the Group's objectives when managing capital are:

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

The Company and the Group actively and regularly review and manage its capital structure to ensure optimal capital structure and shareholders' returns, taking into consideration the future capital requirements of the Company and the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Company and the Group currently do 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 Company and the Group, is reasonable.

Notes to the financial statements for the financial year ended 31 December 2021

**39 Capital risk management (Cont'd)**

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

	The Group	
	2021 A\$'000	2020 A\$'000
Borrowings	409,024	415,045
Less: Cash and bank balances	(112,334)	(63,031)
Net debt	296,690	352,014
Total equity	610,299	468,239
Gearing ratio	0.49	0.75

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

**40 Financial instruments**

Accounting classifications of financial assets and financial liabilities

	Note	Debt instruments (at amortised cost) A\$'000	Equity instruments (at FVTPL) A\$'000	Total A\$'000
<b>31 December 2021</b>				
The Group				
<b>Financial assets</b>				
Trade and other receivables <sup>(1)</sup>	15	55,903	-	55,903
Cash and bank balances	17	112,334	-	112,334
		168,237	-	168,237
The Company				
<b>Financial assets</b>				
Trade and other receivables	15	9,417	-	9,417
Cash and bank balances	17	44	-	44
		9,461	-	9,461
<b>31 December 2020</b>				
The Group				
<b>Financial assets</b>				
Other investments	13	-	1,888	1,888
Trade and other receivables <sup>(1)</sup>	15	56,229	-	56,229
Cash and bank balances	17	63,031	-	63,031
		119,260	1,888	121,148
The Company				
<b>Financial assets</b>				
Trade and other receivables	15	12,553	-	12,553
Cash and bank balances	17	42	-	42
		12,595	-	12,595

(1) Excluded tax recoverable from the trade and other receivables of A\$459,000 (2020: A\$6,763,000)

**Notes to the financial statements for the financial year ended 31 December 2021**

**40 Financial instruments (Cont'd)**

Accounting classifications of financial assets and financial liabilities (Cont'd)

	Note	Other financial liabilities (at amortised cost) A\$'000	Total A\$'000
<b>31 December 2021</b>			
The Group			
<b>Financial liabilities</b>			
Borrowings	21	409,024	409,024
Lease liabilities	22	7,709	7,709
Trade and other payables	23	231,052	231,052
		<b>647,785</b>	<b>647,785</b>
<b>The Company</b>			
<b>Financial liabilities</b>			
Trade and other payables	23	68,071	68,071
		<b>68,071</b>	<b>68,071</b>
<b>31 December 2020</b>			
The Group			
<b>Financial liabilities</b>			
Borrowings	21	415,045	415,045
Lease liabilities	22	1,670	1,670
Trade and other payables	23	210,551	210,551
		<b>627,266</b>	<b>627,266</b>
<b>The Company</b>			
<b>Financial liabilities</b>			
Borrowings	21	14,003	14,003
Trade and other payables	23	57,888	57,888
		<b>71,891</b>	<b>71,891</b>

**41 Fair value measurement**

Definition of fair value

IFRSs 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.

Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statements 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.

#### **41 Fair value measurement (Cont'd)**

Financial assets and liabilities that are not carried at fair value but whose carrying amounts approximate that of fair value

The carrying amounts of trade and other receivables (Note 15), cash and bank balances (Note 17), current trade and other payables (Note 23), current lease liabilities (Note 22) and current borrowings (Note 21) are reasonable approximations of fair values due to their short term nature.

The carrying amounts of non-current trade and other payables (Note 23), non-current lease liabilities (Note 22) and non-current borrowings (Note 21) are reasonable approximations of fair values as their interest rate approximates the market lending rate.

#### **42 Contingencies**

##### *Tourag Fatality*

On 24 August 2020 a significant wall failure in Tourag pit resulted in the fatality of an employee of OM (Manganese) Ltd. ("OMM"). The incident was immediately reported to NT Police, the Department of Industry, Tourism and Trade and NT Worksafe, with mining operations suspended immediately.

OMM has complied with all notices issued by NT Worksafe and continued to work with NT Worksafe and the Coroner to provide all information to assist with the investigation. At this stage the Coroner's inquiry is yet to be undertaken and NT Worksafe has not laid any charges.

On 30 August 2021, NT WorkSafe served the Company with a Summons to Attend Court. The case is ongoing, and an outcome is expected to be reached late 2022 / early 2023. A reliable estimate of the maximum penalty that could be levied cannot be determined at this point in time. OMM's intention is to defend the charges laid.