

# OM HOLDINGS LIMITED

(ARBN 081 028 337)



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26 March 2019

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 2018**

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 2018.

The 2018 Annual Report (including the Financial Statements and Reports) are expected to be dispatched to Shareholders who have requested a copy by Friday, 26 April 2019.

Yours faithfully

**OM HOLDINGS LIMITED**



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

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

31 December 2018

# Company information

<b>Company registration number</b>	ARBN 081 028 337
<b>Registered office</b>	Clarendon House 2 Church Street Hamilton, HM11 Bermuda
<b>Directors</b>	Low Ngee Tong (Executive Chairman) Zainul Abidin Rasheed (Independent Deputy Chairman) Julie Anne Wolseley (Non-Executive Director and Joint Company Secretary) Tan Peng Chin (Independent Non-Executive Director) Thomas Teo Liang Huat (Independent Non-Executive Director) Peter Church OAM (Independent Non-Executive Director)
<b>Audit committee</b>	Thomas Teo Liang Huat (Chairman) Julie Anne Wolseley Zainul Abidin Rasheed Peter Church OAM
<b>Remuneration committee</b>	Tan Peng Chin (Chairman) Julie Anne Wolseley Zainul Abidin Rasheed Thomas Teo Liang Huat
<b>Secretaries</b>	Heng Siow Kwee Julie Anne Wolseley Conyers Corporate Services (Bermuda) Limited Lo Chi Man
<b>Bankers</b>	National Australia Bank Ltd Standard Chartered Bank
<b>Independent auditor</b>	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 2018

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 2018 and the statement of financial position of the Company as at 31 December 2018.

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 2018 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)  
Zainul Abidin Rasheed (Independent Deputy Chairman)  
Julie Anne Wolseley (Non-Executive Director and Joint Company Secretary)  
Tan Peng Chin (Independent Non-Executive Director)  
Thomas Teo Liang Huat (Independent Non-Executive Director)  
Peter Church OAM (Independent Non-Executive Director)

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

#### **Arrangements to enable Directors to acquire shares or debentures**

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

### **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 <u>1.1.2018</u>	As at <u>31.12.2018</u>	As at <u>1.1.2018</u>	As at <u>31.12.2018</u>
The Company -	<u>Number of ordinary shares fully paid</u>			
Low Ngee Tong	19,825,000	<sup>(1)</sup> 67,138,500	47,313,500	-
Julie Anne Wolseley	5,562,002	<b>5,562,002</b>	-	-
Tan Peng Chin	<sup>(2)</sup> 1,860,000	<sup>(2)</sup> <b>1,860,000</b>	-	-

Note:

- (1) During 2018, a total of 47,313,500 shares were transferred from a company named Ramley International Limited, which was wholly owned by Mr. Low Ngee Tong, to a direct holding registered in his personal name.
- (2) 560,000 (2017 - 560,000) shares are held by UOB Kay Hian Private Limited 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.

No shares were issued by virtue of the exercise of options.

There were no unissued shares of subsidiaries under option at 31 December 2018.

### **Audit Committee**

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

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

The Audit Committee performs the functions set out in the Audit Committee Charter available on the Company's website. The Company has also considered the third 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:

- i. 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;
- ii. the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit; and
- iii. the half-yearly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2018 as well as the auditor's report thereon.

**Audit Committee (Cont'd)**

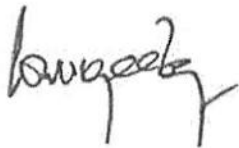
The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any Director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor 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: 25 March 2019

# 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 2018, 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 2018 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:
Valuation of property, plant and equipment	<p>The Group has property, plant and equipment ("PPE") of A\$660.7 million as at 31 December 2018. PPE 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. These assumptions which are determined by management are judgmental.</p> <p>Due to the uncertain global economic environment, there are higher inherent risks relating to the impairment of property, plant and equipment.</p>	<p>Our audit procedures included among others, assessing appropriateness of cash-generating units 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 expert 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 sensitivity. The disclosures about the Group's property, plant and equipment are included in Note 4 to the financial statements.</p>

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

## Key Audit Matters (Cont'd)

### Key audit matter:

Recognition of deferred tax asset

### Risk:

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 income will be available against which the temporary differences can be utilised. As at 31 December 2018, the Group recognised net deferred tax liabilities of A\$3.3 million, comprising of deferred tax assets of A\$5.9 million and deferred tax liabilities of A\$9.2 million.

In addition, the Group has unrecorded deferred tax assets of A\$13,957,000 as at 31 December 2018.

### Our response and work performed:

Our audit procedures included among others, discussions with the component auditors to understand the tax regulations in Australia 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.

We discussed with the Group's key management and considered their views on the Group's recoverability of deferred tax assets 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 sensitivity. The disclosures about the Group's deferred tax assets and liabilities are included in Note 8 to the financial statements.

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

## 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.

## 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 control 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.

# 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)

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.
- 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.

## 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)

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, 25 March 2019

## Statements of financial position as at 31 December 2018

		The Company		The Group	
		31 December 2018	31 December 2017	31 December 2018	31 December 2017
	Note	A\$'000	A\$'000	A\$'000	A\$'000
<b>Assets</b>					
<b>Non-Current</b>					
Property, plant and equipment	4	-	-	660,743	608,915
Land use rights	5	-	-	10,070	9,370
Exploration and evaluation costs	6	-	-	1,808	2,167
Mine development costs	7	-	-	23,988	32,026
Deferred tax assets	8	-	-	-	24,076
Interests in subsidiaries	9	134,300	58,139	-	-
Interests in associates	10	-	-	126,339	116,544
		134,300	58,139	822,948	793,098
<b>Current</b>					
Inventories	11	-	-	267,042	252,480
Trade and other receivables	12	46,231	130,255	90,570	91,025
Capitalised contract costs	13	-	-	2,759	-
Prepayments		133	3,585	3,035	6,076
Cash and bank balances	14	178	10	91,819	34,376
		46,542	133,850	455,225	383,957
<b>Total assets</b>		<b>180,842</b>	<b>191,989</b>	<b>1,278,173</b>	<b>1,177,055</b>
<b>Equity</b>					
<b>Capital and Reserves</b>					
Share capital	15	36,931	36,671	36,931	36,671
Treasury shares	16	(2,330)	(2,330)	(2,330)	(2,330)
Reserves	17	85,554	1,275	354,016	193,625
		120,155	35,616	388,617	227,966
<b>Non-controlling interests</b>		-	-	62,508	59,782
<b>Total equity</b>		<b>120,155</b>	<b>35,616</b>	<b>451,125</b>	<b>287,748</b>
<b>Liabilities</b>					
<b>Non-Current</b>					
Borrowings	18	14,441	24,485	436,120	468,859
Trade and other payables	20	-	53	112,879	139,725
Provisions	19	-	-	9,931	6,032
Deferred tax liabilities	8	-	-	3,301	1,677
Deferred capital grant	22	-	-	13,315	12,776
		14,441	24,538	575,546	629,069
<b>Current</b>					
Trade and other payables	20	40,247	126,328	164,288	213,600
Contract liabilities	21	-	-	3,011	-
Borrowings	18	5,999	5,507	76,806	41,822
Deferred capital grant	22	-	-	803	726
Income tax payables		-	-	6,594	4,090
		46,246	131,835	251,502	260,238
<b>Total liabilities</b>		<b>60,687</b>	<b>156,373</b>	<b>827,048</b>	<b>889,307</b>
<b>Total equity and liabilities</b>		<b>180,842</b>	<b>191,989</b>	<b>1,278,173</b>	<b>1,177,055</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 2018

	Note	Year ended 31 December 2018 A\$'000	Year ended 31 December 2017 A\$'000
Revenue	3	1,510,416	988,182
Cost of sales		(1,157,128)	(778,597)
Gross profit		353,288	209,585
Other income	23	2,356	10,194
Distribution costs		(54,566)	(44,250)
Administrative expenses		(35,244)	(23,647)
Other operating expenses		(30,984)	(56,501)
Finance costs	24	(44,881)	(43,902)
Profit from operations		189,969	51,479
Share of results of associates		46,958	21,138
Profit before income tax	24	236,927	72,617
Income tax	25	(52,270)	18,757
<b>Profit for the year</b>		<b>184,657</b>	<b>91,374</b>
<b>Other comprehensive income/(expense), net of tax:</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Currency translation differences arising from foreign subsidiaries		24,409	(7,459)
Cash flow hedges	26	461	1,360
<b>Other comprehensive income/(expense) for the year, net of tax</b>		<b>24,870</b>	<b>(6,099)</b>
<b>Total comprehensive income for the year</b>		<b>209,527</b>	<b>85,275</b>
<b>Profit/(Loss) attributable to:</b>			
Owners of the Company		161,722	92,656
Non-controlling interests		22,935	(1,282)
		<b>184,657</b>	<b>91,374</b>
<b>Total comprehensive income/(expense) attributable to:</b>			
Owners of the Company		181,761	88,249
Non-controlling interests		27,766	(2,974)
		<b>209,527</b>	<b>85,275</b>
<b>Profit per share</b>			
- Basic	27	Cents 22.05	Cents 12.67
- Diluted	27	Cents 21.79	Cents 12.06

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 2018

	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 2018	36,671	(2,330)	176,563	5,552	16,513	(6,886)	10,073	(8,190)	227,966	59,782	287,748
Profit for the year	-	-	-	-	-	-	-	161,722	161,722	22,935	184,657
Other comprehensive income for the year	-	-	-	-	-	346	19,693	-	20,039	4,831	24,870
Total comprehensive income for the year	-	-	-	-	-	346	19,693	161,722	181,761	27,766	209,527
Dividends paid	-	-	-	-	-	-	-	(22,101)	(22,101)	-	(22,101)
Issue of ordinary shares, net of issue costs	260	-	1,800	-	-	-	-	-	2,060	-	2,060
Acquisition of irredeemable convertible preference shares in subsidiary from non- controlling interest shareholder	-	-	-	-	-	-	-	-	-	(25,040)	(25,040)
Buy-back of warrants	-	-	-	3,316	(1,069)	-	-	(3,319)	(1,069)	-	(1,069)
Transfer	-	-	-	-	-	-	3	-	-	-	-
Transactions with owners	260	-	1,800	3,316	(1,069)	-	3	(25,420)	(21,110)	(25,040)	(46,150)
At 31 December 2018	36,931	(2,330)	178,363	8,868	15,444	(6,540)	29,769	128,112	388,617	62,508	451,125

	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 2017	36,671	(2,330)	176,563	5,534	16,513	(7,906)	15,493	(100,827)	139,711	62,748	202,459
Profit/(Loss) for the year	-	-	-	-	-	-	-	92,656	92,656	(1,282)	91,374
Other comprehensive income/(expense) for the year	-	-	-	-	-	1,020	(5,427)	-	(4,407)	(1,692)	(6,099)
Total comprehensive income/(expense) for the year	-	-	-	-	-	1,020	(5,427)	92,656	88,249	(2,974)	85,275
Dividend forfeited	-	-	-	-	-	-	-	14	14	-	14
Transfer	-	-	-	18	-	-	7	(33)	(8)	8	-
Transactions with owners	-	-	-	18	-	-	7	(19)	6	8	14
At 31 December 2017	36,671	(2,330)	176,563	5,552	16,513	(6,886)	10,073	(8,190)	227,966	59,782	287,748

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 2018

	Note	Year ended 31 December 2018 A\$'000	Year ended 31 December 2017 A\$'000
<b>Cash Flows from Operating Activities</b>			
Profit before income tax		236,927	72,617
Adjustments for:			
Amortisation of land use rights	5, 24	193	186
Amortisation of deferred capital grant	22, 24	(760)	(737)
Amortisation of mine development costs	7, 24	9,052	11,143
Depreciation of property, plant and equipment	4, 24	36,751	32,985
Write off of exploration and evaluation costs	6, 24	932	211
Write off of goodwill from acquisition of subsidiary	9, 24	2,550	-
Gain on disposal of property, plant and equipment	23	-	(53)
Write off of property, plant and equipment	24	116	586
Write back of inventories to net realisable value		-	(11)
Loss on deemed disposal and re-purchase of subsidiary		-	505
Gain on early debt settlement	23	-	(3,955)
Unwinding of discount on non-current trade payables	23, 24	2,464	(1,508)
Reclassification from hedging reserve to profit or loss	26	461	1,360
Interest expense	24	44,881	43,902
Interest income	23	(405)	(187)
Share of results of associates		(46,958)	(21,138)
Operating profit before working capital changes		286,204	135,906
(Increase)/Decrease in inventories		(13,163)	50,981
Decrease/(Increase) in trade receivables		1,034	(5,963)
Increase in capitalised contract costs		(2,759)	-
Decrease/(Increase) in prepayments, deposits and other receivables		2,573	(9,647)
Increase in contract liabilities		3,301	-
Decrease in trade payables		(53,426)	(48,838)
(Decrease)/Increase in other payables and accruals		(38,184)	15,826
Increase/(Decrease) in provisions		3,899	(37)
Cash generated from operations		189,479	138,228
Income tax paid		(9,886)	(4,437)
Net cash generated from operating activities		179,593	133,791
<b>Cash Flows from Investing Activities</b>			
Payments for exploration and evaluation costs	6	(573)	(512)
Payments for mine development costs	7	(1,014)	-
Purchase of property, plant and equipment	4	(29,172)	(45,242)
Proceeds from disposal of property, plant and equipment		-	86
Acquisition of a subsidiary (Note 9)		(2,550)	375
Loan repayment and dividend received an associate		35,623	18,457
Interest received		405	187
Net cash generated from/(used in) investing activities		2,719	(26,649)

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

for the financial year ended 31 December 2018

	Year ended 31 December 2018 A\$'000	Year ended 31 December 2017 A\$'000
<b>Cash Flows from Financing Activities</b>		
Repayment of bank and other loans (Note A)	(41,960)	(74,973)
Payment to finance lease creditors (Note A)	(921)	(975)
Buy-back of warrants	(641)	-
Issue of ordinary shares, net of issue costs	2,060	-
Acquisition of irredeemable convertible preference shares in subsidiary from non-controlling interest shareholder	(25,040)	-
(Increase)/Decrease in cash collateral	(8,310)	4,301
Dividend paid	(22,101)	-
Interest paid	(38,252)	(24,487)
Net cash used in financing activities	(135,165)	(96,134)
Net increase in cash and cash equivalents	47,147	11,008
Cash and cash equivalents at beginning of the year	29,913	20,571
Exchange difference on translation of cash and cash equivalents at beginning of the year	1,986	(1,666)
Cash and cash equivalents at end of the year (Note 14)	79,046	29,913

### 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:

	31 December 2017 A\$'000	Cash flows A\$'000	Non-cash changes		31 December 2018 A\$'000
			Foreign exchange movement A\$'000	Accruals A\$'000	
Finance leases	2,013	(921)	-	-	1,092
Bank and other loans	508,668	(41,960)	46,009	(883)	511,834

	31 December 2016 A\$'000	Cash flows A\$'000	Non-cash changes			31 December 2017 A\$'000
			Foreign exchange movement A\$'000	Accruals A\$'000	Impairment on loan A\$'000	
Finance leases	2,988	(975)	-	-	-	2,013
Banks and other loans	614,643	(74,973)	(34,456)	7,409	(3,955)	508,668

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 2018

### 1 General information

The financial statements of the Company and of the Group for the financial year ended 31 December 2018 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 the Australian Securities Exchange and domiciled in Bermuda.

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

### 2(a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collectively includes all applicable individual IFRSs and Interpretations approved by the IASB, and all applicable individual International Accounting Standards ("IASs") and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB.

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

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

#### 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.

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 25)

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.

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

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

**Significant judgements in applying accounting policies (Cont'd)**

**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 12)**

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 Group uses a provision matrix to calculate ECL for trade receivables. 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 applies the 3-stage general approach to determine ECL for non-trade amounts due from subsidiaries. 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 8)**

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.

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

**Impairment of property, plant and equipment (Note 4)**

Determining whether the carrying value of property, plant and equipment 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. Management has performed the impairment test and assessed that no impairment was required. The carrying amount of property, plant and equipment is disclosed in the balance sheet.

**Notes to the financial statements for the financial year ended 31 December 2018**

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

Mine development costs (Note 7)

The fair value of the mine development costs was determined based on property 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\$2,398,800 (2017 - A\$3,202,600).

Impairment of investment in subsidiaries (Note 9)

Determining whether an investment in subsidiaries 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.

Net realisable value of inventories (Note 11)

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 as at 31 December 2018 is A\$267,042,000 (2017 - A\$252,480,000).

**2(b) Interpretations and amendments to published standards effective in 2018**

The Directors do not anticipate that the adoption of the IFRSs will have a material impact on the financial statements of the Company and the Group in the period of their initial adoption except for the following new or amended IFRS and Interpretations issued and effective in 2018:

Reference	Description	Effective date (Annual periods beginning on or after)
IFRS 15	<i>Revenue from Contracts with Customers</i>	1 January 2018
IFRS 9	<i>Financial Instruments</i>	1 January 2018

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a comprehensive principle for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. The core principle of IFRS 15 is that an entity recognises revenue related to the transfer of promised goods or services when control of the goods or services passes to the customer. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group has adopted IFRS 15 using the modified retrospective method.

The Group sells a significant proportion of its products on Cost and Freight (CFR) or Cost, Insurance & Freight (CIF) Incoterms, where the total sales price is allocated to the separate performance obligations; the first being the product and the second being the other costs, insurance and freight. The sales price allocated to the product is recognised at the point in time at which control of the goods passes to the customer at the loading port, which does not differ significantly from the current standard, IAS 18. The sales price for the costs, insurance and freight are required to be accounted for as separate performance obligations with revenue recognised over time as the service is rendered whereas under IAS 18, the Group recognises such shipping and other freight revenue and accrues the associated costs in full on loading.

The Group has not restated the comparative information as the impact to the Group is insignificant. The Group has quantified the amount to be A\$1,729,000 affecting the opening retained profits as at 1 January 2018.

**2(b) Interpretations and amendments to published standards effective in 2018 (Cont'd)**

**IFRS 9 Financial Instruments**

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The Group has adopted IFRS 9 using the modified retrospective method.

**Classification and measurement of financial assets and financial liabilities**

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminated the previous IAS 39 categories for held-to-maturity investments, loans and receivables and available-for-sale financial assets.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified and measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt instrument; FVOCI – equity instrument; or fair value through the profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A debt instrument is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Notes to the financial statements for the financial year ended 31 December 2018

2(b) Interpretations and amendments to published standards effective in 2018 (Cont'd)

IFRS 9 Financial Instruments (Cont'd)

The following accounting policies apply to the subsequent measurement of financial assets.

- financial assets at FVTPL - these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the profit or loss.
- debt instrument at amortised cost - these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the profit or loss. Any gain or loss on derecognition is recognised in the profit or loss.
- debt instrument at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the profit or loss.
- equity instrument at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in the profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to the profit or loss.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's and the Group's financial assets as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 as at 1 January 2018 A\$'000	New carrying amount under IFRS 9 as at 1 January 2018 A\$'000
The Company				
<b>Financial assets</b>				
Trade and other receivables	Loans and receivables	Amortised cost	130,255	130,255
Cash and cash equivalents	Loans and receivables	Amortised cost	10	10
<b>Total financial assets</b>			<b>130,265</b>	<b>130,265</b>
The Group				
<b>Financial assets</b>				
Trade and other receivables	Loans and receivables	Amortised cost	91,025	91,025
Cash and cash equivalents (including cash collateral)	Loans and receivables	Amortised cost	34,376	34,376
<b>Total financial assets</b>			<b>125,401</b>	<b>125,401</b>

The Company and the Group has adopted IFRS 9 and has concluded that the impacts to the Company's and the Group's financial statements are insignificant.

**Notes to the financial statements for the financial year ended 31 December 2018**

**2(c) IFRS not yet effective**

The following are the new or amended IFRS and Interpretations issued in 2018 that are not yet effective but may be early adopted for the current financial year:

Reference	Description	Effective date (Annual periods beginning on or after)
IFRS 16	<i>Leases</i>	1 January 2019
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to IFRS 3	<i>Definition of a Business</i>	1 January 2020
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>	1 January 2020

**IFRS 16 Leases**

IFRS 16 Leases replaces accounting requirements introduced more than 30 years ago in accordance with IAS 17. Leases that is no longer considered fit for purpose, and is a major revision of the way in which companies are required to recognise most leases on their balance sheets. Lessor accounting is substantially unchanged from current accounting practices in accordance with IAS 17. IFRS 16 Leases will be effective for accounting periods beginning on or after 1 January 2019. Early adoption will be permitted, provided the company has adopted IFRS 15. Management is currently still assessing the possible impact of implementing IFRS 16. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the entity's financial statements in the period of initial application as management has yet to complete its detailed assessment. Management does not plan to early adopt the above new IFRS 16 and this assessment may be subject to changes arising from ongoing analysis.

**IFRIC 23 Uncertainty of Income Tax Treatments**

This Interpretation provides guidance on how to determine an entity's taxable profits (or tax losses), tax bases, unused tax losses, unused tax credits and tax rates where there is uncertainty over income tax to be accounted for under IAS 12. The Group is currently assessing the impact to the consolidated financial statements. Management does not plan to early adopt the above new IFRIC 23 and this assessment may be subject to changes arising from ongoing analysis.

**Amendments to IFRS 3 Definition of a Business**

The amendments are changes to Appendix A *Defined terms*, the application guidance, and the illustrative examples of IFRS 3 only. They:

- clarify that to be considered a business, an acquired set of activities and assets must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.



**2(c) IFRS not yet effective (Cont'd)**

**Amendments to IAS 1 and IAS 8 *Definition of Material***

The amendments clarify the definition of material and how it should be applied by including in the definition guidance. The new definition of material states that “Information is material if omitting, misstating or *obscuring it could reasonably be expected to influence* the decisions that the *primary users* of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

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

**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.

**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 facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

**Subsidiary (Cont'd)**

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.

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.

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 combinations are accounted for by applying the acquisition method whereby identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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

**Subsidiary (Cont'd)**

**Business combinations (Cont'd)**

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

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.

**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 investment 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 transaction 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 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.

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

**Associates (Cont'd)**

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.

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 remeasure 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 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.

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.

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

**Intangible assets (Cont'd)**

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.

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.

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

**Intangible assets (Cont'd)**

Mine development costs (Cont'd)

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 their depreciable amount of these assets over their estimated useful lives as follows:

Leasehold building and improvements	3 to 73 years (based on original lease period)
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, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed using the unit of production method to allocate their depreciable amount of these assets over their 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.

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.

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

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

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

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

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.

**Land use rights**

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

**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 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**

*The accounting for financial assets from 1 January 2018 is as follows:*

Classification

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

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

**Financial assets (Cont'd)**

*The accounting for financial assets from 1 January 2018 is as follows: (Cont'd)*

Classification (Cont'd)

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.

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 a debt instruments that is subsequently measured at fair value through the profit or loss and is not part of a hedging relationship is recognised in the profit or loss in the period in which it arises.



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

### Financial assets (Cont'd)

*The accounting for financial assets from 1 January 2018 is as follows: (Cont'd)*

#### Measurement (Cont'd)

##### 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.

##### Impairment

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments not held at FVTPL. 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).

For trade receivables, 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.

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

**Financial assets (Cont'd)**

*The accounting for financial assets from 1 January 2018 is as follows: (Cont'd)*

**Impairment (Cont'd)**

*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.

*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.

*The accounting of financial assets before 1 January 2018 is as follows:*

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

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

**Financial assets (Cont'd)**

***The accounting of financial assets before 1 January 2018 is as follows: (Cont'd)***

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

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

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

**Loans and receivables**

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

Loans and receivables include trade and other receivables. Loans and receivables are recognised initially at fair value, plus any directly attributable costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write-back is recognised in the profit or loss.

**Available-for-sale financial assets**

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

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

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

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

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

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

**Financial assets (Cont'd)**

*The accounting of financial assets before 1 January 2018 is as follows: (Cont'd)*

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

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

Impairment

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

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

**Determination of fair value 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, trade and bill payables, accruals and other payables.

Financial liabilities are recognised when the Company and the Group become a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance cost" in the profit or loss. Financial liabilities are de-recognised if the Company's and the Group's obligations specified in the contract expire or are discharged or cancelled.

Borrowings

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

Gains and losses are recognised in the profit or loss when the liabilities are 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.

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

**Financial liabilities (Cont'd)**

Borrowings (Cont'd)

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 ceases when substantially all the activities necessary to prepare the qualifying assets are substantially completed for their intended use.

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

Trade and bill payables/accruals and other payables

Trade and bill payables/accruals and other payables are initially measured at fair value, and subsequently measured at amortised 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.

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.

Prior to 1 January 2018, financial guarantee contracts were subsequently amortised to the profit or loss over the period of the subsidiaries' borrowings, unless the Company had incurred an obligation to reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantee contracts shall be carried at the expected amount payable to the bank.

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

**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 17. 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 is 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").

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.

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

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

Derivatives financial instruments not designated as hedging instrument

Derivative financial instruments are not designated as hedging instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date of the derivative contract is entered into and subsequently re-measured at fair value. Such derivative financial instruments are accounted for as financial assets or financial liabilities at fair value through 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.

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.

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

### **Provisions and contingent liabilities**

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

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

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

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

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

### **Leases**

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

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

Where the Group is the lessee:

#### Finance leases

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

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

#### Operating leases

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



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

**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.

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.

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

**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.

**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 (ii) 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.

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

**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.

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.

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

**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 in 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 on Cost & Freight (CFR) or Cost, Insurance & Freight (CIF) Incoterms 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.

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.

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

**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".

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.

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

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

Group entities (Cont'd)

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.

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 9.

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 2018

3 Principal activities and revenue (Cont'd)

Disaggregation of the Group's total revenue

Segments	Mining		Smelting		Marketing and Trading		Others		Total Revenue	
	2018 A\$'000	2017 A\$'000	2018 A\$'000	2017 A\$'000	2018 A\$'000	2017 A\$'000	2018 A\$'000	2017 A\$'000	2018 A\$'000	2017 A\$'000
Primary geographical markets										
Asia Pacific	321	-	265,938	163,053	964,538	591,637	8,528	6,603	1,239,325	761,293
Europe	-	-	-	-	147,291	120,018	-	-	147,291	120,018
Middle East	-	-	-	-	82,599	60,210	-	-	82,599	60,210
Africa	-	-	-	-	1,414	7,375	-	-	1,414	7,375
Others	-	-	-	-	39,787	39,286	-	-	39,787	39,286
	321	-	265,938	163,053	1,235,629	818,526	8,528	6,603	1,510,416	988,182
Major product or service lines										
Ores	321	-	-	-	559,198	415,834	-	-	559,519	415,834
Alloys	-	-	261,726	163,053	613,838	402,692	-	-	875,564	565,745
Services	-	-	4,212	-	62,593	-	8,528	6,603	75,333	6,603
	321	-	265,938	163,053	1,235,629	818,526	8,528	6,603	1,510,416	988,182
Timing of transfer of goods or services										
At a point in time	321	-	261,726	163,053	1,173,036	818,526	8,528	6,603	1,443,611	988,182
Over time	-	-	4,212	-	62,593	-	-	-	66,805	-
	321	-	265,938	163,053	1,235,629	818,526	8,528	6,603	1,510,416	988,182

**Notes to the financial statements for the financial year ended 31 December 2018**

**4 Property, plant and equipment**

The Group	Construction -in-progress A\$'000	Leasehold buildings and improvements A\$'000	Plant and machinery A\$'000	Computer equipment, office equipment and furniture A\$'000	Motor vehicles A\$'000	Total A\$'000
<u>Cost</u>						
At 1 January 2017	17,484	22,862	743,744	3,483	2,217	789,790
Additions	1,663	462	42,128	578	411	45,242
Transfers	(17,231)	-	17,203	28	-	-
Disposal	-	-	-	(3)	(306)	(309)
Written off	-	(14)	(82,296)	(322)	-	(82,632)
Exchange realignment	273	(431)	(44,791)	(81)	(91)	(45,121)
At 31 December 2017	2,189	22,879	675,988	3,683	2,231	706,970
Additions	5,611	595	21,344	1,304	318	29,172
Written off	-	(180)	(120)	(32)	-	(332)
Exchange realignment	-	1,172	66,010	168	149	67,499
At 31 December 2018	7,800	24,466	763,222	5,123	2,698	803,309
<u>Accumulated depreciation and impairment loss</u>						
At 1 January 2017	344	8,748	136,281	2,906	1,686	149,965
Depreciation for the year	-	1,177	31,371	239	198	32,985
Disposal	-	-	-	(3)	(273)	(276)
Written off	-	(14)	(81,536)	(496)	-	(82,046)
Exchange realignment	-	(135)	(2,344)	(30)	(64)	(2,573)
At 31 December 2017	344	9,776	83,772	2,616	1,547	98,055
Depreciation for the year	-	1,336	34,741	432	242	36,751
Written off	-	(163)	(28)	(25)	-	(216)
Exchange realignment	-	518	7,265	87	106	7,976
At 31 December 2018	344	11,467	125,750	3,110	1,895	142,566
<u>Net book value</u>						
At 31 December 2018	7,456	12,999	637,472	2,013	803	660,743
At 31 December 2017	1,845	13,103	592,216	1,067	684	608,915

The total carrying amount of motor vehicles and plant and machinery acquired under finance lease for the Group amounted to A\$579,000 and A\$772,000 (2017 - A\$428,000 and A\$2,191,000) (Note 18.1) respectively.

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

As of 31 December 2018, property, plant and equipment with a total carrying amount of A\$612,000,000 (2017 - A\$567,725,000) had been pledged for banking facilities granted to a subsidiary (Note 18.2 and 18.3).

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 covering the useful life of property, plant and equipment. Cash flows beyond the 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 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% (2017 - 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 2018**

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

Key assumptions used for value-in-use calculations:

	2018		2017	
	People's Republic of China	Malaysia	People's Republic of China	Malaysia
	Smelting operations		Smelting operations	
Gross margin <sup>1</sup>	7%	15%	6.7%	18.3%
Growth rate <sup>2</sup>	2.2% before 2023, 0% after 2023	2% before 2023, 0% after 2023	2.5% before 2022, 0% after 2022	1.6% before 2022, 0% after 2022
Discount rate <sup>3</sup>	6.5%	8.6%	7.5%	8.4%

- <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**

	2018 A\$'000	2017 A\$'000
The Group		
At beginning of the year	9,370	9,813
Amortisation for the year (Note 24)	(193)	(186)
Exchange realignment	893	(257)
At end of the year	10,070	9,370

The land use rights 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\$8,627,000 (2017 – A\$7,953,000) and were pledged as security for borrowings referred to in Note 18.2(b).

**6 Exploration and evaluation costs**

	2018 A\$'000	2017 A\$'000
The Group		
At beginning of the year	2,167	1,866
Costs incurred during the year	573	512
Written off during the year (Note 24)	(932)	(211)
At end of the year	1,808	2,167

**7 Mine development costs**

	2018 A\$'000	2017 A\$'000
The Group		
At beginning of the year	32,026	43,169
Costs incurred during the year	1,014	-
Amortisation for the year (Note 24)	(9,052)	(11,143)
At end of the year	23,988	32,026

**Notes to the financial statements for the financial year ended 31 December 2018**

**8 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:

	2018 A\$'000	2017 A\$'000
The Group		
<b>Deferred tax assets</b>		
At gross	-	36,054
Less: Set off of tax in similar legislations	-	(11,978)
At net	-	24,076
<b>Deferred tax liabilities</b>		
At gross	(9,188)	(1,677)
Less: Set off of tax in similar legislations	5,887	-
At net	(3,301)	(1,677)
<b>Deferred tax assets</b>		
To be recovered within one year	-	-
To be recovered after one year	-	24,076
	-	24,076
<b>Deferred tax liabilities</b>		
To be settled within one year	-	-
To be settled after one year	(3,301)	(1,677)
	(3,301)	(1,677)

**Notes to the financial statements for the financial year ended 31 December 2018**

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

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

The Group	Fair value losses A\$'000	Provisions A\$'000	Tax losses A\$'000	Northern Territory Government Royalty Benefit A\$'000	Others A\$'000	Total A\$'000
At 1 January 2017	-	-	-	-	-	-
Credited to profit or loss (Note 25)	3,139	2,228	28,930	1,651	106	36,054
At 31 December 2017	3,139	2,228	28,930	1,651	106	36,054
(Charged)/Credited to profit or loss (Note 25)	(3,139)	1,129	(27,182)	(1,651)	676	(30,167)
At 31 December 2018	-	3,357	1,748	-	782	5,887

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

The Group	Excess of net book value over tax written down value of qualifying property, plant and equipment, and mine development costs A\$'000	Fair value gains A\$'000	Provisions A\$'000	Others A\$'000	Total A\$'000
At 1 January 2017	-	-	-	-	-
Charged to profit or loss (Note 25)	(967)	-	(11,548)	(1,165)	(13,680)
Exchange difference on translation	-	-	25	-	25
At 31 December 2017	(967)	-	(11,523)	(1,165)	(13,655)
(Charged)/Credited to profit or loss (Note 25)	(5,368)	(452)	10,071	358	4,609
Exchange difference on translation	-	-	(142)	-	(142)
At 31 December 2018	(6,335)	(452)	(1,594)	(807)	(9,188)

Unrecognised deferred tax assets

Deferred tax assets of A\$13,957,000 (2017 - A\$26,898,000) have not been recognised in respect of the following items:

The Group	2018 A\$'000	2017 A\$'000
Tax losses	57,493	111,412

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 do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can recognise the benefits.

**Notes to the financial statements for the financial year ended 31 December 2018**

**9 Subsidiaries**

	2018 A\$'000	2017 A\$'000
The Company		
Unquoted equity investments, at cost	8,013	8,013
Less: Accumulated impairment losses		
At beginning of the year	-	(3,052)
Reversal of impairment	-	3,052
At end of the year	-	-
	<b>8,013</b>	<b>8,013</b>
Amounts due from subsidiaries	209,704	194,994
Less: Accumulated impairment losses		
At beginning of the year	(144,868)	(155,818)
Reversal of impairment	61,451	10,950
At end of the year	(83,417)	(144,868)
	<b>126,287</b>	<b>50,126</b>
<b>Total</b>	<b>134,300</b>	<b>58,139</b>

In 2018, there was a reversal of an impairment loss of A\$61,451,000 related to amounts due from subsidiary, OM (Manganese) Ltd, because the amount was assessed as recoverable as a result of value-in-use calculation based on projected future cash flows expected in the subsidiary since resuming and increasing its mining and production activities.

In 2017, mining and production activities resumed in subsidiary, OM (Manganese) Ltd. In addition, management also considered the recoverability of the investment in OM (Manganese) Ltd based on the value-in-use estimates and assessed that there was no impairment due to the change in estimates used to determine the investment's recoverable amount. As such, an impairment charge on the investment of A\$3,052,000 was reversed in 2017.

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.

Management has determined that a subsidiary is considered material to the Group if the Group's share of its net tangible assets represents 20% or more of the Group's consolidated net tangible assets, or if the Group's share of its revenue accounts for 10% or more of the Group's consolidated revenue.

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 fair value less cost to sell and value in use.

Cash flow projections used in these calculations are based on financial budgets approved by management covering the useful life of the property, plant and equipment. Cash flows beyond the useful life of the property, plant equipment are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate 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% (2017 – 1%) would not result in indication of impairment of the carrying amount of the investments in subsidiaries.

**Notes to the financial statements for the financial year ended 31 December 2018**

**9 Subsidiaries (Cont'd)**

Key assumptions used for value-in-use calculations:

	2018		2017	
	People's Republic of China	Malaysia	People's Republic of China	Malaysia
	Smelting operations		Smelting operations	
Gross margin <sup>1</sup>	7%	15%	6.7%	18.3%
Growth rate <sup>2</sup>	2.2% before 2023, 0% after 2023	2% before 2023, 0% after 2023	2.5% before 2022, 0% after 2022	1.6% before 2022, 0% after 2022
Discount rate <sup>3</sup>	6.5%	8.6%	7.5%	8.4%

- <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
		2018 %	2017 %	
<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
OM Tshipi (S) Pte. Ltd. <sup>(5)</sup>	Singapore	100	100	Sales and processing of ferroalloys and ores

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

(5) audited by Ernst & Young, Singapore

**9 Subsidiaries (Cont'd)**

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:

Principal activities	Place of incorporation/ operation	Number of subsidiaries	
		2018	2017
Investment holding	The British Virgin Islands	1	2
Investment holding	Mauritius	1	1
Investment holding	Hong Kong	1	1
Investment holding	Singapore	1	1
Trading of metals and ferroalloy products	Malaysia	1	1
Trading of metals and ferroalloy products	Singapore	1	1
Trading of metals and ferroalloy products	PRC	1	1
Sales and processing of ferroalloys and ores	Malaysia	1	2
Exploration and mining of minerals	Malaysia	2	2
		<b>10</b>	<b>12</b>

Exercise of call option on Excess Irredeemable Convertible Preference Shares ("ICPS")

In 2018, pursuant to the Share Subscription Agreement with OM Materials (Sarawak) Sdn. Bhd. ("OM Sarawak"), OM Materials (S) Pte. Ltd. ("OM Singapore") exercised its option to call upon the non-controlling interest shareholder of OM Sarawak to sell 66,309,700 units of Excess ICPS in OM Sarawak to OM Singapore for a total consideration of A\$25,040,000.

Acquisition of subsidiary

On 31 May 2017, the Group acquired 66.67% of the issued share capital of OM Tshipi (S) Pte Ltd for cash consideration of A\$2,880,000. The fair value of the net assets acquired approximated its book value.

The following summarises the recognised amounts of assets acquired and liabilities assumed and the major classes of consideration transferred at the acquisition date:

	2017 A\$'000
The Group	
Trade receivables and other receivables	14,611
Cash and cash equivalents	1,628
Trade and other payables	(13,359)
Net identifiable assets	2,880
Cash consideration transferred	2,880

The effect on cash flows of the Group is as follows:

Consideration paid	2,880
Less: Cash and cash equivalents in subsidiary acquired	(3,255)
Net cash inflow on acquisition	(375)

In 2018, the Group paid additional cash consideration of A\$2,550,000 (US\$1,800,000), giving rise to goodwill of A\$2,550,000 (Note 24) which was charged to the profit or loss.

**Notes to the financial statements for the financial year ended 31 December 2018**

**9 Subsidiaries (Cont'd)**

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>	
		<u>2018 %</u>	<u>2017 %</u>	<u>2018 A\$'000</u>	<u>2017 A\$'000</u>	<u>2018 A\$'000</u>	<u>2017 A\$'000</u>
OM Materials (Sarawak) Sdn. Bhd.	Malaysia	25	25	21,159	(1,382)	52,294	48,478

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

	<u>2018 A\$'000</u>	<u>2017 A\$'000</u>
<b>OM Materials (Sarawak) Sdn. Bhd.</b>		
<u>Summarised Statement of Financial Position</u>		
Current assets	357,107	295,400
Non-current assets	619,331	569,214
Current liabilities	(193,061)	(176,148)
Non-current liabilities	(584,717)	(590,456)
Equity attributable to owners of the Company	146,366	49,532
Non-controlling interests	52,294	48,478
<u>Summarised Statement of Comprehensive Income</u>		
Revenue	791,977	491,471
Expenses	(707,340)	(497,000)
Profit/(Loss) for the year	84,637	(5,529)
Profit/(Loss) attributable to owners of the Company	63,478	(4,147)
Profit/(Loss) attributable to NCI	21,159	(1,382)
Profit/(Loss) for the year	84,637	(5,529)
Other comprehensive income/(expense) attributable to owners of the Company	704	(6,721)
Other comprehensive income/(expense) attributable to NCI	234	(2,240)
Other comprehensive income/(expense) for the year	938	(8,961)
Total comprehensive income/(expense) attributable to owners of the Company	64,182	(10,868)
Total comprehensive income/(expense) attributable to NCI	21,393	(3,622)
Total comprehensive income/(expense) for the year	85,575	(14,490)
<u>Other summarised information</u>		
Net cash inflow from operating activities	78,247	57,696
Net cash outflow from investing activities	(39,782)	(43,725)
Net cash outflow from financing activities	(17,866)	(17,206)
Net cash inflow/(outflow)	20,599	(3,235)

**Notes to the financial statements for the financial year ended 31 December 2018**

**10 Interests in associates**

	2018 A\$'000	2017 A\$'000
The Group		
Cost of investment in associates <sup>(1)</sup>	47,669	84,832
Share of post-acquisition profits and reserves	78,670	31,712
	<b>126,339</b>	<b>116,544</b>

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

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
		2018 %	2017 %	
Ntsimbintle Mining Limited ("NML") <sup>(1)</sup> (previously known as Main Street 774 Proprietary Limited)	South Africa	26	26	Investment holding
Held by NML <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) NML holds a 50.1% interest joint venture in Tshipi Mining whose results are equity-accounted in NML.

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 these consolidated financial statements.

The financial year end date of Ntsimbintle Mining Limited is 28 February. For the purposes of applying the equity method accounting, the management accounts of Ntsimbintle Mining Limited for the year ended 31 December 2018 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 Limited	
	2018 A\$'000	2017 A\$'000
Current assets	14,114	2,945
Non-current assets <sup>(1)</sup>	198,053	198,141
Current liabilities	(34)	(14,607)
Net assets	<b>212,133</b>	<b>186,479</b>
Income <sup>(1)</sup>	<b>182,364</b>	<b>79,163</b>
Profit for the year	<b>180,649</b>	<b>78,327</b>
Total comprehensive income for the year	<b>180,649</b>	<b>78,327</b>

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



**Notes to the financial statements for the financial year ended 31 December 2018**

**10 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 Limited		Total	
	2018	2017	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
Net assets of the associate	212,133	186,479	212,133	186,479
Proportion of the Group's ownership interest in the associate	55,155	48,485	55,155	48,485
Goodwill	59,842	59,842	59,842	59,842
Currency translation difference	11,306	8,174	11,306	8,174
Carrying value	126,303	116,501	126,303	116,501
Add:				
Carrying value of individually immaterial associates			36	43
Carrying value of Group's interest in associates			126,339	116,544
<u>Aggregate information of associates that are not individually material</u>				
			2018	2017
			A\$'000	A\$'000
The Group's share of (loss)/profit			(7)	8

**11 Inventories**

	2018	2017
	A\$'000	A\$'000
The Group		
Raw materials, at cost	215,809	194,875
Work-in-progress, at cost	1,748	873
Finished goods, at cost	49,485	56,732
	267,042	252,480
Cost of inventories recognised as an expense and included in cost of sales	1,157,128	778,597

**Notes to the financial statements for the financial year ended 31 December 2018**

**12 Trade and other receivables**

	The Company		The Group	
	2018	2017	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
Trade receivables	-	-	74,826	75,662
Bills receivable	-	-	707	813
Net trade receivables (i)	-	-	75,533	76,475
Other receivables:				
Amounts due from subsidiaries (non-trade)	46,231	181,231	-	-
Deposits and other receivables	-	-	15,037	14,550
	46,231	181,231	15,037	14,550
Less: Allowance for impairment of other receivables:				
At beginning of the year	(50,976)	(57,227)	-	-
Reversal of unutilised amounts	50,976	6,251	-	-
At end of the year	-	(50,976)	-	-
Net other receivables (ii)	46,231	130,255	15,037	14,550
Total (i) + (ii)	46,231	130,255	90,570	91,025

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

Trade and other receivables are denominated in the following currencies:

	The Company		The Group	
	2018	2017	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
Australian Dollar	46,231	81,854	1,877	2,140
Renminbi	-	-	7,990	4,209
United States Dollar	-	48,401	75,756	83,807
Malaysian Ringgit	-	-	355	358
Others	-	-	4,592	511
	46,231	130,255	90,570	91,025

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

	The Company		The Group	
	2018	2017	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
<u>By geographical areas</u>				
Asia Pacific	-	48,401	81,166	76,727
Europe	-	-	4,031	5,875
Africa	46,231	81,854	-	6,803
Others	-	-	5,373	1,620
	46,231	130,255	90,570	91,025

Neither past due nor impaired

Trade and other receivables that were neither past due nor impaired amounting to A\$46,231,000 (2017 - A\$130,255,000) and A\$89,692,000 (2017 - A\$87,488,000) for the Company and the Group related to a wide range of customers for whom there was no recent history of default.

**Notes to the financial statements for the financial year ended 31 December 2018**

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

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	
	2018	2017	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
Past due 0 to 3 months	-	-	878	2,719
Past due 3 to 6 months	-	-	-	19
Past due over 6 months	-	-	-	799
	-	-	878	3,537

Trade and other receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade and other receivables not past due or past due over 6 months. These receivables are mainly arising from customers that have a good credit record with the Group.

**13 Capitalised contract costs**

	2018	2017
	A\$'000	A\$'000
The Group		
Costs to fulfil service rendered for transportation of goods sold under CFR and CIF Incoterms	2,759	-

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.

**14 Cash and bank balances**

	The Company		The Group	
	2018	2017	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
Cash at bank and on hand	178	10	87,118	28,871
Short-term bank deposits	-	-	4,701	5,505
Total cash and bank balances	178	10	91,819	34,376
Less: Cash collateral	-	-	(12,773)	(4,463)
Cash and cash equivalents	178	10	79,046	29,913

Included in the cash collateral were amounts of A\$1,842,000 (2017 - A\$1,667,000) and A\$10,931,000 (2017 - A\$2,410,000) which were pledged to banks as security for banking facilities and the issuance of environmental bonds (Note 30.5) respectively.

**Notes to the financial statements for the financial year ended 31 December 2018**

**14 Cash and bank balances (Cont'd)**

Cash and bank balances are denominated in the following currencies:

	The Company		The Group	
	2018	2017	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
Australian Dollar	177	9	17,030	4,159
Renminbi	-	-	9,181	9,301
United States Dollar	1	1	62,435	19,927
Malaysian Ringgit	-	-	2,868	875
Others	-	-	305	114
	<b>178</b>	<b>10</b>	<b>91,819</b>	<b>34,376</b>

The short term bank deposits have an average maturity of 3 months (2017 - 3 months) from the end of the financial year with the following weighted average effective interest rates:

	2018	2017
The Group		
United States Dollar	2.04%	1.14%
Renminbi	2.30%	2.30%

**15 Share capital**

	No. of ordinary shares		Amount	
	2018	2017	2018	2017
	'000	'000	A\$'000	A\$'000
<b>The Company and The Group</b>				
<b>Authorised:</b>				
Ordinary shares of A\$0.05 (2017 - 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 (2017 - A\$0.05) each				
At beginning of the year	733,423	733,423	36,671	36,671
Issue of ordinary shares	5,200	-	260	-
At end of the year	<b>738,623</b>	<b>733,423</b>	<b>36,931</b>	<b>36,671</b>

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

In 2018, the Company received notices exercising a total of 5,200,000 warrants at an exercise price of A\$0.40. Accordingly, the Company issued 5,200,000 ordinary shares and received net proceeds of A\$2,060,000, comprising of A\$260,000 and A\$1,800,000 credited to share capital and share premium accounts respectively.

**16 Treasury shares**

	No. of ordinary shares		Amount	
	2018	2017	2018	2017
	'000	'000	A\$'000	A\$'000
The Company and The Group				
At beginning and end of year	1,933	1,933	2,330	2,330

Treasury shares relate to ordinary shares of the Company that are held by the Company. The Company acquired Nil shares (2017 - Nil shares) in the Company through on-market purchase on the Australia Securities Exchange.

**Notes to the financial statements for the financial year ended 31 December 2018**

**17 Reserves**

		The Company		The Group	
		31 December	31 December	31 December	31 December
		2018	2017	2018	2017
		A\$'000	A\$'000	A\$'000	A\$'000
Share premium	[Note (i)]	178,363	176,563	178,363	176,563
Non-distributable reserves	[Note (ii)]	-	-	8,868	5,552
Capital reserve	[Note (iii)]	(620)	449	15,444	16,513
Contributed surplus	[Note (iv)]	3,312	3,312	-	-
Hedging reserve	[Note (v)]	-	-	(6,540)	(6,886)
Exchange fluctuation reserve	[Note (vi)]	-	-	29,769	10,073
Retained profits/ (Accumulated losses)	[Note (vii)]	(95,501)	(179,049)	128,112	(8,190)
		85,554	1,275	354,016	193,625
<b>Share premium</b>					
At 1 January		176,563	176,563	176,563	176,563
Issue of ordinary shares, net of issue costs		1,800	-	1,800	-
At 31 December		178,363	176,563	178,363	176,563
<b>Non-distributable reserve</b>					
At 1 January		-	-	5,552	5,534
Transfer-in		-	-	3,316	18
At 31 December		-	-	8,868	5,552
<b>Capital reserve</b>					
At 1 January		449	449	16,513	16,513
Buy-back of warrants		(1,069)	-	(1,069)	-
At 31 December		(620)	449	15,444	16,513
<b>Contributed surplus</b>					
At 1 January and 31 December		3,312	3,312	-	-
<b>Hedging reserve</b>					
At 1 January		-	-	(6,886)	(7,906)
Cash flow hedges		-	-	346	1,020
At 31 December		-	-	(6,540)	(6,886)
<b>Exchange fluctuation reserve</b>					
At 1 January		-	-	10,073	15,493
Currency translation differences		-	-	19,696	(5,420)
At 31 December		-	-	29,769	10,073
<b>Retained profits/(Accumulated losses)</b>					
At 1 January		(179,049)	(190,460)	(8,190)	(100,827)
Profit for the year		105,649	11,411	161,722	92,656
Transfer-out		-	-	(3,319)	(33)
Dividends paid	[Note (viii)]	(22,101)	-	(22,101)	-
Dividend forfeited		-	-	-	14
At 31 December		(95,501)	(179,049)	128,112	(8,190)

**17 Reserves (Cont'd)**

Notes:

(i) The share premium 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 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.

In February 2018, the Company undertook a selective buy-back of 26,000,000 unlisted warrants for A\$641,000 (equivalent to US\$500,000) that would lapse subsequently on 25 March 2019.

(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.

(viii) In October 2018, a dividend of A\$0.03 per share (total dividend of A\$22,101,000) was paid to shareholders.

**Notes to the financial statements for the financial year ended 31 December 2018**

**18 Borrowings**

	The Company		The Group	
	2018	2017	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
<b>Non-current</b>				
Obligations under finance leases (Note 18.1)	-	-	439	698
Bank loans, secured (Note 18.2)	-	-	400,562	427,438
5% Convertible Note (Note 18.3)	14,441	20,492	14,441	20,492
Other loans (Note 18.4)	-	7,809	23,510	28,270
	14,441	28,301	438,952	476,898
Structuring and arrangement fee	-	(3,816)	(2,832)	(8,039)
	14,441	24,485	436,120	468,859
<b>Current</b>				
Obligations under finance leases (Note 18.1)	-	-	653	1,315
Bank loans, secured (Note 18.2)	-	-	71,684	36,715
5% Convertible Note (Note 18.3)	5,999	5,499	5,999	5,499
Other loans (Note 18.4)	-	906	-	906
	5,999	6,405	78,336	44,435
Structuring and arrangement fee	-	(898)	(1,530)	(2,613)
	5,999	5,507	76,806	41,822
<b>Total</b>	<b>20,440</b>	<b>29,992</b>	<b>512,926</b>	<b>510,681</b>
Less: Total obligations under finance leases	-	-	(1,092)	(2,013)
	20,440	29,992	511,834	508,668

**18.1 Obligations under finance leases**

	2018	2017
	A\$'000	A\$'000
<b>The Group</b>		
Minimum lease payments payable:		
Due not later than one year	701	1,390
Due later than one year and not later than five years	472	727
	1,173	2,117
Less: Finance charges allocated to future periods	(81)	(104)
<b>Present value of minimum lease payments</b>	<b>1,092</b>	<b>2,013</b>
Present value of minimum lease payments:		
Due not later than one year	653	1,315
Due later than one year and not later than five years	439	698
	1,092	2,013

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

The average interest rate per annum ranges from 5.01% to 7.07% (2017 - 4.87% to 7.07%).

**Notes to the financial statements for the financial year ended 31 December 2018**

**18 Borrowings (Cont'd)**

**18.2 Bank loans**

	The Company		The Group	
	2018	2017	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
Bank loans, secured [Note (a)]	-	-	-	7,048
Bank loans, secured [Note (b)]	-	-	472,246	415,464
Bank loans, secured [Note (c)]	-	-	-	41,641
	-	-	472,246	464,153
Amount repayable not later than one year	-	-	71,684	36,715
Amount repayable after one year:				
Later than one year and not later than five years	-	-	212,289	277,235
Later than five years	-	-	188,273	150,203
	-	-	400,562	427,438
	-	-	472,246	464,153

Notes:

- (a) These loans are secured by charges over certain bank deposits as disclosed in Note 14.
- (b) These loans are secured by:
- shares of OM Materials (Sarawak) Sdn Bhd, a company incorporated in Malaysia;
  - charge over certain bank accounts;
  - charge over land use rights;
  - debenture;
  - borrower assignment;
  - assignment of insurances;
  - shareholder assignment;
  - assignment of reinsurances; and
  - corporate guarantee from OM Holdings Limited and Chaya Mata Sarawak Berhad (holds 25% ownership interest in OM Materials (Sarawak) Sdn Bhd).
- (c) These loans are secured by:
- charge over certain bank deposits as disclosed in Note 14; and
  - certain subsidiaries and associated companies and corporate guarantees from the Company and a subsidiary.

The Company and a subsidiary signed a Restructuring Facilities Agreement on 23 October 2017, which amongst the salient terms, deferred the repayment period of the existing loans. The difference of the net present value of cash flow of the restructured loan is less than 10% from the discounted present value of the remaining cash flow of the original loans and hence, the loans were accounted for as modification of liabilities during the year. In 2018, the restructured loan balance was repaid in full.



**Notes to the financial statements for the financial year ended 31 December 2018**

**18 Borrowings (Cont'd)**

**18.3 5% Convertible Note**

	The Company		The Group	
	2018	2017	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
5% Convertible Note:				
Due not later than one year	5,999	5,499	5,999	5,499
Due later than one year and not later than five years	14,441	20,492	14,441	20,492
	<b>20,440</b>	<b>25,991</b>	<b>20,440</b>	<b>25,991</b>

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 has been assessed and accounted for as a non-substantial modification of the original financial liability. The conversion option has not been 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).

**18.4 Other loans**

	The Company		The Group	
	2018	2017	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
Shareholder loan, unsecured [Note (a)]	-	-	15,009	12,768
Third party loan, secured [Note (b)]	-	-	8,501	7,693
Bank loan, secured [Note (c)]	-	8,715	-	8,715
	-	8,715	23,510	29,176
Amount repayable not later than one year	-	906	-	906
Amount repayable after one year:				
Later than one year and not later than five years	-	7,809	8,501	15,502
Later than five years	-	-	15,009	12,768
	-	7,809	23,510	28,270
	-	8,715	23,510	29,176

- (a) These loans are unsecured and interest bearing at 4.75% to 5.26% per annum. None of the shareholders are entitled to demand or receive payment or any distribution in respect of any shareholders' loans from the Group. Commencing from year 2019, repayment may be made subject to satisfaction of pre-agreed tests typical for a project financing of this nature.
- (b) The loan is repayable on 4 January 2020. Interest is charged at 1.55% per annum. The loan is guaranteed by the Company.
- (c) The loan has similar securities as disclosed in Note 18.2 (c).

**Notes to the financial statements for the financial year ended 31 December 2018**

**18 Borrowings (Cont'd)**

**18.5 Currency risk**

Total borrowings are denominated in the following currencies:

	The Company		The Group	
	2018	2017	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
Australian Dollar	-	-	-	675
United States Dollar	20,440	29,992	414,529	419,400
Malaysian Ringgit	-	-	98,284	90,606
Others	-	-	113	-
	<b>20,440</b>	<b>29,992</b>	<b>512,926</b>	<b>510,681</b>

**18.6 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	
	2018	2017	2018	2017
Obligations under finance leases (Note 18.1)	-	-	5.01% to 7.07%	4.87% to 7.07%
Bank loans (Note 18.2)	-	6.5%	5.73% to 6.78%	3.38% to 6.91%
5% convertible note (Note 18.3)	5.00%	5.00%	5.00%	5.00%
Other loans (Note 18.4)	-	6.5%	1.55% to 5.26%	1.55% to 6.5%

**18.7 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	Fair values	Carrying amounts	Fair values
	A\$'000	A\$'000	A\$'000	A\$'000
<b>2018</b>				
Obligations under finance leases	-	-	439	439
Bank loans, secured	-	-	400,562	392,268
5% convertible note	14,441	14,437	14,441	14,437
Other loans	-	-	23,510	23,510
<b>2017</b>				
Obligations under finance leases	-	-	698	698
Bank loans, secured	-	-	427,438	406,449
5% convertible note	20,492	20,433	20,492	20,433
Other loans	7,809	7,552	28,270	27,981

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.

**Notes to the financial statements for the financial year ended 31 December 2018**

**19 Provisions**

	2018 A\$'000	2017 A\$'000
The Group		
Rehabilitation		
At beginning of the year	6,032	6,069
Addition	3,899	-
Provision utilised	-	(37)
At end of the year	9,931	6,032

According to the Mine Management and Environmental Management Plans submitted to the Northern Territory Government in Australia, the Group is obligated for the rehabilitation and restoration of areas disturbed arising from mining activities conducted by a wholly-owned subsidiary, 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 Primary Industry and Resources using current restoration standards and techniques.

**20 Trade and other payables**

	The Company		The Group	
	2018 A\$'000	2017 A\$'000	2018 A\$'000	2017 A\$'000
<b>Non-current</b>				
Trade payables - third party	-	-	101,419	114,971
Other payables	-	53	11,439	24,623
Retention monies	-	-	21	131
	-	53	112,879	139,725
<b>Current</b>				
Trade payables				
- third party	-	-	94,033	133,256
	-	-	94,033	133,256
Amount due to subsidiaries (non-trade)	35,454	118,828	-	-
Accruals	4,790	3,846	21,354	23,409
Other payables	3	3,654	47,352	55,696
Retention monies	-	-	180	164
Welfare expense payable	-	-	1,369	1,075
	40,247	126,328	70,255	80,344
	40,247	126,328	164,288	213,600
<b>Total</b>	<b>40,247</b>	<b>126,381</b>	<b>277,167</b>	<b>353,325</b>

Non-current trade payables relate to payables to vendors which bear interest of 6% (2017 - 6%) per annum.

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

Trade and other payables are denominated in the following currencies:

	The Company		The Group	
	2018 A\$'000	2017 A\$'000	2018 A\$'000	2017 A\$'000
Australian Dollar	34,277	29,568	25,492	11,007
Renminbi	-	-	3,740	9,312
United States Dollar	5,884	96,733	56,074	126,097
Malaysian Ringgit	-	-	190,907	206,836
Others	86	80	954	73
	40,247	126,381	277,167	353,325

**Notes to the financial statements for the financial year ended 31 December 2018**

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

All trade payables are generally on 30 to 120 (2017 - 30 to 120) days' credit terms.

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>2018</b>				
Trade payables - third party	-	-	101,419	101,419
Other payables	-	-	11,439	11,439
Retention monies	-	-	21	21
<b>2017</b>				
Trade payables - third party	-	-	114,971	114,971
Other payables	53	53	24,623	24,398
Retention monies	-	-	131	131

**21 Contract liabilities**

	2018 A\$'000	2017 A\$'000
The Group		
Transportation of goods sold under CFR and CIF Incoterms	3,011	-

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:

	2018 A\$'000	2017 A\$'000
The Group		
Aggregate amount of transaction price allocated to contracts that are partially or fully unsatisfied at end of the year	3,011	-

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.

**Notes to the financial statements for the financial year ended 31 December 2018**

**22 Deferred capital grant**

	2018 A\$'000	2017 A\$'000
The Group		
Government grant	14,118	13,502
Non-current	13,315	12,776
Current	803	726
	14,118	13,502

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\$760,000 (2017 - A\$737,000) and foreign currency translation differences.

**23 Other income**

	2018 A\$'000	2017 A\$'000
The Group		
Gain on disposal of property, plant and equipment	-	53
Interest income from banks	405	187
Sundry income	1,951	4,491
Unwinding of discount on non-current trade payables	-	1,508
Gain on early debt settlement	-	3,955
	2,356	10,194

**24 Profit before income tax**

	Note	2018 A\$'000	2017 A\$'000
The Group			
Profit before income tax has been arrived at after charging/(crediting):			
Amortisation of land use rights <sup>(1)</sup>	5	193	186
Amortisation of mine development costs <sup>(1)</sup>	7	9,052	11,143
Amortisation of deferred capital grant	22	(760)	(737)
Cost of inventories recognised as expenses and included in cost of sales	11	1,157,128	778,597
Depreciation of property, plant and equipment:			
- cost of sales		29,904	24,098
- other operating expenses		6,847	8,887
	4	36,751	32,985
Foreign exchange loss – net <sup>(1)</sup>		5,249	32,725
Exploration and evaluation costs written off <sup>(1)</sup>	6	932	211
Write off of property, plant and equipment		116	586
Write off of goodwill from acquisition of subsidiary <sup>(1)</sup>	9	2,550	-
Unwinding of discount on non-current trade payables <sup>(1)</sup>		2,464	-
Finance costs:			
- loans		43,508	39,153
- others		1,373	4,749
		44,881	43,902
Operating lease expense		5,587	2,333
Employee benefits expenses	28	80,552	43,057

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

**Notes to the financial statements for the financial year ended 31 December 2018**

**25 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 June 2019, 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 no later than 31 October 2021 subject to the satisfaction of MIDA on pre-agreed criterion of this nature.

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 17% to 30% for the reporting period.

	2018 A\$'000	2017 A\$'000
The Group		
Current taxation:		
- Singapore income tax	2,972	2,786
- PRC tax	1,728	-
- others	42	19
Deferred taxation (Note 8)	25,558	(22,374)
	30,300	(19,569)
(Over)/Under provision in prior years:		
- current taxation	(260)	264
Income tax	30,040	(19,305)
Other taxation:		
- withholding tax	2,531	548
- profits-based royalty and special mining taxes	19,699	-
	52,270	(18,757)

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

	2018 A\$'000	2017 A\$'000
The Group		
Profit before income tax	236,927	72,617
Tax at applicable tax rates	63,536	18,217
Tax effect of non-taxable revenue	(6,153)	(5,091)
Tax effect of non-deductible expenses	6,113	3,673
Tax effect of allowances and concessions given by tax jurisdictions	(20,944)	(2,058)
Deferred tax assets on temporary difference not recognised	32	26,550
Utilisation of deferred tax assets on temporary difference not recognised in previous years	(12,275)	(15,391)
Effect of previously unused tax losses and tax offsets now recognised as deferred tax assets	-	(45,446)
Tax rebate	(9)	(23)
(Over)/Under provision in prior years	(260)	264
	30,040	(19,305)

(1) Non-taxable revenue relates mainly to unrealised exchange gains.

(2) Non-deductible expenses relate mainly to the write off of goodwill, unrealised exchange losses, overseas interest expenses and provision of expenses.

**Notes to the financial statements for the financial year ended 31 December 2018**

**26 Cash flow hedges**

	2018 A\$'000	2017 A\$'000
The Group		
Cash flow hedges:		
Gain arising during the year	461	1,360

**27 Profit per share**

The Group

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 733,590,000 (2017 - 731,490,000) shares during the financial year.

Fully diluted profit per share was calculated on the consolidated profit attributable to owners of the parent divided by 751,026,000 (2017 - 787,690,000) 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.

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:

	2018 '000	2017 '000
The Group		
Weighted average number of ordinary shares for the purpose of basic profit per share	733,590	731,490
Effect of dilutive potential ordinary shares:		
Convertible bonds	17,436	25,000
Warrants	-	31,200
Weighted average number of ordinary shares for the purpose of diluted profit per share	751,026	787,690

Profit figures were calculated as follows:

	2018 A\$'000	2017 A\$'000
Profit for the year attributable to owners of the Company	161,722	92,656
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	1,945	2,312
Profit for the purposes of diluted profit per share	163,667	94,968

**Notes to the financial statements for the financial year ended 31 December 2018**

**28 Employee benefits expense**

	2018 A\$'000	2017 A\$'000
The Group		
Directors' fees	610	440
Directors' remuneration other than fees:		
- Directors of the Company	4,695	3,451
- Directors of the subsidiaries	1,638	1,630
- Defined contributions plans	57	56
Key management personnel (other than Directors):		
- Salaries, wages and other related costs	4,540	3,939
- Defined contributions plans	278	274
	11,818	9,790
Other than key management personnel:		
- Salaries, wages and other related costs	64,431	31,385
- Defined contributions plans	4,303	1,911
	80,552	43,086
Capitalised in construction-in-progress	-	(29)
	80,552	43,057

**29 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:

	2018 A\$'000	2017 A\$'000
The Group		
Consultancy fee charged by an associate	(235)	(439)
Commission charged by an associate	(215)	-
Sales of goods to an associate	79	21

**30 Commitments**

**30.1 Capital commitments**

The following table summarises the Group's capital commitments:

	2018 A\$'000	2017 A\$'000
The Group		
Capital expenditure contracted but not provided for in the financial statements:		
- acquisition of property, plant and equipment	64,838	1,496



**Notes to the financial statements for the financial year ended 31 December 2018**

**30 Commitments (Cont'd)**

**30.2 Operating lease commitments**

(A) *Where the Group is the lessee*

The Group leases office premises, buildings, plant and machinery from non-related parties under non-cancellable operating lease agreements. These leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, were as follows:

	2018 A\$'000	2017 A\$'000
The Group		
Not later than one year	1,148	2,785
Later than one year and not later than five years	992	599
Later than five years	-	-
	<b>2,140</b>	<b>3,384</b>

(B) *Where the Group is the lessor*

At the end of the reporting period, the Group had contracted with tenants for the following future minimum rental income receivable under non-cancellable operating leases of office premises with original term of more than one year:

	2018 A\$'000	2017 A\$'000
The Group		
Not later than one year	125	-
Later than one year and not later than five years	147	-
Later than five years	-	-
	<b>272</b>	<b>-</b>

The lease on the Group's office premise for which rental income is receivable will expire on 31 January 2021.

**30.3 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.

	2018 A\$'000	2017 A\$'000
The Group		
Not later than one year	12,113	15,065
Later than one year and not later than five years	13,819	2,475
Later than five years	-	-
	<b>25,932</b>	<b>17,540</b>

**Notes to the financial statements for the financial year ended 31 December 2018**

**30 Commitments (Cont'd)**

**30.4 Mineral Tenements**

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

	2018 A\$'000	2017 A\$'000
The Group		
Mineral tenements annual expenditure commitments	197	95

**30.5 Environmental bonds**

A subsidiary had environmental bonds to the value of A\$10,545,000 (2017 – A\$9,861,000) lodged with the Northern Territory Government (Department of Primary Industry and Resources) to secure environmental rehabilitation commitments. The A\$10,545,000 (2017 – A\$9,861,000) of bonds were secured by A\$8,881,000 (2017 – A\$7,451,000) of bonds issued under financing facilities and certain cash backed as disclosed in Note 14.

**31 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 Material (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.

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 on the later of 29 September 2019 or 18 months after the satisfaction of pre-agreed project completion tests typical for a project financing facility of this nature.

## **32 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, income tax which are not directly attributable to the business activities of any operating segment, and are not included in arriving at the operating results of the operating segment.

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

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

Notes to the financial statements for the financial year ended 31 December 2018

32 Operating segments (Cont'd)

	Mining		Smelting		Marketing and Trading		Others		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Reportable segment revenue										
Sales to external customers	321	-	265,938	163,053	1,235,629	818,526	8,528	6,603	1,510,416	988,182
Inter-segment sales	228,734	136,390	593,120	382,556	199,311	129,205	5,263	-	1,026,428	648,151
Elimination	229,055	136,390	859,058	545,609	1,434,940	947,731	13,791	6,603	1,510,416	988,182
Reportable segment profit/(loss)	94,934	38,863	134,300	25,385	24,909	23,960	(19,698)	6,986	234,445	95,194
Reportable segment assets	119,171	105,839	1,048,820	947,407	432,341	464,565	209,847	214,538	1,810,179	1,732,349
Elimination							(658,345)		(671,838)	
Investment in associates							126,339		116,544	
Total assets							1,278,173		1,177,055	
Reportable segment liabilities	179,422	219,695	784,517	776,802	193,981	291,482	119,741	250,154	1,277,661	1,538,133
Elimination							(450,613)		(648,826)	
Total liabilities							827,048		889,307	
Other segment information										
Purchase of property, plant and equipment	7,212	1,843	19,789	42,657	477	372	1,694	370	29,172	45,242
Depreciation of property, plant and equipment	5,927	5,642	30,515	27,219	162	113	147	11	36,751	32,985
Gain on disposal of property, plant and equipment	-	-	-	-	-	(53)	-	-	-	(53)
Write off of evaluation and exploration costs	337	211	-	-	-	-	595	-	932	211
Write off of property, plant and equipment	92	564	8	22	16	-	-	-	116	586
Amortisation of deferred capital grant	-	-	(760)	(737)	-	-	-	-	(760)	(737)
Amortisation of land use rights	-	-	193	186	-	-	-	-	193	186
Addition of mine development costs	1,014	-	-	-	-	-	-	-	1,014	-
Amortisation of mine development costs	9,052	11,143	-	-	-	-	-	-	9,052	11,143
Addition of evaluation and exploration costs	573	512	-	-	-	-	-	-	573	512

**Notes to the financial statements for the financial year ended 31 December 2018**

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

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

The Group	2018 A\$'000	2017 A\$'000
Reportable segment profit	234,445	95,194
Finance income	405	187
Share of results of associates	46,958	21,138
Finance costs	(44,881)	(43,902)
Profit before income tax	236,927	72,617

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	
	2018 A\$'000	2017 A\$'000	2018 A\$'000	2017 A\$'000
Asia Pacific	1,239,325	761,293	696,645	652,522
Europe	147,291	120,018	-	-
Middle East	82,599	60,210	-	-
Africa	1,414	7,375	126,303	116,500
Others	39,787	39,286	-	-
	1,510,416	988,182	822,948	769,022

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.

**33 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.

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

#### **33.1 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 12.

#### 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 (Note 33.2) at the reporting date is equal to the facilities drawn down by the subsidiaries in the amounts of A\$505,000,000 (2017 - A\$526,000,000). 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\$196,800,000 (2017 - A\$158,700,000) at the reporting date.

#### **33.2 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 2018**

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

**33.2 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 2018</b>					
Trade and other payables	164,287	114,339	-	278,626	277,167
Borrowings	106,004	346,193	245,626	697,823	511,834
	<u>270,291</u>	<u>460,532</u>	<u>245,626</u>	<u>976,449</u>	<u>789,001</u>
<b>As at 31 December 2017</b>					
Trade and other payables	215,060	142,650	-	357,710	353,325
Borrowings	67,533	371,970	198,030	637,533	508,668
	<u>282,593</u>	<u>514,620</u>	<u>198,030</u>	<u>995,243</u>	<u>861,993</u>
<b>The Company</b>					
<b>As at 31 December 2018</b>					
Trade and other payables	40,247	-	-	40,247	40,247
Borrowings	7,021	14,570	-	21,591	20,440
Intragroup financial guarantees	505,000	-	-	505,000	505,000
	<u>552,268</u>	<u>14,570</u>	<u>-</u>	<u>566,838</u>	<u>565,867</u>
<b>As at 31 December 2017</b>					
Trade and other payables	126,328	53	-	126,381	126,381
Borrowings	7,373	27,722	-	35,095	29,992
Intragroup financial guarantees	526,000	-	-	526,000	526,000
	<u>659,701</u>	<u>27,775</u>	<u>-</u>	<u>687,476</u>	<u>682,373</u>

The table analyses the derivative 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.

**33.3 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.

**Notes to the financial statements for the financial year ended 31 December 2018**

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

**33.3 Interest rate risk (Cont'd)**

Sensitivity analysis for interest rate risk

At the end of the reporting period, if USD, RMB and MYR interest rates had been 75 (2017 - 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, cash collaterals and fixed deposits.

		The Company Profit or Loss		The Group Profit or Loss	
		2018 A\$'000	2017 A\$'000	2018 A\$'000	2017 A\$'000
United States Dollar	- lower 75 basis points (2017 - 75 basis points)	153	225	2,051	2,385
	- lower 75 basis points (2017 - 75 basis points)	(153)	(225)	(2,051)	(2,385)
Renminbi	- lower 75 basis points (2017 - 75 basis points)	-	-	(52)	(52)
	- lower 75 basis points (2017 - 75 basis points)	-	-	52	52
Malaysian Ringgit	- lower 75 basis points (2017 - 75 basis points)	-	-	544	512
	- lower 75 basis points (2017 - 75 basis points)	-	-	(544)	(512)

**33.4 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.

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 after income tax and equity.

		2018		2017	
		Profit or Loss A\$'000	Equity A\$'000	Profit or Loss A\$'000	Equity A\$'000
<b>The Group</b>					
United States Dollar	- strengthened 5% (2017 - 5%)	30,440	32,720	32,888	32,296
	- weakened 5% (2017 - 5%)	(30,440)	(32,720)	(32,888)	(32,296)
Renminbi	- strengthened 5% (2017 - 5%)	1,046	1,049	1,141	1,146
	- weakened 5% (2017 - 5%)	(1,046)	(1,049)	(1,141)	(1,146)
Malaysian Ringgit	- strengthened 5% (2017 - 5%)	14,621	14,767	14,507	14,674
	- weakened 5% (2017 - 5%)	(14,621)	(14,767)	(14,507)	(14,674)
<b>The Company</b>					
United States Dollar	- strengthened 5% (2017 - 5%)	1,316	1,415	10,429	10,241
	- weakened 5% (2017 - 5%)	(1,316)	(1,415)	(10,429)	(10,241)



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

#### **33.5 Market price risk**

The Group does not hold any quoted or marketable financial instruments, hence, is not exposed to any movement in market prices.

### **34 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.

The Company and the Group monitor capital using a gearing ratio, which is net debt divided by total equity:

	The Company		The Group	
	2018 A\$'000	2017 A\$'000	2018 A\$'000	2017 A\$'000
Borrowings	20,440	29,992	512,926	510,681
Less: Cash and bank balances	(178)	(10)	(91,819)	(34,376)
	<b>20,262</b>	<b>29,982</b>	<b>421,107</b>	<b>476,305</b>
<b>Total equity</b>	<b>120,155</b>	<b>35,616</b>	<b>451,125</b>	<b>287,748</b>
<b>Gearing ratio</b>	<b>0.17</b>	<b>0.84</b>	<b>0.93</b>	<b>1.66</b>

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

**Notes to the financial statements for the financial year ended 31 December 2018**

**35 Financial instruments**

**Accounting classifications of financial assets and financial liabilities**

31 December 2018	Note	Debt instruments (at amortised cost) A\$'000	Total A\$'000
<b>The Group</b>			
<b>Financial assets</b>			
Trade and other receivables	12	90,570	90,570
Cash and bank balances	14	91,819	91,819
		<b>182,389</b>	<b>182,389</b>
<b>The Company</b>			
<b>Financial assets</b>			
Trade and other receivables	12	46,231	46,231
Cash and bank balances	14	178	178
		<b>46,409</b>	<b>46,409</b>
		Other financial liabilities (at amortised cost) A\$'000	Total A\$'000
<b>31 December 2018</b>	<b>Note</b>		
<b>The Group</b>			
<b>Financial liabilities</b>			
Borrowings (excluding finance lease liabilities)	18	511,834	511,834
Trade and other payables	20	277,167	277,167
		<b>789,001</b>	<b>789,001</b>
<b>The Company</b>			
<b>Financial liabilities</b>			
Borrowings	18	20,440	20,440
Trade and other payables	20	40,247	40,247
		<b>60,687</b>	<b>60,687</b>
		Loans and receivables (at amortised cost) A\$'000	Total A\$'000
<b>31 December 2017</b>	<b>Note</b>		
<b>The Group</b>			
<b>Financial assets</b>			
Trade and other receivables	12	91,025	91,025
Cash and bank balances	14	34,376	34,376
		<b>125,401</b>	<b>125,401</b>
<b>The Company</b>			
<b>Financial assets</b>			
Trade and other receivables	12	130,255	130,255
Cash and bank balances	14	10	10
		<b>130,265</b>	<b>130,265</b>
		Other financial liabilities (at amortised cost) A\$'000	Total A\$'000
<b>31 December 2017</b>	<b>Note</b>		
<b>The Group</b>			
<b>Financial liabilities</b>			
Borrowings (excluding finance lease liabilities)	18	508,668	508,668
Trade and other payables	20	353,325	353,325
		<b>861,993</b>	<b>861,993</b>
<b>The Company</b>			
<b>Financial liabilities</b>			
Borrowings	18	29,992	29,992
Trade and other payables	20	126,381	126,381
		<b>156,373</b>	<b>156,373</b>

**36 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 measurement of financial instruments**

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.