

# OM HOLDINGS LIMITED

(ARBN 081 028 337)



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No. of Pages Lodged: 1      Cover page  
128      Annual Report

18 April 2019

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

Dear Sir/Madam

## **2018 ANNUAL REPORT**

Please find attached a copy of the 2018 Annual Report for OM Holdings Limited.

Yours faithfully

**OM HOLDINGS LIMITED**



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



**OM HOLDINGS LIMITED**

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



**ANNUAL REPORT 2018**





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# CHAIRMAN'S REPORT

## Dear Shareholders,

In 2018, the Group followed up on the solid achievements of 2017, posting a record net profit after tax of A\$184.7 million in 2018, doubling what was achieved in 2017. This was made possible by planned, sustained, and higher levels of production, as well as favourable market conditions. In 2018, our Bootu Creek mine returned to a full year of mining and production activity, producing 814,040 tonnes of manganese ore. At OM Sarawak, the 16th and final furnace of the project commenced production in June 2018, bringing the plant to full production. Along with our smelter in Qinzhou, China, the Group produced 501,379 tonnes of ferroalloys. With the substantial cash flows generated, the Group repaid debt, repurchased outstanding equity instruments, and recommenced its dividend policy by paying the first dividend since the Group commenced the Sarawak project. The Group continues to seek to balance growth and debt repayments against a sustainable dividend policy.

Prices of manganese ore remained robust throughout 2018. Fastmarkets MB reported an average price of US\$7.24 per dmtu (44% Mn Grade, CIF Tianjin) in 2018, compared to an average of US\$5.91 per dmtu in 2017, before easing down to US\$6.85 per dmtu at the end of 2018. With the exception of India, almost all major alloy producing countries increased imports of manganese ore in 2018, with China increasing imports by 30%. Last year,

demand in China also experienced a structural change with a new national standard for rebars (reinforcing steel bar), effectively increasing the demand of alloy consumption in steel. According to Worldsteel, Chinese steel production also grew by 6.9% in 2018, and in the month of October 2018 recorded 82.6 million tonnes of crude steel production, an all-time high. These, among other factors, supported the prices of manganese ore even as global seaborne exports expanded by 17% in 2018.

On the alloy front, manganese alloy prices traded sideways from 2017 to 2018, compressing the margins of smelters relative to miners in the second half of 2018. Ferrosilicon prices remained robust however, ending the year at \$1,260 per tonne from a record high of \$1,840 per tonne in December 2017. Crude steel production in South East Asia, a key market for OM Sarawak, also grew significantly. Smelting as a business unit contributed A\$134 million to earnings (before interest and tax).

Notably, for the first time in the Group's history, smelting and mining (with the addition of our associate mine) contributed similar levels to earnings (before interest and tax). With OM Sarawak in full production, income streams were more balanced and diversified, insulating the Group from a volatile single commodity price event like the one we experienced in 2015-2016.





# CHAIRMAN'S REPORT

In 2018, we commissioned the 16th and last furnace at OM Sarawak. Clocking in higher production levels and operating at a higher power factor than envisaged at the design phase, we proceeded to secure an additional 50 MW of power, bringing total annual power consumption at OM Sarawak to 350 MW. We also secured in-principle approval for an additional 100 MW of power which is expected to fuel our expansion plans for the next three years.

For 2019, our focus remains to grow naturally and sustainably. Our tailings retreatment plant at the Bootu Creek mine is anticipated to come online in early Q3 2019, allowing the mine to produce cost-effective fines processed from existing stockpiles of what was previously waste material. This will dovetail with our sinter facility at OM Sarawak, which takes fine ore and fuses it into a higher grade lump ore through heating. Both facilities are expected to operate at a capacity of approximately 250,000 tonnes per annum.

With the Group's performance in 2018, we declared a total dividend of A\$0.05 per share for FY2018, where A\$0.03 per share was declared and paid in October 2018 and A\$0.02 per share declared and will be paid in May 2019, amounting to approximately A\$36.8 million paid to shareholders. In 2018, we also repaid A\$42 million of borrowings, and incurred A\$25 million to buy-back convertible preference shares of OM Sarawak from our joint venture partner. As part of our debt repayment strategy, we completed a selective buy-back of 26,000,000 unlisted in-the-money warrants for US\$500,000, creating significant value for shareholders. These repayments are partially offset by an increase in trade financing borrowings, due to the increase in working capital required given higher manganese ore prices. Total borrowings in AUD terms appear unchanged

between December 2017 and December 2018 due to the weakening of the Australian Dollar in 2018. In 2019, we will continue to optimise our capital structure, pursue growth in a sustainable manner with an emphasis on lowering net debt, balanced against a normalised dividend policy.

Looking to the future, regulatory uncertainty is likely to remain a feature of the industry. Prolonged international trade tensions may have negative effects on the world economy, and often have indirect and unpredictable effects on the various currencies that affect commodity prices. On the supply side, we expect market cycles to run their course as supply eventually catches up with demand. Even as we keep these caveats in mind, demand for the moment remains fundamentally healthy, albeit at a more moderated pace of expansion compared to past years. As a company that no longer relies on the price trajectory of a single commodity, OMH is also now better equipped to deal with singular market price disruptions.

I would like to thank my fellow directors, our management team, staff, workers and stakeholders across all our operations and jurisdictions who made last year's record results possible and who are helping to realise every step of this pivotal strategic vision. The work that we do would not be possible without your continued support. We hope to continue to share our ongoing achievements and successes with our shareholders for many years to come.



**LOW NGEE TONG**

Executive Chairman





## Low Ngee Tong

Executive Chairman

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



## Zainul Abidin Rasheed

Independent Deputy Chairman

Mr Zainul Abidin graduated with a Bachelor of Arts (Honours) in Economics and Malay Studies from the University of Singapore. Mr Zainul was a Member of Parliament (from 1997 - 2011) and served as the Senior Minister of the State for the Ministry of Foreign Affairs of the Government of Singapore, a position he held since 2006. Prior to becoming a politician, Mr Zainul had an outstanding career in journalism which included the positions of Editor of Berita Harian, The Singapore Business, The Sunday Times and Associate Editor of The Straits Times.

Mr Zainul currently serves as the Ambassador to Kuwait (Non-Resident) and the Foreign Minister's Special Envoy to the Middle East. Mr Zainul is also currently a Corporate Adviser to Singapore's Temasek International Pte Ltd, and is a member of the Nanyang Technological University Board of Trustees and Board of Directors of Mediacorp.

Mr Zainul served numerous government agencies, councils and civic organisations including Executive Secretary of the Singapore Port Workers' Union, a member of the Board of Directors of the Port of Singapore Authority, President of the Singapore Islamic Religious Council, Chairman of the Malay Heritage Foundation, Chief Executive Officer of the Council for the Development of the Malay/Muslim Community (MENDAKI), the Council for Security Co-operation in the Asia Pacific, the National University of Singapore Council as well as being the Patron of the Singapore Rugby Union and Adviser to the Hockey Federation.

Mr Zainul Abidin is a member of the Company's Audit and Remuneration Committees.



## Julie Anne Wolseley

Non-Executive Director & Joint Company Secretary

Ms Wolseley holds a Bachelor of Commerce degree and is a Chartered Accountant. She is the Principal of a corporate advisory company and has over 27 years of experience as Company Secretary to a number of ASX-listed companies operating primarily in the resources sector. Previously Ms Wolseley was an Audit Manager both in Australia and overseas for an international accounting firm. Her expertise includes corporate secretarial, management accounting, financial and management reporting in the mining industry, IPOs, capital raisings, cash flow modelling and corporate governance. Ms Wolseley has been the Joint Company Secretary of OMH since 2001. She was appointed as a Non-Executive Director on 24 February 2005.

Ms Wolseley is a member of the Audit and Remuneration Committees.

## DIRECTORS



### Tan Peng Chin

Independent Non-Executive Director

Mr Tan Peng Chin was the founder, managing director and consultant of Tan Peng Chin LLC until he retired from the firm on 31 December 2015. Mr Tan was also a Notary Public and Commissioner for Oaths from 1995 to 2015. He is presently an Accredited Mediator with the Singapore Mediation Center. Mr Tan's legal expertise includes corporate finance, banking, company and commercial laws, international trade, joint ventures and issues concerning shareholders and directors. In addition, Mr Tan has acted in numerous cross border transactions in the course of his legal career spanning more than 35 years. Mr Tan has served as an Independent Director in numerous Singapore-listed companies since 1996.

He was also a member of the Institutional Review Board of the Singapore National Cancer Center from 2007 to 2014. Mr Tan was instrumental in setting up and is currently the Vice Chairman of Clarity Singapore Limited, a charity under the auspices of Caritas (the Catholic Church) to assist persons suffering from mental illnesses. Mr Tan has also volunteered with various charities including Christian Outreach for the Handicapped and the Roman Catholic Prison Ministry.

With his board experience in various companies in Asia and his legal expertise, Mr Tan is able to assist the Company in its strategic pursuits. He has been a Non-Executive Director since 14 September 2007. Mr Tan is the Chairman of the Remuneration Committee.



### Thomas Teo Liang Huat

Independent Non-Executive Director

Mr Teo holds a Master of Business in Information Technology from the Royal Melbourne Institute of Technology and a Bachelor of Accountancy degree from the National University of Singapore. He is also a fellow member of the Institute of Singapore Chartered Accountants. Mr Teo is the Executive Director and Chief Financial Officer of G.K. Goh Holdings Limited, a diversified Singapore-listed investment group. Mr Teo's executive responsibilities include financial and investment management as well as board representation on various subsidiaries and associates. Mr Teo joined the Board on 17 July 2008. Mr Teo is the Chairman of the Audit Committee and a member of the Remuneration Committee.



### Peter C Church OAM (FAICD)

Independent Non-Executive Director

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

Mr Church holds a Bachelor of Commerce (from the University of New South Wales) a Bachelor of Laws (from the University of Sydney), a Master of Laws (from the University of London) and a Doctorate of Humane Letters (from Sri Sharada Institute of Indian Management in New Delhi). Mr Church is also a Fellow of the Australian Institute of Company Directors.

In 1994 Mr Church was awarded the Medal of the Order of Australia (OAM) by the Australian Government for his promotion of business between Australia and South East Asia. Presently, Mr Church is the Chairman of AFG Venture Group, an Australian and Asia corporate advisory firm with various activities throughout Australia, South East Asia and India. He is also Special Counsel to Stephenson Harwood, an English law firm with operations in multiple jurisdictions including London, Hong Kong and Singapore. Mr Church is also a non-executive director of a number of corporations and not for profit organizations. He also holds professorial appointments at Curtin University in Perth, Great Lakes Institute of Management in Chennai and Sri Sharada Institute of Indian Management in New Delhi.

Mr Church joined the Board on 12 December 2011.

Mr Church is a member of the Audit Committee. Mr Church is viewed as having substantial legal, corporate and business experience enabling him to make a strong strategic contribution to the Company.



## KEY MANAGEMENT

NAME	POSITION
Heng Siow Kwee	Group HR Director, Managing Director, OMS
Betty Tan	Group Financial Controller, OMH
Eugene Tan	Senior Financial Controller, OMH
Edward Young	Director, Trades & Logistics, OMS
Don Heng	Director, Logistics, OMS
Lu Rui Lin	Deputy Director, Trades & Logistics, OMS
Colin Ouwehand	General Manager, Trades, OMS
Goh Ping Choon	General Manager, Trades, OMS
Fanie Van Jaarsveld	Managing Director, OMM
Yang Li Zhong	Chairman, OMQ
Zheng Yuan Hua	Chairman, OMA
Pu Guo Liang	General Manager, OMA
Chen Xiao Dong	Managing Director, OM Sarawak
Dai Han Ping	General Manager, Production, OM Sarawak
Mustapha Bin Ismuni	General Manager, Admin, OM Sarawak
Lisa Chee	General Manager, HR, OM Sarawak
Yap Shy Shy	Deputy General Manager, Procurement, OM Sarawak
Leong Men Tien	Chief Engineer, Equipment & Maintenance, OM Sarawak





# CORPORATE DIRECTORY

## Directors

Low Ngee Tong	(Executive Chairman)
Zainul Abidin Rasheed	(Independent Deputy Chairman)
Julie Anne Wolseley	(Non-Executive Director)
Tan Peng Chin	(Independent Non-Executive Director)
Thomas Teo Liang Huat	(Independent Non-Executive Director)
Peter Church OAM	(Independent Non-Executive Director)

## Company Secretaries

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

## ADDRESS OF COMPANY AND REGISTRIES

### The address of the Corporate Office of the Company:

10 Eunos Road 8  
#09-03A Singapore Post Centre  
Singapore 408600  
Telephone : (65) 6346 5515  
Facsimile : (65) 6342 2242  
Email : om@ommaterials.com

### The address of the Bermuda Registered Office:

Clarendon House  
2 Church Street, Hamilton HM 11  
Bermuda

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

Conyers Corporate Services (Bermuda) Limited  
Clarendon House  
2 Church Street, Hamilton HM 11  
Bermuda

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

Computershare Investor Services Pty Ltd  
Level 11  
172 St Georges Terrace  
Perth, Western Australia 6000  
Telephone : (618) 9323 2000  
Investor Enquiries  
(within Australia) : 1300 850 505  
(outside Australia) : (613) 9415 4000  
Facsimile : (618) 9323 2033  
Website : www.computershare.com

## Name of Bankers

Bank of China  
BNP Paribas  
Commonwealth Bank of Australia  
Export-Import Bank of Malaysia Berhad  
Malayan Banking Berhad  
RHB Bank Berhad  
Standard Chartered Bank

## Name and Address of Auditors

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

## Name and Address of Appointed Australian Agent and Australian Registered Office:

OM Holdings (Australia) Pty Ltd  
102 Angelo Street  
South Perth, WA 6151

## Name of Bermuda Resident Representative

Conyers Corporate Services (Bermuda) Limited

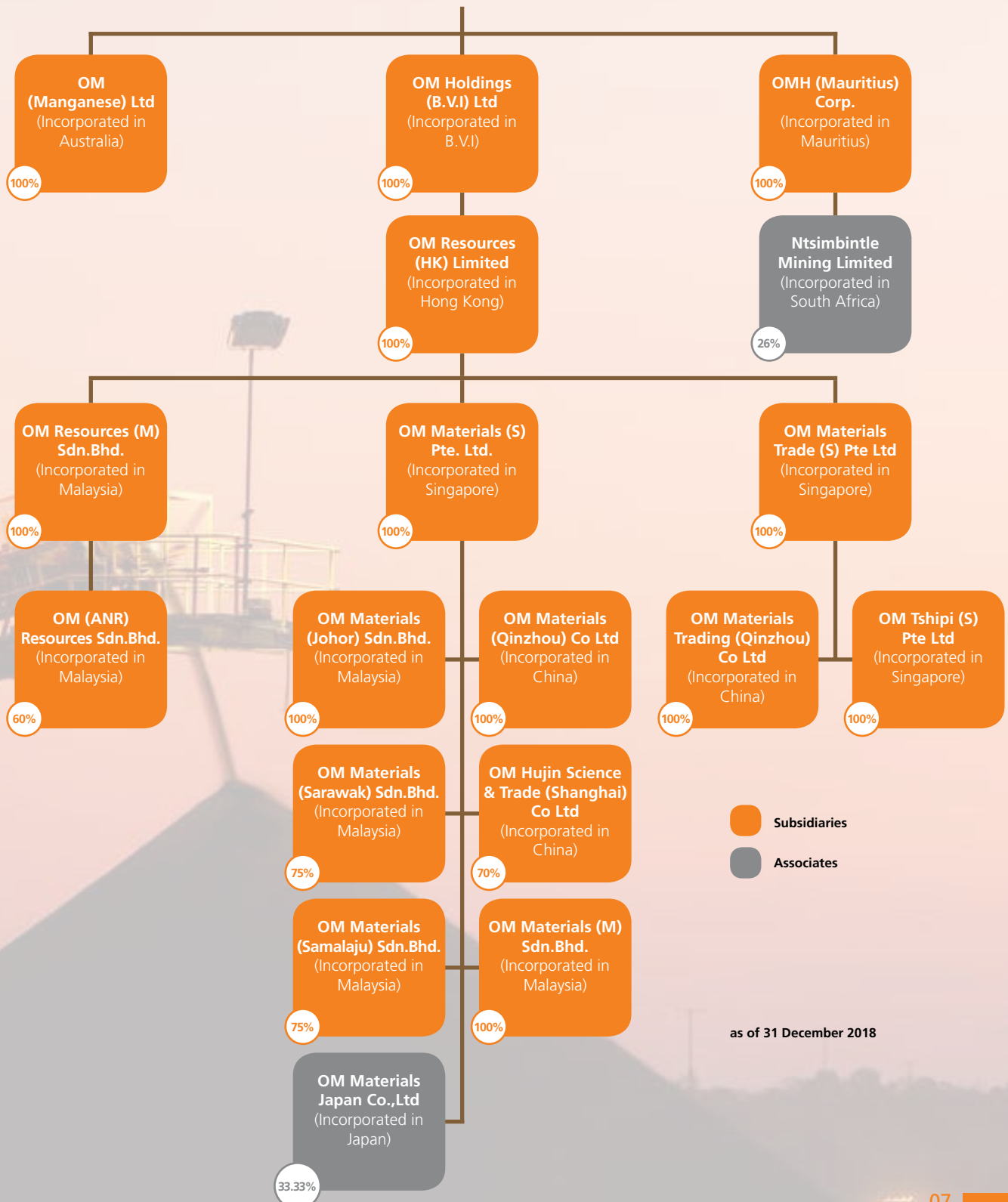
**Website** : [www.omholdingsltd.com](http://www.omholdingsltd.com)

**ASX Code** : OMH

# CORPORATE STRUCTURE



**OM HOLDINGS LIMITED**  
(Incorporated in Bermuda) A.R.B.N 081 028 337  
Listed on ASX on 19 March 1998



as of 31 December 2018

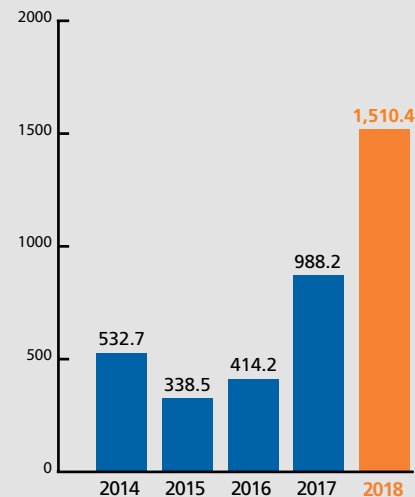


# FINANCIAL HIGHLIGHTS

## 5 YEAR'S GROUP FINANCIAL HIGHLIGHTS

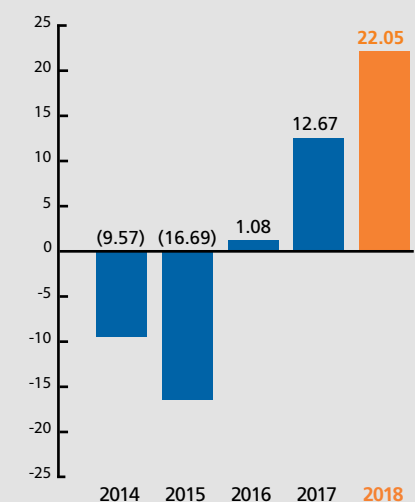
Financial years ended 31 December	2018 A\$'million	2017 A\$'million	2016 A\$'million	2015 A\$'million	2014 A\$'million
Revenue	1,510.4	988.2	414.2	338.5	532.7
Profit/(Loss) before income tax	236.9	72.6	(8.1)	(131.6)	(41.0)
Profit/(Loss) after income tax	184.7	91.4	(16.7)	(125.0)	(66.4)
Profit/(Loss) attributable to owners of the Company	161.7	92.7	7.9	(122.1)	(67.4)
Total assets	1,278.2	1,177.1	1,196.2	1,103.8	980.5
Shareholders' funds	388.6	228.0	139.7	87.2	207.1
Net tangible assets	388.6	228.0	139.7	87.2	205.1

Revenue  
(A\$'million)



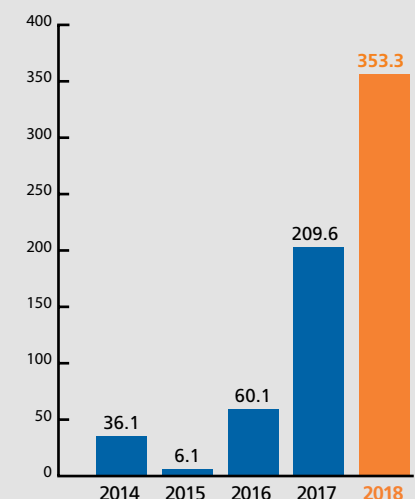
	A\$	A\$	A\$	A\$	A\$
Total assets per share	1.74	1.61	1.64	1.51	1.34
	A\$ cents	A\$ cents	A\$ cents	A\$ cents	A\$ cents
Net asset backing per share	61.24	39.34	27.68	16.36	32.76
Basic profit/(loss) per share	22.05	12.67	1.08	(16.69)	(9.57)

Basic Profit/(Loss) Per Share  
(A\$cents)



	2018	2017	2016	2015	2014
Gross profit (A\$ million)	353.3	209.6	60.1	6.1	36.1
Gross profit margin (%)	23.4	21.2	14.5	1.8	6.8

Gross Profit  
(A\$'million)



## SALES BY INTERNATIONAL REGIONS

Region	2018	2017	2016	2015	2014
	%	%	%	%	%
Europe	9.8	12.2	3.6	10.7	-
Middle East	5.5	6.1	1.6	-	-
Asia Pacific	82.1	77.0	93.2	86.7	99.4
Africa	0.1	0.7	0.2	-	-
Others	2.5	4.0	1.4	2.6	0.6
Total	100.0	100.0	100.0	100.0	100.0

OM Holdings Limited (“OMH” or the “Company”) and its subsidiaries (collectively the “Group”) has an established track record of over 20 years in exploration, project development, operations, marketing and trading. With vertically integrated operations in exploration, mining, smelting, sintering, marketing and trading, the Group is able to capture significant value and margins along the entire value chain.

The Group’s three core businesses are the exploration and mining of manganese ore, the production of manganese alloys and ferrosilicon, and the marketing and trading of manganese ore and ferroalloys.

Today, the Group is one of the world’s major manganese ore, ferrosilicon and manganese alloy producers.

## KEY OPERATING ENTITIES OF OM HOLDINGS GROUP

OMH is the investment holding company in the Group. The main operating entities within the Group are explained below.

- **OM Materials (Sarawak) Sdn Bhd (“OM Sarawak”)** – OM Sarawak owns and operates a ferrosilicon and manganese alloy smelter in Sarawak, East Malaysia, with an annual production capacity of approximately 200,000 to 210,000 tonnes of ferrosilicon, and approximately 250,000 to 300,000 tonnes of manganese alloy.
- **OM Materials (S) Pte Ltd (“OMS”)** – OMS, based in Singapore is the strategic trading hub of the Group. It handles the logistics, marketing, product flow and distribution of the Group. Core businesses of OMS include equity ore sales from the Bootu Creek mine, marketing of OM Sarawak’s alloy production, as well as the distribution of third party ores to the Group’s global network of customers.
- **OM (Manganese) Ltd (“OMM”)** – OMM owns and operates the Bootu Creek mine located in Northern Territory, Australia. The Bootu Creek mine is located approximately 110km north of Tennant Creek. Mining operations commenced in November 2005 and the current production rate is 800,000 tonnes per annum.
- **OM Materials Qinzhou Co Ltd (“OMQ”)** – OMQ owns and operates a manganese alloy smelter in Qinzhou, Guangxi province, China. The smelter is located approximately 1km from the Qinzhou Port, providing OMQ a competitive advantage in ease of access to seaborne manganese ore. OMQ also provides the Group with intangible benefits such as market intelligence and insight into smelter economics in China.
- **OM Materials (Qinzhou) Trading Co Ltd (“OMQT”)** – OMQT is the distribution arm of OMS in China. This company supports the operations of OMS and distributes and trades material in China.
- **OMH (Mauritius) Corp (“OM Mauritius”)** – OM Mauritius has a 13% effective interest in the Tshipi Borwa Manganese mine located in the world-class Kalahari Manganese field located in the Northern Cape of South Africa. The Tshipi Borwa Manganese mine currently has a production rate of approximately 3.3 to 3.6 million tonnes per annum and the Group also markets its 13% effective interest of the mine’s annual production.





# PROCESSING AND SMELTING OPERATIONAL REVIEW OM MATERIALS (SARAWAK) SDN BHD

## HIGHLIGHTS

- Record annual production of 220,515 tonnes of ferrosilicon and 242,341 tonnes of manganese alloy.
- A record total of 225,749 tonnes of ferrosilicon and 241,166 tonnes of manganese alloy were sold and exported.
- Firing and ramping up of final 16th furnace producing ferrosilicon occurred in June 2018.
- Successfully produced low carbon silicomanganese in 2nd half of 2018.
- The project's Full Commercial Operation Date was declared in October 2018.
- Construction of a new sintering plant commenced in Q4 2018 and it is expected to be completed by end 3rd Quarter 2019.
- Production of ferrosilicon, silicomanganese and high carbon ferromanganese have exceeded their respective furnace design capacities during the year.



## OVERVIEW

OM Materials (Sarawak) Sdn Bhd ("OM Sarawak"), a 75:25 joint venture between OMH and Cahya Mata Sarawak Berhad ("CMSB"), a conglomerate listed on the Main Market of Bursa Malaysia, is the owner of the Ferroalloy Smelting Project in Sarawak, Malaysia (the "Company"). The Project consists of 8 main workshops and a total of 16 units of 25.5 MVA furnaces, of which 10 furnaces are allocated for the production of ferrosilicon and 6 units have been modified to produce manganese alloy. The Company has a design production capacity of 200,000 to 210,000 tonnes of ferrosilicon and 250,000 to 300,000 tonnes of manganese alloy per annum.

## PLANT CONSTRUCTION & DEVELOPMENT

On 1st June 2018, the plant fired the last furnace, in Plant B to produce ferrosilicon and it successfully achieved daily production output higher than its design capacity within 3 weeks. Following that, the plant's final acceptance test was performed in early July 2018, demonstrating continuous operation of all 16 furnaces at regular power

loads. The result of the test concluded that the 16 furnaces recorded a power load in excess of the requisite 301 MW on a continuous basis during the period. As a result, Full Commercial Operation Date of the Project was declared in October 2018.

During the 4th Quarter 2018, the Company commenced a number of expansion capital expenditure programs to further enhance the operations capability including road improvements, new sheltered warehouses, a sintering plant with auxiliary facilities, laboratory, offices and canteen. The main highlight amongst the programs to be implemented is the construction of a sintering plant to upgrade manganese ore fines via a sintering process with coke fines to produce sintered manganese ore lumps. This will further reduce the cost of production of manganese alloy and improve furnace productivity. These enhancement projects are scheduled to be completed by the end of 2019, with the exception of the sintering plant which is expected to be completed by the end of 3rd quarter 2019.

# PROCESSING AND SMELTING OPERATIONAL REVIEW OM MATERIALS (SARAWAK) SDN BHD

## PROJECT PROGRESS PHOTO



Site Clearing Work for Silica Quartz,  
Manganese Ore and Semi Coke



Laboratory



Finished Product Warehouse



Admin Building and Canteen



Sintering Plant



# PROCESSING AND SMELTING OPERATIONAL REVIEW OM MATERIALS (SARAWAK) SDN BHD



## OPERATIONS

As at 31 December 2018, the company successfully operated all 16 furnaces, including the last furnace which produces ferrosilicon being fired up in June 2018. At present, the Company has 10 furnaces producing ferrosilicon and 6 furnaces producing manganese alloy.

Record annual production of 220,515 tonnes of ferrosilicon and 242,341 tonnes of manganese alloy which comprised silicomanganese and high carbon ferromanganese was achieved during the year 2018. Ferrosilicon production had increased by approximately 26% or 45,975 tonnes as compared to year 2017. This increase in production output was due mainly to the last ferrosilicon furnace being fired up and the higher furnaces operating hours achieved in the year 2018. In 2018, manganese alloy achieved production of 242,342 tonnes as compared to 173,911 tonnes in the previous year. This increase was due mainly to six furnaces operating for the full year 2018 as compared to the previous year where some of the furnaces were still ramping up production.

In 2018, the company achieved another milestone producing a higher refined grade of manganese alloy, known as low carbon silicomanganese. This product commands a premium compared to the standard grade of manganese alloys. This production achievement enables the company to better position itself as one of the leading ferroalloy producers globally by offering a wider range of product mixes relevant to its customers' requirements.

In 2018, both ferrosilicon and manganese alloy furnaces achieved higher daily production output than their design capacities. Ferrosilicon furnaces achieved a record average daily production output of approximately 64 tonnes per furnace per day against their furnaces design capacity of 55 tonnes per furnace per day. Manganese

alloy furnaces also outperformed their furnaces design capacity for silicomanganese, 100 tonnes per furnace per day, and high carbon ferromanganese 150 tonnes per furnace per day, with an average daily production output of 104 tonnes and 153 tonnes respectively.

In 2018, a record 225,749 tonnes of ferrosilicon and 241,166 tonnes of manganese alloy were exported through the port of Bintulu, Sarawak, an increase of 43,433 tonnes or 24% for ferrosilicon and 81,633 tonnes or 51% for manganese alloy. The increased volumes were in response to higher market demand in 2018 as a result of the shutdown of several smelter plants in China (arising from environmental issues and production restrictions during the winter period) and a corresponding increased production output capability.

From 2015, it has been the company's policy to gradually localise its workforce to the greatest extent possible. To date, the company has increased the number of its local employees to 1,237 workers, or approximately 56% of the total workforce. This policy remains a priority in 2019, and we expect to continue to grow our local workforce through various training and upskilling programs specifically designed to continuously upgrade skills in the smelting operations. Most of the training was conducted in-house by experienced operators, third party consultants in Malaysia, and smelting engineers from China.

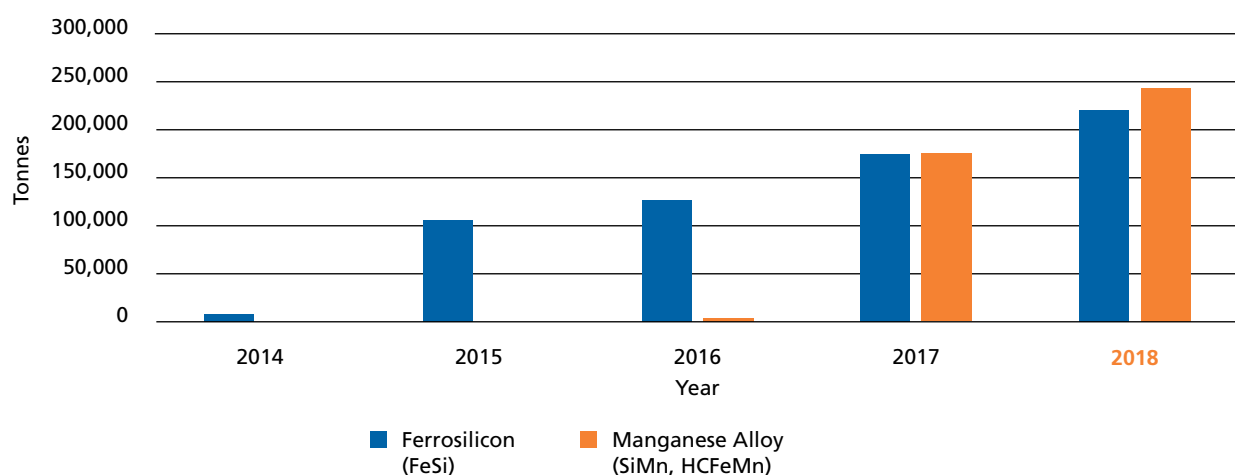
Given international trade tensions, geopolitical risks and regulatory uncertainty, it is anticipated that market demand for ferroalloys may be negatively affected in indirect ways. However, the company is committed to maintaining its edge with competitive energy costs, a 10-year tax holiday with no import or export duties, and strategic proximity to the growing South East Asian markets.

# PROCESSING AND SMELTING OPERATIONAL REVIEW OM MATERIALS (SARAWAK) SDN BHD

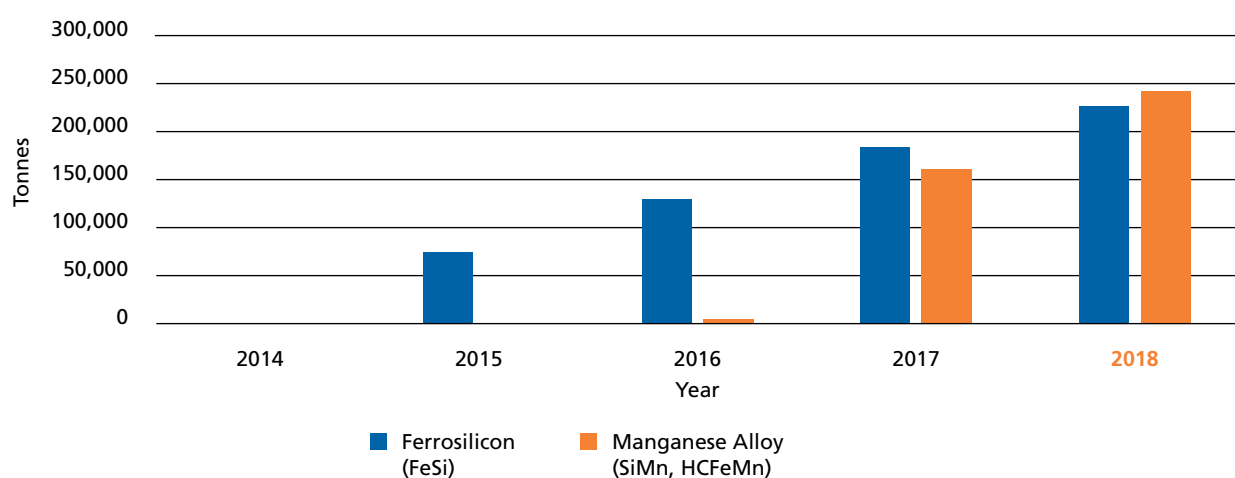
Table 1: Production & Sales

		Year ended 31 December				
	Unit	2018	2017	2016	2015	2014
<b>Production</b>						
Ferrosilicon (FeSi)	tonnes	220,515	174,540	126,261	104,554	8,641
Manganese Alloy (SiMn, HCFeMn)	tonnes	242,341	173,911	876	-	-
<b>Sales</b>						
Ferrosilicon (FeSi)	tonnes	225,749	182,316	129,025	73,388	-
Manganese Alloy (SiMn, HCFeMn)	tonnes	241,166	159,533	222	-	-

## Annual Ferroalloy Production



## Annual Ferroalloy Sales



# MARKETING AND TRADING OPERATIONAL REVIEW

## HIGHLIGHTS

In 2018, 2,757,987 tonnes of ores and alloys were transacted as compared to 2,195,554 tonnes in 2017. The increase in the volumes was mainly attributed to the increase in manganese ore production at Bootu Creek and ferroalloy production at OM Sarawak as a result of sustainable steady state operations in year 2018.

## OVERVIEW AND UPDATE IN 2018

Focusing on its two pronged approach of customer acquisition and retention, the Group was able to build up a wider global distribution network. Not only were there more customers satisfied with the Group's variety of product offerings, they were also consistently returning to source their requirements.

## 2018 SALES BY GEOGRAPHICAL SEGMENT

*Comparison sales to International Regions:*

	2018	2017	2016	2015	2014	2013
Region	%	%	%	%	%	%
Europe	9.8	12.2	3.6	10.7	-	-
Middle East	5.5	6.1	1.6	-	-	-
Asia Pacific	82.0	77.0	93.2	86.7	99.4	99.7
Africa	0.1	0.7	0.2	-	-	-
Others	2.6	4.0	1.4	2.6	0.6	0.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

With steel prices maintaining their upward trajectory from 2017 and into most of 2018, ferroalloy prices were generally supported. Taking into account historical ferroalloy price cycles, the Group was able to augment its returns by adopting a prudent combination of long-term and spot contracts. At the same time, the Group was able to solidify key strategic partnerships with long-term customers by guaranteeing continuity of supply through times of market uncertainty.

According to World Steel, Asia accounted for 70% of global steel production in 2018, with some South East Asian countries experiencing double-digit growth in steel production. Coupled with higher returns from sales to Asian markets, emphasis was placed on the Asia Pacific region for ferroalloy sales in 2018.

Environmental laws for mining remain strictly enforced in China. A new national standard for rebars (reinforcing steel bar), has also structurally altered the demand for alloys, and China's appetite for imported manganese ore was higher than ever, surprising the market consensus. Internal demand from the commencement of manganese alloy production at our OM Sarawak facility has further supported demand for OMM's Bootu Creek ore. This synergy has allowed the Group to increase production while effectively managing market price risks.



# MINING OPERATIONAL REVIEW OM (MANGANESE) LTD

## HIGHLIGHTS

- Record quarterly production of 276,600 tonnes with an average grade of 35.99% Mn achieved for the quarter ended 30 September 2018.
- Annual production of 814,040 tonnes with an average grade of 35.77% Mn.
- Sales of 797,015 tonnes with an average grade of 35.90% Mn.
- Mineral Resource of 4.78 million tonnes at 22.89% Mn.

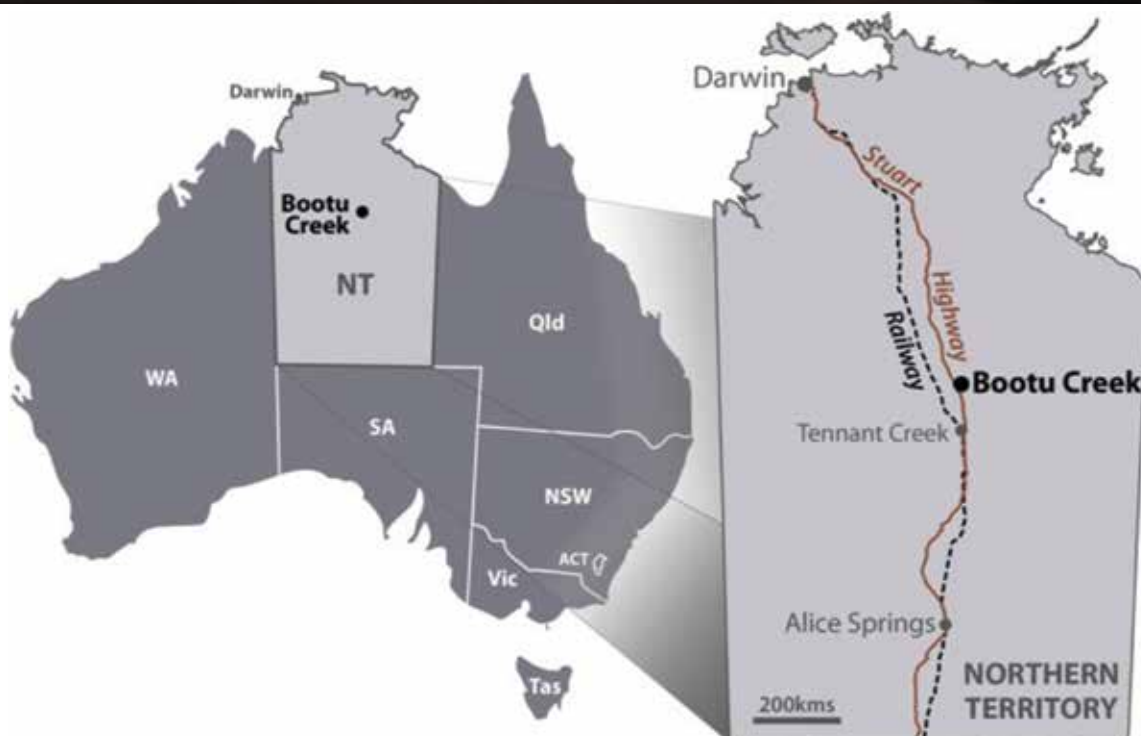


Figure 1. Bootu Creek Manganese Mine Site Location

## OVERVIEW

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

The exploration and subsequent development of the Bootu Creek Project commenced in September 2001. Mining operations commenced in November 2005 and the first batch of ore was processed in April 2006.

The main mineral lease is located in the Bootu Creek area on pastoral leases, where the mining and processing operations are based and where the currently defined Mineral Resources (excluding Renner West deposit, located on EL28041) and Ore Reserves exist.

A preliminary feasibility study including metallurgical test work and mine assessment of the Renner West Inferred Resource is planned for 2019, with a view to upgrade the deposit to Ore Reserve status. The Renner Springs Project area is located approximately 70km northwest of the Bootu Creek mine site covering an extensive dolomite-siltstone sequence which hosts several shallow dipping and flat lying manganese occurrences.

The Bootu Creek Project area contains a number of manganese deposits located along the western and eastern limbs of the Bootu syncline. The individual

mineralised horizons are generally strata-bound in character and can persist over strike lengths of up to 3km. The Mineral Resources defined to date at the project are long shallow, gently dipping deposits amenable to open-pit mining.

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

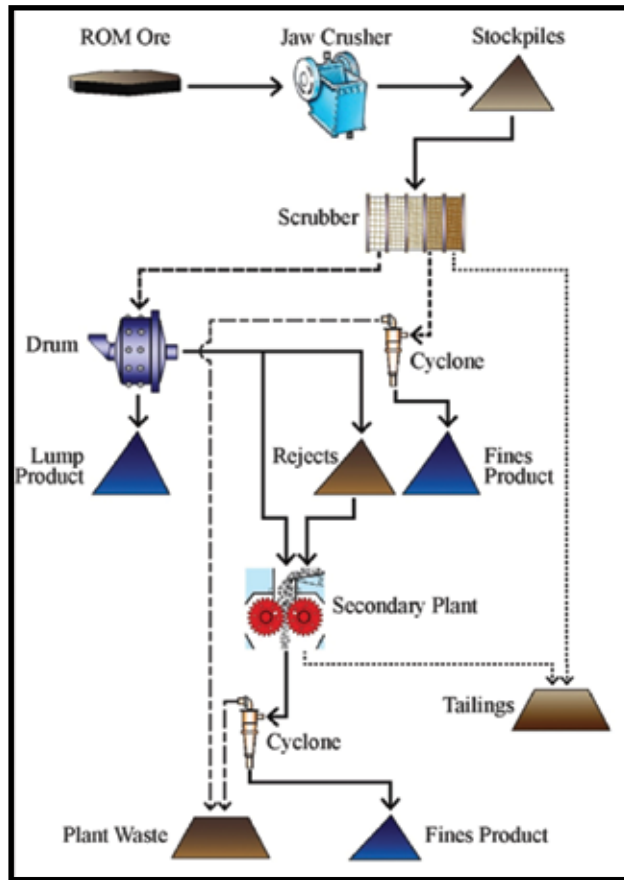
The Bootu Creek plant is a relatively simple crushing and screening operation, followed by heavy media separation (HMS) to concentrate the manganese minerals. The plant is comprised of two separately built processing plants. The original primary processing plant (PPP) was commissioned in 2006 and processes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

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

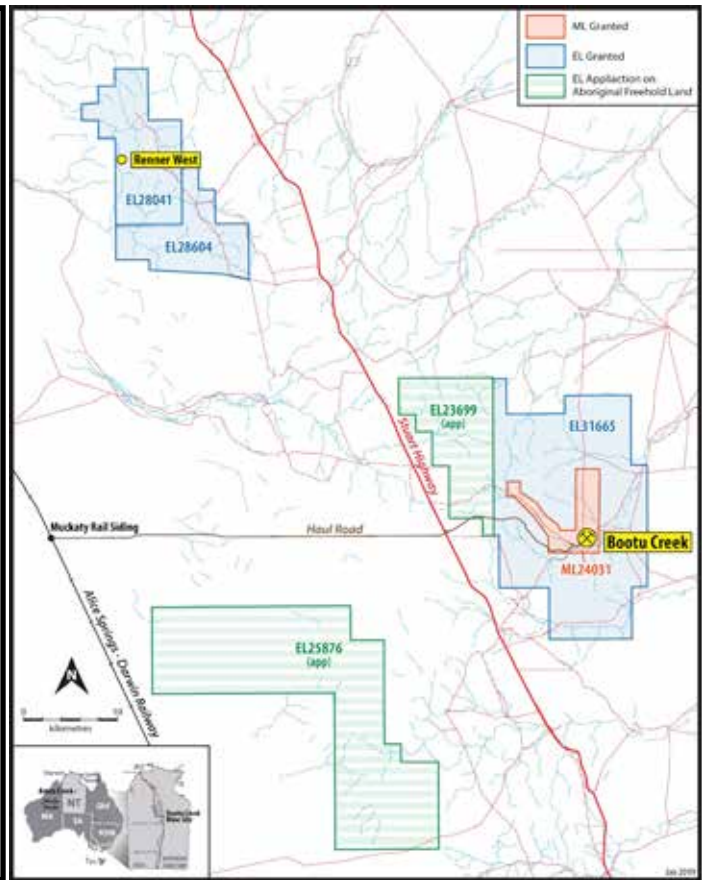
# MINING OPERATIONAL REVIEW

## OM (MANGANESE) LTD

The processing of manganese ore is described diagrammatically below:



**Figure 2. Bootu Creek Manganese Processing Plant Schematic**



**Figure 3. Bootu Creek Manganese Project Tenement Holdings**

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

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

OMM achieved production of 814,040 tonnes at an average grade of 35.77% Mn for the year ended 31 December 2018. The mining strategy was centred around two fleets focussed on the east limb deposits of Gogo, Shekuma and Chugga Far North.

Mining is now completed in the Gogo, Chugga South and Chugga North pits on the east limb and mining commenced on the Tourag pit on the west limb late in 2018.

For 2019/2020, mining is/will continue on the east limb in Chugga Far North and with a planned cutback in Shekuma. With mining on the west limb continuing in Tourag, commencing in Yaka and planned cutbacks in Masai, the mining operational requirement will increase to three digger fleets and 10 haul trucks. This will ensure a sustainable ore supply to the ROM as well as the building up of significant ROM stocks, de-risking the wet season weather impacts on the Bootu Mine operation.

Higher grade ores from the Shekuma and Yaka deposits and moderate grades from Tourag, Masai and Chugga Far North deposits, will form the basis of plant feed for the next 2 years maintaining the current processing plant mass yields.

During the 2018 financial year a total of 795,974 tonnes of manganese product was exported through the Port of Darwin, with an additional 1,041 tonnes sold domestically.

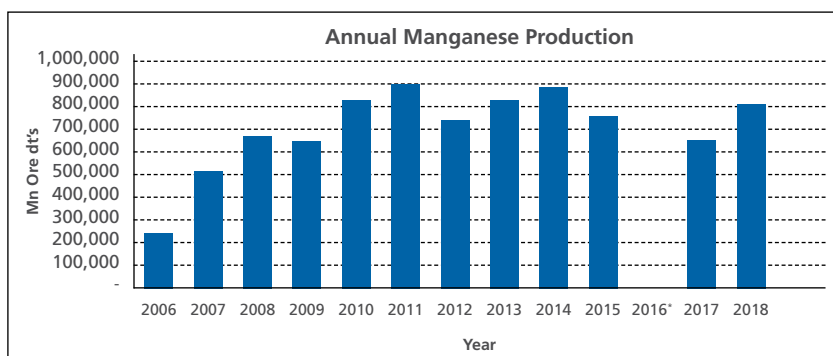
# MINING OPERATIONAL REVIEW

## OM (MANGANESE) LTD

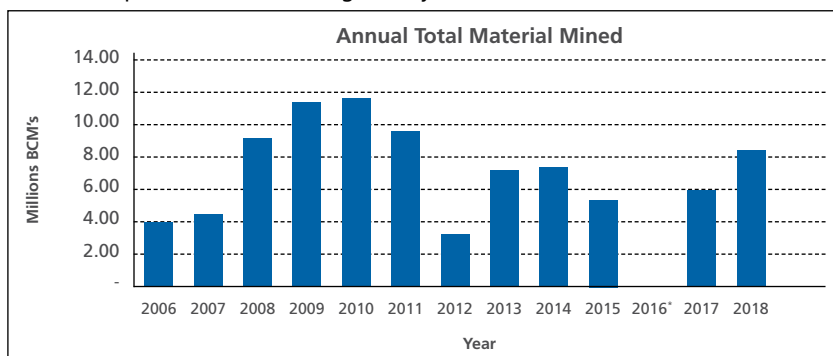
		Year ended 31 December					
	Unit	2018	2017	2016*	2015	2014	2013
<b>Mining</b>							
Total Material Mined	bcms	8,426,107	5,970,784	-	5,417,733	7,398,605	7,178,868
Ore Mined - Tonnes	dt's	1,819,012	1,587,630	-	1,918,137	2,043,786	1,842,955
Ore Mined - Mn Grade	%	21.94	21.32	-	22.52	22.45	21.77
<b>Production</b>							
Lump - Tonnes	dt's	622,279	465,235	-	549,575	637,773	561,499
Lump - Mn Grade	%	35.50	35.60	-	35.80	35.32	34.23
Fines/SPP - Tonnes	dt's	191,761	190,914	-	211,295	252,564	265,101
Fines/SPP - Mn Grade	%	36.64	36.50	-	37.90	37.15	36.69
Total Production - Tonnes	dt's	814,040	656,149	-	760,870	890,337	826,599
Total Production - Mn Grade	%	35.77	35.87	-	35.71	35.84	35.02
<b>Sales</b>							
Lump - Tonnes	dt's	593,777	462,234	119,470	501,640	686,068	505,397
Lump - Mn Grade	%	35.66	35.61	35.75	35.41	35.51	34.15
Fines/SPP - Tonnes	dt's	203,238	184,385	68,674	137,411	277,083	253,203
Fines/SPP - Mn Grade	%	36.62	36.60	37.22	36.50	37.28	36.88
Total Sales - Tonnes	dt's	797,015	646,619	188,144	639,051	963,151	758,600
Total Sales - Mn Grade	%	35.90	35.89	36.29	35.65	36.02	35.06

\* Mining activity was suspended in 2016 due to global market conditions.

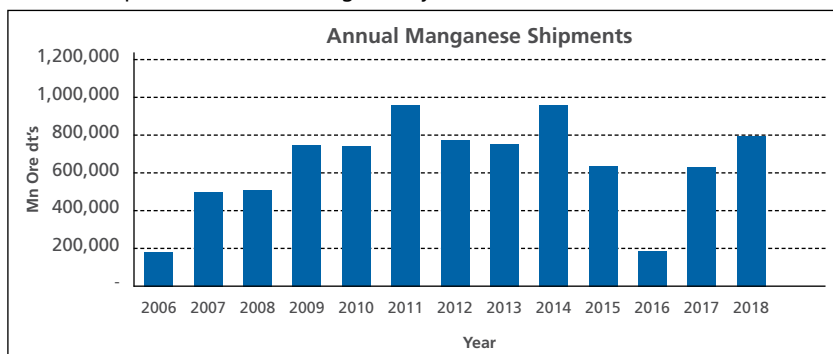
Table 1. Bootu Creek Operations – Production



\*Note – No production and mining activity conducted in FY2016



\*Note – No production and mining activity conducted in FY2016



### Bootu Creek Manganese Mine Ultra Fines Processing Facility

Metallurgical test work has been conducted on a laboratory scale as well as on site pilot plant tests, indicating the amenability of reprocessing Bootu Tailings and Heavy Media Separation (HMS) plant reject material. This can be achieved via a stand-alone ultra-fines circuit to produce a saleable 37% Mn product.

The plant with a production capacity of 250,000 tonnes per annum is scheduled to be commissioned in early Q3 2019.



Figure 4. Proposed Ultra Fines Processing Facility



# MINING OPERATIONAL REVIEW

## OM (MANGANESE) LTD

### Bootu Creek Mineral Resource Reserve and Ore Reserve at 31 December 2018

A total of 1.82 million tonnes at 21.94% Mn of Mineral Resource were depleted by mining and 0.51 million tonnes of SPP ore stockpiles were depleted by processing during the 12 months to 31 December 2018. In addition, other significant components of the Mineral Resource reduction included 0.44 million tonnes of low grade SPP ore stockpiles and 2.40 million tonnes of Mineral Resource blocks which had extended beneath the most current Life of Mine (LOM) pit designs. However recent mining activity at or below the base of weathering had returned lower yield and product grades due to the less favourable beneficiation characteristics of unweathered ores. Remaining Mineral Resources and Ore Reserves have been critically assessed on an individual pit by pit basis for acceptable processing characteristics.

The Measured and Indicated Mineral Resource blocks are now limited in extent by the remaining LOM pit designs used in the 31 December 2018 Ore Reserves.

Bootu Creek	31 December 2018		31 December 2017		Change
	Million Tonnes	% Mn	Million Tonnes	% Mn	Million Tonnes
Mineral Resource	4.78	22.89	9.95	22.37	-5.17
Ore Reserve	4.38	21.31	7.32	20.71	-2.94

Table 2. Comparison of Mineral Resource and Ore Reserve for 31 December 2018 with 31 December 2017

The Bootu Creek Mineral Resource and Ore Reserve estimates have been completed in accordance with the JORC Code (2012 edition).

### Bootu Creek Mineral Resource as at 31 December 2018

Undiluted	Measured		Indicated		Inferred		Combined*	
	Mt	%Mn	Mt	%Mn	Mt	%Mn	Mt	%Mn
Deposit:								
Chugga Far North	0.11	23.61	0.90	22.99			1.01	23.05
Masai	0.12	24.30	0.81	23.15	0.12	24.20	1.05	23.40
Shekuma	0.10	22.69	0.42	25.03			0.52	24.58
Tourag	0.49	23.13	0.55	22.72			1.04	22.91
Yaka			0.52	23.14			0.52	23.14
Renner West					0.28	22.26	0.28	22.26
<b>Insitu Resource*</b>	<b>0.82</b>	<b>23.31</b>	<b>3.20</b>	<b>23.28</b>	<b>0.40</b>	<b>22.84</b>	<b>4.42</b>	<b>23.24</b>
ROM Stocks	0.05	19.92					0.05	19.92
SPP Stocks	0.31	18.36					0.31	18.36
<b>Total Resource*</b>	<b>1.18</b>	<b>21.87</b>	<b>3.20</b>	<b>23.28</b>	<b>0.40</b>	<b>22.84</b>	<b>4.78</b>	<b>22.89</b>

\* Rounding gives rise to unit discrepancies in this table

Table 3. Bootu Creek Mineral Resource as at 31 December 2018

The Mineral Resources are based on a 15% Mn cut-off grade and on an FOB Darwin Price of A\$7.00/dmtu (US\$5.11/dmtu) at a foreign exchange rate of 0.73 (AUD:USD). A small northwest extension of the Masai deposit was drill delineated and added to the Inferred Mineral Resource. Gogo and Chugga pits are now considered mined out and no longer included in the Mineral Resource. Mining commenced in the Chugga Far North deposit during 2018.

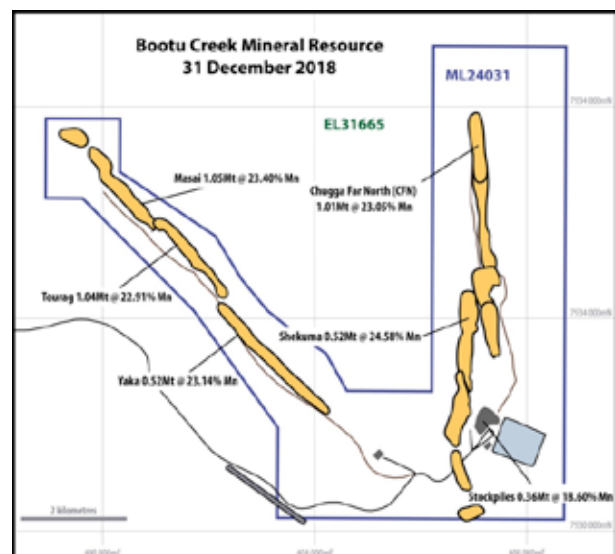


Figure 5. Location Plan for the Bootu Creek Mineral Resource as at 31 December 2018

# MINING OPERATIONAL REVIEW OM (MANGANESE) LTD

## Bootu Creek Ore Reserve as at 31 December 2018

Diluted	Proved		Probable		Combined*	
Deposit:	Mt	%Mn	Mt	%Mn	Mt	%Mn
Chugga Far North	0.11	21.84	0.90	21.26	1.01	21.33
Masai	0.12	22.48	0.81	21.42	0.93	21.55
Shekuma	0.10	20.99	0.42	23.15	0.52	22.74
Tourag	0.49	21.40	0.55	21.01	1.04	21.19
Yaka			0.52	21.41	0.52	21.41
<b>Insitu Reserve*</b>	<b>0.82</b>	<b>21.57</b>	<b>3.20</b>	<b>21.53</b>	<b>4.02</b>	<b>21.54</b>
ROM Stocks	0.05	19.92			0.05	19.92
SPP Stocks	0.31	18.36			0.31	18.36
<b>Total Resource*</b>	<b>1.18</b>	<b>20.65</b>	<b>3.20</b>	<b>21.53</b>	<b>4.38</b>	<b>21.31</b>

\* Rounding gives rise to unit discrepancies in this table

Table 4. Bootu Creek Ore Reserve as at 31 December 2018

The 2.94 million tonne reduction in the 31 December 2018 Ore Reserve resulted from the 1.82 million tonnes mined, 0.51 million tonnes of SPP ore stockpiles processed during 2018, 0.44 million tonne depleted from the low grade SPP ore stockpiles and a net reduction of 0.17 million tonnes based on the LOM pit designs used in the Ore Reserve.

The FOB Darwin price of A\$7.00/dmtu (A\$6.00/dmtu, December 2017) is the same as that used for the 2018 Mineral Resource. Revised mining, processing and logistic costs were based on the Bootu Creek 2019 Budget.

At the current annual production rate of 800,000 tonnes per annum, the Ore Reserve is expected to be depleted by early 2021.

## 2018 EXPLORATION PROGRAM

Exploration in 2018 was limited to two small Reverse Circulation (RC) drill programs consisting of a 5-hole (354m) infill program testing down dip resource potential at the north end of the Chugga Far North deposit, and an 11-hole (906m) infill program delineating a shallow manganese prospect located northwest of the Masai deposit (now included as an Inferred Mineral Resource).

A preliminary feasibility study of the Renner West deposit, including metallurgical test work, is budgeted for 2019 with a view to upgrading the Mineral Resource to Ore Reserve status. Exploration RC drilling is also planned to evaluate several adjacent, untested geophysical anomalies.

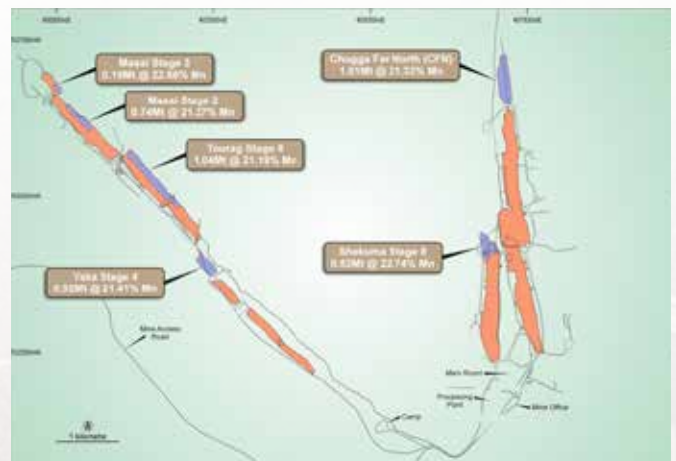


Figure 6. Location Plan for the Bootu Creek Ore Reserve as at 31 December 2018

The information in this report which relates to Reporting of Exploration Results, Mineral Resources and Ore Reserves estimation is based on information compiled and checked by Mr Craig Reddell, an employee of OM (Manganese) Limited, and Mr Carl Chambers, an employee of CSA Global Pty Ltd and a former employee of OM (Manganese) Limited. Both are Members of the Australian Institute of Mining and Metallurgy and have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the JORC 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Reddell and Mr Chambers consent to the inclusion in the report of the matters based on this information in the form and context in which it appears.



# TSHIPI É NTLÉ MANGANESE MINING (PTY) LTD ("TSHIPI")

## HIGHLIGHTS

- A world-class low cost expandable manganese asset.
- Largest manganese mine in South Africa in terms of production and export.
- Tshipi commenced exporting in 2012.
- Tshipi has a total Mineral Resource of approximately 464 million tonnes of manganese ore (under the SAMREC Code, 2016);
- Tshipi exports totalled 3,519,795 tonnes during calendar year 2018.
- Total exports included both lump and fines.

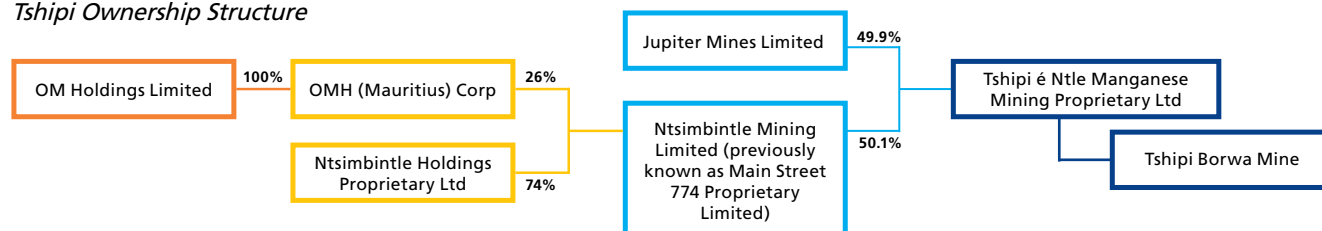
## OVERVIEW

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

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

The Tshipi Borwa mine is an open pit manganese mine which commenced production in October 2012 and 3,519,795 tonnes of manganese ore were exported in 2018.

### Tshipi Ownership Structure



## TSHIPI PROJECT LOCATION

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

Tshipi Borwa ore commences at a depth of 70m below the surface and the ore is contained within a 30m to 45m thick mineralised zone which occurs along the entire Borwa Property. The ore layer dips gradually to the north-west at approximately 5 degrees.

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



Tshipi Project Location

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

The ROM stockpile feeds the processing plant which is designed to treat approximately 3.3 to 3.6 million tonnes per annum of manganese ore.

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

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

Tshipi's product is then exported through (i) the Port Elizabeth bulk terminal; (ii) the Port Elizabeth multi-purpose terminal; or (iii) the Saldanha multi-purpose terminal (from 2019 onwards).



# SUMMARY INFORMATION REQUIRED BY ASX LISTING RULES 5.8.1 & 5.9.1

**Mineral Resource estimation summary:** The Bootu Creek manganese deposits are strata-bound, located at the contact between the underlying dolomite-siltstone Attack Creek Formation and the overlying ridge forming sandstone of the Bootu Formation in the Tomkinson Group, within the Ashburton Province of the Palaeozoic Tennant Creek Inlier. The mineralised manganese bearing sandstone horizon is folded around the gentle NNW plunging Bootu Syncline, can be traced for 24km and dips around 30° towards the fold axis.

The manganese ore is supergene enriched within a deeply weathered profile. The Bootu Creek manganese resource models have a combined strike length of 16 km, with deposit models ranging from 0.7 km to 2.9 km in length. Mineralisation widths vary from 3 m to 15 m and ore mineralogy consists predominantly of Pyrolusite and Cryptomelane in a silica rich gangue within the supergene zone, overlaying a Rhodochrosite and Braunite unweathered zone at depths of greater than 90m from surface.

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

Resources at Bootu Creek ("BC") are predominantly sampled by vertical 5.5" face sampling Reverse Circulation (RC) drilling (91% of total drilled), HQ3 diamond (DD) drilling (2%) and open percussion (PC) drilling (7%), based on a nominal 50 m x 25 m spaced grid. Hole depths range from 5 m to 156 m and collar locations are picked up by Mine Surveyors using MGA94 co-ordinates. The 31 December 2018 BC resource dataset (trimmed to remaining resource models) comprised 1,015 drill holes for 64,356 metres and the Renner West (RW) dataset has 142 drill holes for 6,212 metres. Only 23 new holes for 2,490m of RC resource delineation drilling have been added since 2012.

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

The sample preparation of RC samples involve oven drying and full pulverisation before splitting off an XRF assay sub-sample. Diamond core assay samples are quarter sawn, jaw crushed and follow the same sample preparation technique. A pulp sub-sample is collected for analysis by XRF for the following elements: Mn, Fe,  $Al_2O_3$ ,  $SiO_2$ , P, Pb, S,  $TiO_2$ , MgO,  $K_2O$ , BaO, CaO, Cu and Zn. LOI (loss on ignition) is assessed by thermo-gravimetric determination. Laboratory QAQC involves the use of internal laboratory standards using certified reference material, blanks, splits and replicates as part of the in house procedures.

OM (Manganese) Ltd ("OMM") developed 6 reference standards in 2007 and 2010 for a range of manganese grade values, using blends of Mn, Fe and quartz material. These were sent to 10 commercial laboratories with returned values in the +2% range against of the mean value. BC standards are submitted with each assay batch and results monitored to maintain an independent check on laboratory assays.

There is a high degree of confidence in the geological interpretation of the Bootu Creek manganese deposits gained through extensive close spaced drill testing, a relatively planar strata-bound geological setting and several years of active mining at this mature mining operation. Ore mineralogy was determined by XRD analysis and optical petrology on selected drill core, RC chip and lump product (gravity concentrate) samples.

Resource models were digitised and wire-framed from updated interpreted geological and assay drill cross sections prepared by OMM. These wireframes were used to select resource drill intersections and composite data was extracted for Mn, Fe,  $SiO_2$ ,  $Al_2O_3$ , BaO and P based on one metre sample increments. The nugget effect from variography represented only 20 - 30% of the total variability, suggesting low inherent random behaviour for the manganese mineralisation, and did not warrant grade capping.

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

## SUMMARY INFORMATION REQUIRED BY ASX LISTING RULES 5.8.1 & 5.9.1

Current bulk density regression formulae are based on 366 waxed (or waxed equivalent) HQ3 core samples selected from 52 metallurgical composites distributed through all deposits included in the Ore Reserve. The bulk density measurements were determined in 2009 by Amdel (Perth) using the wet and dry methodology. Six density regressions were determined for Chugga/Gogo, Shekuma, Xhosa, Masai/Tourag, Yaka and Zulu deposits. Renner West uses the Yaka (most conservative) regression option.

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

Metallurgical assumptions are based on test work conducted on 93 composites selected from 79 diamond holes drilled into all deposits included in Ore Reserves. The test work consists largely of individual particle pyknometry (IPP) on lump ore and Heavy Liquid Separation (HLS) test work on fines (+1 mm). The heavy media treatment plant reconciliation factors, product yield and recovery are reviewed annually.

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

Mineral Resource estimates are economically constrained within optimised pit shells, utilising Whittle mining software, based on current mining, processing and logistics costs, projected sales revenue, geotechnical and deposit specific analysis of yield and recovery parameters. Mineral Resources are reported as inclusive of Ore Reserves.

**Ore Reserve estimation summary:** The Bootu Creek Mine has been operating since 2006 and Ore Reserve statements prior to 2013 were reported under JORC (2004 Edition). OMM upgraded the reporting standard to JORC (2012 Edition) in December 2013 and a summary of the information used since then for the Ore Reserve estimation follows:

All current and planned mining is by open pit mining methods. Open pit slope angles, determined by an Independent Geotechnical Consultant, are at an overall angle, including berms, of 45° to 55° for hanging wall and end walls, and with footwall batter angles not exceeding the local bedding planes.

Conversion of Whittle optimised Mineral Resources pit shells to Ore Reserves is based on open pit designs constrained by those optimised pit shells, practical mining and geotechnical limitations, the application of mining tonnage recovery and grade dilution factors, pit specific processing yield analysis and mining cost parameters.

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

Grade dilution is reviewed each year by reconciliation of the previous year's mined production. The Ore Reserve grade is quoted as a 'diluted' grade and is currently set at 92.5% of the contributing 'undiluted' Mineral Resource block grade. Mining recovery factors are also reviewed each year from reconciliation of the previous year's mined ore production. The Diluted Tonnage is currently estimated at 100% of the contributing 'undiluted' Mineral Resource block tonnes, for an overall average Metal Recovery Factor of 92.5% ( $1.00 \times 0.925$ ). Dilution is generally derived from adjacent subgrade mineralisation and does contribute to overall metal recovery.

The minimum mining unit is effectively 2.5 m vertically, by 5 m across and 5 m along strike. The minimum drill intersection length applied in the Mineral Resource and Ore Reserve estimation is 3 m and is close to true width. Inferred Mineral Resources have not been utilised nor included in the Ore Reserves.

The only significant deleterious element is Fe and that is managed by blending ore sources or product stockpiles.

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

## SUMMARY INFORMATION REQUIRED BY ASX LISTING RULES 5.8.1 & 5.9.1

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

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

Factors effecting revenue include contained dmtu (dry metric tonne units) of manganese and discounts applied for lower than benchmark manganese content or higher than benchmark iron content. Manganese products are sold on an FOB basis from the Port of Darwin. Manganese Price is based on the current and projected price assumption. With adjustments for selling and shipping costs, and product grade discounts, the assumed FOB Darwin price used in the 31 December 2018 Ore Reserve was US\$5.11/dmtu.

Based on the projected exchange rate of 0.73 (AUD:USD), as at 31 December 2018, the FOB Darwin price assumed for Bootu Creek product was estimated at A\$7.00/dmtu. There are no saleable by-products and NPV ranges and sensitivity to variations are not included in the Ore Reserve estimation process.

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

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



# SUMMARY INFORMATION REQUIRED BY ASX LISTING RULES 5.8.1 & 5.9.1

JORC (2012 Edition) Table 1  
Section 1 Sampling Techniques and Data

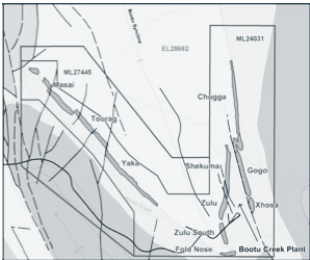
Criteria	Explanation
<b>Sampling Techniques</b> <i>- Nature and quantity of sampling</i>	<ul style="list-style-type: none"> <li>Mineral Resources at Bootu Creek ("BC") were sampled by 91% Reverse Circulation (RC) and 2% diamond (DD) with 7% open percussion (PC) drilling on a nominal 50m x 25m spaced grid.</li> <li>The 31 December 2018 BC resource dataset for current resource models comprised a total of 1,015 drill holes for 64,356 metres. The Renner West (RW) dataset had 142 drill holes for 6,212 metres.</li> <li>Collar locations are picked up by Mine Surveyors using MGA94 co-ordinates.</li> <li>RC holes are sampled on 1 metre downhole intervals, rotary split to produce approximately 3 kg samples. Sample intervals selected for analysis are generally limited to visible manganese mineralisation and adjacent host rock.</li> <li>All drill samples are crushed, dried and pulverised (total prep) to produce a sub sample for XRF analysis. Mineralised diamond core is quarter sawn to obtain 1 metre or geological intervals for XRF analysis, with half core retained for density determination and metallurgical test work.</li> <li>Sampling is carried out under OM (Manganese) Ltd ("OMM") protocols to ensure the representivity of drill samples.</li> </ul>
Drilling Technique	<ul style="list-style-type: none"> <li>RC drilling with 4.5" drill rods and a 5.5" face sampling drill bit.</li> <li>Diamond core generally drilled using a HQ3 core barrel.</li> <li>Drilling is predominantly vertical and the core is not oriented.</li> <li>Holes range from 5 m to 156 m in depth.</li> </ul>
Drill Sample Recovery	<ul style="list-style-type: none"> <li>RC drill sample recovery is visually estimated and recorded in geology drill log. Diamond core recovery is measured and recorded.</li> <li>RC rods and the sample cyclone are cleared as frequently as required to maintain satisfactory drill sample recovery and representivity.</li> <li>DD holes use HQ3 size triple tube core barrels to maximise sample recovery.</li> <li>The mineralisation style and consistency of mineralised intervals are considered to preclude any issue of sample bias due to recovery.</li> </ul>
Logging	<ul style="list-style-type: none"> <li>RC chip and diamond drill core samples are geologically logged to the level of detail required to support the Mineral Resource estimate. Logging records lithology, mineralogy, weathering, mineralisation, alteration, colour and other features of the samples.</li> <li>Geotechnical information is collected from the BC operations open pits.</li> <li>All diamond drill core is photographed.</li> <li>The total length of all exploration and resource delineation drilling is logged.</li> </ul>
Sub-sampling	<ul style="list-style-type: none"> <li>Diamond core assay samples are quarter sawn, oven dried, jaw crushed and fully pulverised before splitting off an XRF assay sub-sample.</li> <li>RC samples are rotary split to produce a sample of an approximately 3 kg in weight. High volume and high pressure air is used when RC drilling to ensure the sample return is kept as dry as possible.</li> <li>RC samples submitted for assay are oven dried, jaw crushed and fully pulverised before splitting off an XRF assay sub-sample.</li> <li>QC procedures involve the use of field duplicates, certified BC standards (insertion rate of approx. 1:130) and the use of a number of commercial laboratories for analysis.</li> <li>Appropriate industry standard sample preparation techniques and quality control procedures (ISO4296/2) are utilised by the onsite laboratory and offsite commercial laboratories to maximise sample representivity.</li> <li>Drill sample field duplicates are taken to ensure sampling is representative of the in-situ sample material collected.</li> <li>Sample sizes are appropriate for the grain size of the material being sampled based on the mineralisation style, intersection thickness and percent assay ranges for the primary elements.</li> </ul>

## SUMMARY INFORMATION REQUIRED BY ASX LISTING RULES 5.8.1 & 5.9.1

Criteria	Explanation
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> <li>The analytical techniques use an XRF multi element suite for assaying Mn, Fe, Al<sub>2</sub>O<sub>3</sub>, SiO<sub>2</sub>, P, Pb, S, TiO<sub>2</sub>, MgO, K<sub>2</sub>O, BaO, CaO, Cu and Zn. LOI (loss on ignition) is assessed by thermo-gravimetric determination technique.</li> <li>No geophysical tools were used to determine any element concentrations used in any of the resource estimates.</li> <li>Laboratory QAQC involves the use of internal laboratory standards using certified reference material, blanks, splits and replicates as part of the in house procedures.</li> <li>BC independently developed 6 reference standards in 2007 and 2010 for a range of grade values, using blends of Mn, Fe and quartz material. These were sent to 10 commercial laboratories with returned values in the +/-2% range against the expected value. The BC standards are submitted with each assay batch and results are monitored to maintain an independent check on laboratory assays.</li> </ul>
Verification of sampling and assaying	<ul style="list-style-type: none"> <li>Significant drill intersections are verified by alternative company personnel, generally the Geology Manager for OMM.</li> <li>Twined holes were used in initial exploration/pre-feasibility phase but are not considered necessary in the current mature mining phase.</li> <li>Data entry, verification and storage protocols are in place and were managed by a dedicated GIS/Database Manager and recently by the Geology Manager.</li> <li>No adjustments of primary assay data (high grade cuts, etc.) are considered necessary.</li> </ul>
Location of data points	<ul style="list-style-type: none"> <li>Drill collars used for Mineral Resource delineation are surveyed using the mine based DGPS survey equipment.</li> <li>All locations are picked up and quoted in MGA94 grid format.</li> <li>Mine lease topography is based on ortho-rectified aerial photography (2013) to produce a DTM based on a 5 m x 5 m centred grid with +/- 0.5 m RL accuracy.</li> </ul>
Data spacing and distribution	<ul style="list-style-type: none"> <li>Data spacing is generally based on a 50 m x 25 m drill grid within the Mineral Resource boundaries.</li> <li>The data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource classification being quoted and for the Ore Reserve estimate.</li> <li>Sample support is consistent with 1 m RC composite sample length applied and utilised for Mineral Resource estimate.</li> </ul>
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> <li>The manganese deposits at Bootu Creek are shallow dipping (average 30°–40° dip), strata-bound and relatively planar.</li> <li>Drill orientation is predominantly vertical and any interaction with local faults or fold structures is not considered to introduce bias into the sampling results.</li> </ul>
Sample Security	<ul style="list-style-type: none"> <li>Sample security is not considered a significant risk.</li> <li>Most exploration samples are processed by the on-site laboratory and results are validated against the drill hole geology logs.</li> </ul>
Audit or reviews	<ul style="list-style-type: none"> <li>No recent audits or reviews of sampling techniques, other than ongoing internal review, have been conducted. The database was last reviewed by Optiro for the 31 December 2012 Mineral Resource estimate.</li> <li>No new resource delineation drilling had been conducted since that audit, with the exception of two small RC drill programs (16 holes) conducted 2017-2018.</li> </ul>

# SUMMARY INFORMATION REQUIRED BY ASX LISTING RULES 5.8.1 & 5.9.1

## Section 2 Reporting of Exploration Results

Criteria	Explanation
Mineral tenement and land tenure status	<ul style="list-style-type: none"> <li>All Bootu Creek resource models, other than Renner West, are located within Mineral Lease ML24031, located 120km north of Tennant Creek, Northern Territory, Australia.</li> <li>The Renner West Inferred Mineral Resource is located on EL28041 and located 70km NW of the Bootu Creek mine site.</li> <li>Both tenements are granted, 100% owned by OMM and have no security of tenure issues at the time of reporting.</li> </ul>
Exploration done by other parties	<ul style="list-style-type: none"> <li>Prospectors identified manganese outcrops and conducted small scale mining between 1955 and 1969. BHP Ltd conducted AEM and limited drilling in mid-1990's identifying manganese beneath shallow cover (<i>Ferenczi, 2001</i>).</li> </ul>
Geology	<ul style="list-style-type: none"> <li>The Bootu Creek manganese deposits are strata-bound, located at the contact between the underlying dolomite-siltstone Attack Creek Formation and the overlying ridge forming sandstone of the Bootu Formations in the Tomkinson Group, within the Ashburton Province of the Palaeozoic Tennant Creek Inlier.</li> <li>The mineralised horizon is folded around the gentle NNW plunging Bootu Syncline, can be traced 24km and dips around 30° towards the fold axis.</li> <li>The manganese mineralisation is located in shallow marine sediments, which can locally retain a relic stromatolite texture, and is supergene enriched within a deeply weathered profile.</li> <li>Ore widths vary from 3m to 15m and ore mineralogy consists predominantly of Pyrolusite and Cryptomelane in a silica rich gangue within the supergene zone, above a Rhodochrosite and Braunite unweathered zone at depths of greater than 90 m from surface.</li> </ul>
Drill hole Information	<ul style="list-style-type: none"> <li>Drill hole listings have not been included as they relate to Mineral Resources rather than exploration results.</li> </ul>
Data aggregation methods	<ul style="list-style-type: none"> <li>Reported assays are length weighted with no top-cuts applied.</li> <li>Higher grade mineralised zones internal to broader zones of lower grade material are reported as included intervals.</li> <li>No metal equivalents are used for reporting exploration results.</li> </ul>
Diagrams	<ul style="list-style-type: none"> <li>These are included in the Mineral Resource statement.</li> <li>The BC geology and deposit plan is shown for reference.</li> </ul> 
Balanced reporting	<ul style="list-style-type: none"> <li>All results are reported when publishing exploration reports.</li> </ul>
Other substantive exploration data	<ul style="list-style-type: none"> <li>Not applicable to the Mineral Resource estimates.</li> </ul>
Further work	<ul style="list-style-type: none"> <li>Not applicable to the Mineral Resource estimates.</li> </ul>



# SUMMARY INFORMATION REQUIRED BY ASX LISTING RULES 5.8.1 & 5.9.1

## Section 3 Estimation and Reporting of Mineral Resources

Criteria	Explanation
Database integrity	<ul style="list-style-type: none"> <li>All geology data prior to 2016 was captured using Field Marshall software and imported into a Geobank SQL database (both Micromine data software).</li> <li>Location data was imported from DGPS export files.</li> <li>Assay data was imported from the original laboratory issued csv/sif files.</li> <li>All exploration drill data was moved to an Access database in 2017 and all new drill hole data is uploaded to that database utilising customised mine site software.</li> <li>Geology logs are validated for errors on import, locations are checked visually and assay data quality is ensured by the use of lab and field standards. Further internal validation for duplication, overlaps, etc is carried out using Surpac prior to any resource estimate.</li> </ul>
Site visits	<ul style="list-style-type: none"> <li>The Mineral Resource is located within an active mine camp and is visited regularly by OMM Competent Persons.</li> </ul>
Geological Interpretation	<ul style="list-style-type: none"> <li>There is a high degree of confidence in the geological interpretation of the Bootu Creek manganese deposits gained through extensive close spaced drill testing, a relatively planar strata-bound geological setting and over 10 years of active mining at this mature mining operation.</li> <li>Ore mineralogy was determined by XRD analysis and optical petrology on selected drill core, RC chip and mineral product (gravity concentrate) samples.</li> <li>The geological controls at BC are well understood from ongoing mining activity and form the basis for the resource interpretations.</li> <li>Factors affecting continuity of grade and geology include local high and low angle faulting, local internal and adjacent high Fe concentration associated with faulting, and the intensity and depth of supergene alteration from weathering.</li> <li>The geological interpretation is refined on an ongoing basis following the review of close spaced grade control sampling and in pit observation and mapping of second order fault structures not modelled in the original broader spaced resource delineation drilling.</li> </ul>
Dimensions	<ul style="list-style-type: none"> <li>The Bootu Creek manganese resource models have a combined strike length of 16km, with individual models ranging from 0.7km to 2.9km</li> <li>Bootu Creek resource models are generally limited in vertical depth by economic constraints (imposed by strip ratios and cost of mining), by faulting or by the depth of weathering and supergene alteration, rather than a depth termination of the mineralisation.</li> <li>Individual resource model depth extents range from 50m to 120m below surface. All mining is by open pit.</li> <li>Bootu Creek resource model widths (true width) range from the minimum width of 3m to a maximum of around 15m.</li> <li>The Renner West manganese deposit extends over a strike length of 450m and to a depth of around 25m below surface.</li> </ul>
Estimation and modelling techniques	<ul style="list-style-type: none"> <li>Estimation and modelling was previously undertaken by independent resource consultants Optiro Pty Ltd, and has since been updated by OMM technical staff.</li> <li>Resource models are digitised and wire-framed from interpreted geological and assay drill cross sections prepared by OMM. These wireframes are used to select resource intersections and composite data is extracted for Mn, Fe, SiO<sub>2</sub>, Al<sub>2</sub>O<sub>3</sub>, BaO and P based on one metre sample increments.</li> <li>'Supervisor' geostatistical software was used for continuity analysis to determine variograms for grade estimation. Optiro found that the 10% Mn population generated more robust variograms with lower nugget effects that were applied to the resource composite data during estimation.</li> <li>The nugget effect from variography was found to represent only 20-30% of the total variability, suggesting a low inherent random behaviour for the manganese mineralisation and no grade capping is warranted.</li> <li>Block models are estimated using Ordinary Kriging (OK), using Surpac resource estimation software, and coded with attributes for material type, resource classification, model domain and for OMM survey pit pickups.</li> <li>Block Model Parent Cells are 25m (Y) by 10m (X) by 5m (Z) and compare favourably with maximum drill spacing of 50m x 25m or 40m x 20m and with along strike search radius varying from 130m in the shorter or faulted models through to 290m for the highly continuous Chugga-Gogo.</li> </ul>

## SUMMARY INFORMATION REQUIRED BY ASX LISTING RULES 5.8.1 & 5.9.1

Criteria	Explanation
	<ul style="list-style-type: none"> <li>The number of samples is set at a minimum of 15 and a maximum of 32 for passes 1 &amp; 2. The pass 3 minimum was set to 2 samples to fill model extents.</li> <li>Search ranges varied from 130 m up to 290 m in deposits of up to 2.9 km strike length. The search ellipsoids are flattened disc shapes in the plane of the mineralisation with varying anisotropic ratios designed to model shallowly plunging manganese trends within the domains.</li> <li>Geological interpretation prepared by OMM has been used to construct digital wireframes and control assay extraction from the database, but are not otherwise used to control the resource estimate.</li> <li>The only assumed correlation between variables is that used for the density regression calculated against manganese grade. There is a noted inverse relationship between manganese vs silica and <math>Al_2O_3</math>. There is a variable relationship between manganese and iron and correlations between other elements were poor.</li> <li>No selective mining units were assumed in the estimates.</li> <li>Graphical 3D validation of block grades versus composite samples, used to compare modelled grade trends against the spatial distribution of the samples, demonstrated that estimated low and high grades were consistent with the composite samples. Density was also checked to confirm interpolated block values honour the regression formulas.</li> <li>Validation swathe plots by Optiro show that the block model estimated grades honoured local grades. All volumetric checks are within 1% of wireframes.</li> <li>The significant elements specific to product quality are assayed and modelled with the only potential issue being high Fe content in product, which is managed in the mine plan.</li> <li>Mineral Resource estimates are depleted for mining up to 31 December 2018 and reported above a cut-off grade of 15% Mn.</li> </ul>
Moisture	<ul style="list-style-type: none"> <li>All tonnage is estimated on a dry tonnes basis.</li> </ul>
Cut-off parameters	<ul style="list-style-type: none"> <li>The current 15% Mn cut-off grade has been affirmed after several years of processing Bootu Creek ore. Manganese product derived from the DMS (gravity) plant is not linear in relation to head grade and product yield and/or product grade decreases rapidly below the current cut-off grade.</li> </ul>
Mining factors or assumptions	<ul style="list-style-type: none"> <li>The Mineral Resource estimates were optimised by OMM technical staff utilising Whittle mining software to limit economic open pit extents based on long term revenue, mining, processing and logistic parameters set by OMM.</li> <li>All mining is, or is proposed, by open pit mining methods.</li> <li>Parameters for determining economic extraction are based on data derived from the current mining and processing operations at Bootu Creek.</li> </ul>
Metallurgical factors and assumptions	<ul style="list-style-type: none"> <li>The Mineral Resource estimates were optimised by OMM technical staff utilising Whittle mining software to limit economic open pit extents based on long term revenue, mining, processing and logistic parameters set by OMM.</li> <li>All mining is, or is proposed, by open pit mining methods.</li> <li>Parameters for determining economic extraction are based on data derived from the current mining and processing operations at Bootu Creek.</li> <li>Metallurgical assumptions are based on test work conducted on 93 composites selected from 79 diamond holes drilled into all deposits included in Ore Reserves. The test work consists largely of individual particle pyknometry (IPP) on lump ore and Heavy Liquid Separation (HLS) test work on fines.</li> <li>Plant factors including product yield and recovery are reviewed annually.</li> <li>Product yield assumptions for resource optimisation are now based on statistical analysis of the resource delineation drill sample grade distribution, on a pit by pit basis, with due attention to the extent of weathering.</li> <li>Average grade is no longer considered a reliable indicator of product yield.</li> </ul>
Environmental factors or assumptions	<ul style="list-style-type: none"> <li>Bootu Creek in an operating mine site and processing plant with Mine Management Plans submitted and approved for waste rock and tailings storage by the Northern Territory Department of Primary Industry and Resources.</li> <li>No significant sulphides are present in ore or mine waste.</li> </ul>

## SUMMARY INFORMATION REQUIRED BY ASX LISTING RULES 5.8.1 & 5.9.1

Criteria	Explanation
Bulk Density	<ul style="list-style-type: none"> <li>Current bulk density regression formulae are based on 366 waxed (or waxed equivalent) HQ3 core samples selected from 52 metallurgical composites distributed through all deposits included in the Ore Reserve.</li> <li>The bulk density measurements were determined in 2009 by Amdel (Perth) using the wet and dry methodology. Six individual density regressions were determined for Chugga/Gogo, Shekuma, Xhosa, Masai/Tourag, Yaka and Zulu deposits.</li> <li>Renner West uses the Yaka (most conservative) regression option.</li> </ul>
Classification	<ul style="list-style-type: none"> <li>Measured Mineral Resource – this classification is restricted to well drilled resource blocks located within 15m (vertical) of a mined pit floor, reflecting a high level of geological and grade confidence.</li> <li>Indicated Mineral Resource – classified based on established grade and geological continuity defined by the tabular nature of the Bootu Creek mineralised zones, the regular drill spacing of 50m x 25m or better, estimation parameters such as kriging efficiency and the demonstrated mining history in most of the deposits.</li> <li>Inferred Mineral Resource – used for the lower confidence Renner West deposit model.</li> <li>The Mineral Resource estimate appropriately reflects the view of the Competent Persons.</li> <li>All OMM Mineral Resources are economically constrained on an annual basis by optimised pit shells using updated OMM cost, revenue and physical parameters (see Mining Factors and Assumptions).</li> </ul>
Audits and reviews	<ul style="list-style-type: none"> <li>Independent resource consultant Optiro Pty Ltd conducted a Client Review of wireframes, block models, classification criteria, volumetric comparison, composite versus block model grades and XYZ plots on the Mineral Resource estimate for 31 December 2013.</li> <li>No new resource delineation drilling, with the exception of 23 RC infill holes drilled in 2017 and 2018, have been added since that Mineral Resource estimate and the only changes applied in the current Mineral Resource estimate process are to account for updated pit optimisation parameters, product yield estimation, mine depletion and/or pit backfill and to update geological interpretation based on minor faults observed during mining activity.</li> </ul>
Discussion of relative accuracy/confidence	<ul style="list-style-type: none"> <li>The relative accuracy of the Mineral Resource estimate is reflected in the reporting of the Mineral Resource as per the guidelines of the 2012 JORC Code.</li> <li>The statement relates to global estimates of tonnes and grades.</li> <li>Annual reconciliation of mined resource blocks are used to compare mine production with pre-mining Mineral Resource estimates, and to update mining factors and assumptions.</li> </ul>



# SUMMARY INFORMATION REQUIRED BY ASX LISTING RULES 5.8.1 & 5.9.1

## Section 4 Estimation and Reporting of Ore Reserves

Criteria	Explanation
Mineral Resource estimate for conversion to Ore Reserves	<ul style="list-style-type: none"> <li>31 December 2018 Mineral Resource models were optimised using Whittle mining software to limit economic open pit extents utilising OMM updated mining, processing and logistics costs and physical parameters, and revenue assumptions.</li> <li>Open pit designs further constrained the above optimised Mineral Resource models with constraints such as minimum cut back width, practical waste rock storage, pit access and ramp location options.</li> <li>Mineral Resources quoted are reported as <b>inclusive</b> of Ore Reserves.</li> </ul>
Site visits	<ul style="list-style-type: none"> <li>The Ore Reserve is located within an active mine camp and is visited regularly by the Competent Persons.</li> </ul>
Study status	<ul style="list-style-type: none"> <li>Bootu Creek manganese mine commenced production in 2006 and is an ongoing, mature manganese mining operation.</li> <li>Conversion of Mineral Resources to Ore Reserves is based on parameters derived from analysis of current operating practices, technical studies, and ongoing mine and processing performance.</li> </ul>
Cut-off parameters	<ul style="list-style-type: none"> <li>The current 15% Mn cut-off grade has been affirmed after several years of mining and processing Bootu Creek ore. Manganese product derived from the DMS (Dense Media Separation) plant feed is not linear in relation to the plant head grade and product yield either decreases rapidly or fails to produce an acceptable product grade below the 15% Mn cut-off grade.</li> </ul>
Mining factors or assumptions	<ul style="list-style-type: none"> <li>The Mineral Resource estimates were optimised utilising Whittle mining software to limit economic open pit extents based on long term revenue, mining, processing and logistic parameters set by OMM.</li> <li>All current and planned mining is by open pit mining methods.</li> <li>Geotechnical parameters including batter angles and berm widths and intervals were recommended by independent mining consultants Coffey Mining Pty Ltd and more recently by Absolute Geotechnics Pty Ltd following ongoing review of BC mining operations.</li> <li>Open pit slope angles, determined by an Independent Geotechnical Consultant are at an overall slope angle, including berms, of 45° to 55° for hanging wall and end walls, and with footwall batter angles not exceeding the local bedding planes.</li> <li>Diluted Grade is reviewed each year by reconciliation of the previous year's mine production. The Ore Reserve grade is quoted as a 'diluted' grade and is currently set at 92.5% of the contributing 'undiluted' Mineral Resource block grades.</li> <li>Mine Recovery is also reviewed each year by reconciliation of the previous year's mine production. The Mine Tonnage Factor is currently estimated at 100% (inclusive of dilution) of the contributing 'undiluted' Mineral Resource block tonnes.</li> <li>Minimum mining unit is effectively 2.5m vertically by 5m across and 5m along strike. The minimum drill intersection length applied in the Mineral Resource and Ore Reserve estimate is 3 m and is close to true width.</li> <li>Inferred Mineral Resources have not been utilised nor included in Ore Reserves.</li> <li>Bootu Creek in a mature manganese mining and processing operation with all of the necessary mining infrastructures in place.</li> </ul>
Metallurgical factors or assumptions	<ul style="list-style-type: none"> <li>The HMS treatment plant has been in operation since 2006 and has since been modified to maximise tonnes processed, product yield and manganese recovery.</li> <li>The heavy media plant is well-tested technology and well suited to the manganese ores being processed.</li> <li>Metallurgical test work was conducted on 93 composites selected from 79 diamond holes drilled into all deposits included in Ore Reserves. The test work consists of individual particle pyknometry (IPP) on lump ore and Heavy Liquid Separation (HLS) test work on fines.</li> <li>The only significant deleterious element is Fe and that is managed by blending ore sources or product stockpiles.</li> <li>Plant reconciliation factors are reviewed annually and factors including product yield and manganese recovery are updated annually.</li> </ul>

## SUMMARY INFORMATION REQUIRED BY ASX LISTING RULES 5.8.1 & 5.9.1

Criteria	Explanation
	<ul style="list-style-type: none"> <li>Yield assumptions for plant feed are estimated on an individual pit basis, based on a statistical analysis of the resource delineation drill sample grade distribution constrained by each pit design and the intensity of weathering, to estimate likely product yield and grade from that source. Average grade is no longer considered a reliable indicator of product yield.</li> <li>Manganese oxide mineralogy is not relevant for the Ore Reserve estimate.</li> </ul>
Environmental	<ul style="list-style-type: none"> <li>There are no significant environmental impacts arising from mining or processing. Waste rock and processing tails are stored on site are not acid generating. The only additive used in ore processing is ferrosilicon.</li> <li>Bootu Creek in an operating mine site and processing plant with Waste Management Plans submitted for waste rock and tailings storage to, and approved by the Northern Territory Department of Primary Industry and Resources.</li> </ul>
Infrastructure	<ul style="list-style-type: none"> <li>Bootu Creek mine site in a mature manganese mining and processing operation with all mining, processing, rail and port infrastructure in place and operational.</li> </ul>
Costs	<ul style="list-style-type: none"> <li>All major capital projects are completed and operational.</li> <li>Operating costs and sustaining capital are derived from analysis of the 2018 Bootu Creek mining and processing operations and the 2019 budget.</li> <li>Deleterious elements are managed within specified maximum limits and no specific pricing allowance is used. Price discounts are applied for a specified range of lower grade manganese products.</li> <li>Commodity prices are discussed in Revenue factors.</li> <li>Exchange rates are discussed in Revenue factors.</li> <li>Road and rail transportation charges are based on current contracted terms and rates.</li> <li>Refining charges are not relevant and product specification penalties are rare and have not been applied.</li> <li>Royalties are payable to the original project vendor and the Northern Land Council (on behalf of Traditional Owners). The Northern Territory government royalty is on a net value basis (considered as a "tax") and as such is not included in the optimisation process.</li> <li>Royalty charges are allowed for in project costing and applied in the pit optimisation process.</li> </ul>
Revenue factors	<ul style="list-style-type: none"> <li>Manganese products are sold on an FOB basis from the Port of Darwin.</li> <li>Factors effecting revenue include contained dmtu (dry metric tonne units) of manganese, and discounts for lower than benchmark manganese content or higher than specified iron content.</li> <li>Commodity price assumptions are based on 3 year forecast for Mn - CIF China GEMCO 44% with adjustments for selling and shipping costs, and for discounts specific to BC product grade and size specifications to derive an FOB Darwin price of US\$5.11/dmtu.</li> <li>Exchange rate (AUD:USD) assumption is based on an exchange rate of 0.73 (Dec 2018), for a forecast FOB Darwin price of A\$7.00/dmtu.</li> <li>There are no saleable by-products.</li> </ul>

## SUMMARY INFORMATION REQUIRED BY ASX LISTING RULES 5.8.1 & 5.9.1

Criteria	Explanation
Market assessment	<ul style="list-style-type: none"> <li>According to the IMnI, China's manganese ore imports for 2018 were 27.6 million tonnes, up 6% from 2017.</li> <li>Demand, supply, stock and future volume assumptions for manganese are considered in the 3 year price forecast.</li> <li>Customer and competitor factors are considered in the 3 year manganese price forecast.</li> <li>Customer specification, testing and acceptance rely on an inbound assay.</li> <li>Occasional minor penalties may apply, but are not included in the Ore Reserve estimate.</li> </ul>
Economic	<ul style="list-style-type: none"> <li>NPV ranges and sensitivity to variations are not included in the Ore Reserve estimation process.</li> </ul>
Social	<ul style="list-style-type: none"> <li>All necessary agreements and authorities are in place with Traditional Owners for mining and royalties (via the Northern Land Council) for heritage clearance and sacred sites (via the Aboriginal Areas Protection Authority)</li> </ul>
Other	<ul style="list-style-type: none"> <li>The only significant naturally occurring risk is delays incurred from cyclone related flooding of the mine site or railway line to Darwin.</li> <li>All material legal agreements and marketing arrangements are in place.</li> <li>All government approvals (including the Mine Management Plan and Mineral Lease), licences, clearances and bonds necessary to operate the Bootu Creek mine site and processing plant are in place.</li> </ul>
Classification	<ul style="list-style-type: none"> <li>Proven Ore Reserves are restricted to in-situ Measured Resources contained within mine designs based on pit optimisation at the current budget cost and revenue assumptions, plus surface Ore Stocks.</li> <li>Probable Ore Reserves are restricted to Indicated Resources contained within mine designs based on pit optimisation at the current budget cost and revenue assumptions.</li> <li>The Ore Reserve classification appropriately reflects the Competent Person's view of the deposit.</li> <li>No Probable Ore Reserves are derived from Measured Resources.</li> </ul>
Audits and reviews	<ul style="list-style-type: none"> <li>There has been no independent audit of the 31 December 2018 Ore Reserve estimates.</li> </ul>
Discussion of relative accuracy/confidence	<ul style="list-style-type: none"> <li>Annual reconciliation of mined Ore Reserve blocks is used to compare mine production with the mined Ore Reserve estimates, and were used to update the mining recovery and dilution factors applied to the 31 December 2018 Ore Reserve estimation process.</li> </ul>



# 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' STATEMENT

for the financial year ended 31 December 2018

## Directors' interests in shares

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

	Holdings registered in the name of director or nominee		Holdings in which director is deemed to have an interest	
	As at 1.1.2018	As at 31.12.2018	As at 1.1.2018	As at 31.12.2018
The Company -				
	Number of ordinary shares fully paid			
Low Ngee Tong	19,825,000	<sup>(1)</sup> 67,138,500	47,313,500	–
Julie Anne Wolseley	5,562,002	5,562,002	–	–
Tan Peng Chin	<sup>(2)</sup> 1,860,000	<sup>(2)</sup> 1,860,000	–	–

### Note:

<sup>(1)</sup> 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.

<sup>(2)</sup> 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:

- overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It has met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluations of the Company's system of internal accounting controls;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit; and
- the half-yearly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2018 as well as the auditor's report thereon.

# DIRECTORS' STATEMENT

for the financial year ended 31 December 2018

## 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



LOW NGEE 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.

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

## Key Audit Matters (Cont'd)

Key audit matter:	Risk:	Our response and work performed:
Recognition of deferred tax asset	<p>The Group recognised deferred tax assets based upon unutilised tax losses and other temporary differences. The Group exercised its judgement to determine the amount of deferred tax assets that can be recognised, to the extent that it is probable that future taxable 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.</p> <p>In addition, the Group has unrecorded deferred tax assets of A\$13,957,000 as at 31 December 2018.</p>	<p>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.</p> <p>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.</p>

## Other Information

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

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

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

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

## 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

## 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.

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	31 December	31 December	31 December
		2018	2017	2018	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>		<b>-</b>	<b>-</b>	<b>62,508</b>	<b>59,782</b>
<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

		Year ended 31 December 2018 A\$'000	Year ended 31 December 2017 A\$'000
	Note		
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	22.05	12.67
- Diluted	27	21.79	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	-	-	-	-	(1,069)	-	-	-	(1,069)	-	(1,069)
Transfer	-	-	-	3,316	-	-	3	(3,319)	-	-	-
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
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

		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 from 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

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)	(641)
Issue of ordinary shares, net of issue costs	2,060	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 disclosures of the reconciliation of items for which cash flows have been, or would be, classified as financing activities, excluding equity items:

	31 December 2017 A\$'000	Cash flow 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 flow 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.

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

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

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

#### 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.

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

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

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

#### 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 IFRSs 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.

### 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.

# 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)

#### Classification and measurement of financial assets and financial liabilities (Cont'd)

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.

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.   |



# 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)

#### Classification and measurement of financial assets and financial liabilities (Cont'd)

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
Total financial assets			130,265	130,265

#### 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
Total financial assets			125,401	125,401

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.

## 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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

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

### 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

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

### Consolidation (Cont'd)

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

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

### Subsidiaries (Cont'd)

#### Changes in ownership interests in subsidiaries resulting in loss of control (Cont'd)

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.

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.



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

## 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

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

### Intangible assets (Cont'd)

#### Exploration and evaluation costs (Cont'd)

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

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

### Property, plant and equipment

Property, plant and equipment, other than construction in progress ("CIP"), are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

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

### 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).

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).



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

## 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)

#### Debt instruments (Cont'd)

- **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.

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

## 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)

##### *Significant increase in credit risk (Cont'd)*

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

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

##### *Credit-impaired financial asset*

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

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

##### *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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

## 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:*

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

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

## 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.



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

## 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.

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

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

### 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

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

### Provisions and contingent liabilities (Cont'd)

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.

### 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.



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

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

### Income taxes (Cont'd)

Current and deferred income taxes are recognised as income or expense in 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

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

### Related parties

A related party is defined as follows:

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

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

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

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

With the exception of goodwill,

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

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

### Revenue recognition

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

#### Sale of goods

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

The Group supplies ores 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

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

### Revenue recognition (Cont'd)

#### Interest income

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

#### Dividend income

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

### Contract liabilities

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

### Capitalised contract costs

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

### Functional currencies

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

### Conversion of foreign currencies

#### Transactions and balances

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

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

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

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

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.



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

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

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

#### Group entities

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

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

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are translated at the closing rates at the reporting date. For acquisitions prior to 1 January 2010, the goodwill and fair value adjustments are translated at the exchange rates at the dates of acquisition.

### Operating segments

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive Directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive Directors are determined following a review of the Group's major products and services.

The Group has identified the following reportable segments:

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

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

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

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

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	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
<b>Primary geographical markets</b>										
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
<b>Major product or service lines</b>										
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
<b>Timing of transfer of goods or services</b>										
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)
<b>At 31 December 2017</b>	<b>2,189</b>	<b>22,879</b>	<b>675,988</b>	<b>3,683</b>	<b>2,231</b>	<b>706,970</b>
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
<b>At 31 December 2018</b>	<b>7,800</b>	<b>24,466</b>	<b>763,222</b>	<b>5,123</b>	<b>2,698</b>	<b>803,309</b>
<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)
<b>At 31 December 2017</b>	<b>344</b>	<b>9,776</b>	<b>83,772</b>	<b>2,616</b>	<b>1,547</b>	<b>98,055</b>
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
<b>At 31 December 2018</b>	<b>344</b>	<b>11,467</b>	<b>125,750</b>	<b>3,110</b>	<b>1,895</b>	<b>142,566</b>
<u>Net book value</u>						
<b>At 31 December 2018</b>	<b>7,456</b>	<b>12,999</b>	<b>637,472</b>	<b>2,013</b>	<b>803</b>	<b>660,743</b>
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)

	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	2017
	A\$'000	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	2017
	A\$'000	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	2017
	A\$'000	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)

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

	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
The Group						
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



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

## 8 Deferred taxation (Cont'd)

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 gain 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.

## 9 Subsidiaries

The Company	2018 A\$'000	2017 A\$'000
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	-	-
	8,013	8,013
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)
	126,287	50,126
Total	134,300	58,139

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

## 9 Subsidiaries (Cont'd)

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

## 9 Subsidiaries (Cont'd)

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

Name	Place of incorporation/ and operation	Proposition 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:

<sup>(1)</sup> audited by Grant Thornton Audit Pty Ltd

<sup>(2)</sup> audited by Foo Kon Tan LLP

<sup>(3)</sup> audited by Ernst & Young, Malaysia

<sup>(4)</sup> audited by Guangxi JiaHai Accountant Affairs Office Co. Ltd. for statutory purposes and reviewed by Foo Kon Tan LLP for group consolidation

<sup>(5)</sup> audited by Ernst & Young, Singapore

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

## 9 Subsidiaries (Cont'd)

### 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)
<b>Net identifiable assets</b>	<b>2,880</b>
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)
<b>Net cash inflow on acquisition</b>	<b>(375)</b>

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.

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

Name	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(Loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	2018	2017	2018	2017
		%	%	A\$'000	A\$'000	A\$'000	A\$'000
OM Materials (Sarawak) Sdn. Bhd.	Malaysia	25%	25%	21,159	(1,382)	52,294	48,478

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

## 9 Subsidiaries (Cont'd)

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

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

## 10 Interests in associates

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

<sup>(1)</sup> 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.



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

## 10 Interests in associates (Cont'd)

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

<u>Name</u>	<u>Country of incorporation</u>	<u>Proportion of effective ownership interest and voting rights held by the Group</u>		<u>Principal activities</u>
		<b>2018</b>	<b>2017</b>	
		<b>%</b>	<b>%</b>	
Ntsimbintle Mining Limited ("NML") <sup>(1)</sup> (previously known as Main Street 774 Proprietary Limited)	South Africa	<b>26</b>	<b>26</b>	Investment holding
<u>Held by NML</u> <sup>(2)</sup>				
Tshipi é Ntle Manganese Mining Proprietary Limited ("Tshipi Mining") <sup>(1)</sup>	South Africa	<b>13</b>	<b>13</b>	Exploration and exploitation of minerals

<sup>(1)</sup> audited by KPMG Inc.

<sup>(2)</sup> 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.

	<u>Ntsimbintle Mining Limited</u>	
	<b>2018</b>	<b>2017</b>
	<b>A\$'000</b>	<b>A\$'000</b>
Current assets	<b>14,114</b>	2,945
Non-current assets <sup>(1)</sup>	<b>198,053</b>	198,141
Current liabilities	<b>(34)</b>	(14,607)
Net assets	<b>212,133</b>	186,479
Income <sup>(1)</sup>	<b>182,364</b>	79,163
Profit for the year	<b>180,649</b>	78,327
Total comprehensive income for the year	<b>180,649</b>	78,327

<sup>(1)</sup> 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 associates	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

### Aggregate information of associates that are not individually material

	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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

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

### 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.

### 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
	178	10	91,819	34,376

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:

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

## 15 Share capital

	No. of ordinary shares		Amount	
The Company and The Group	2018	2017	2018	2017
	'000	'000	A\$'000	A\$'000
<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	738,623	733,423	36,931	36,671

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

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	
The Company and The Group	2018	2017	2018	2017
	'000	'000	A\$'000	A\$'000
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 2018 A\$'000	31 December 2017 A\$'000	31 December 2018 A\$'000	31 December 2017 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)

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

## 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
The Group		
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)
Present value of minimum lease payments	1,092	2,013
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

	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	-
	20,440	29,992	512,926	510,681

### 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		
<u>Rehabilitation</u>		
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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

## 20 Trade and other payables (cont'd)

Trade and other payables are denominated in the following currencies:

	The Company		The Group	
	2018	2017	2018	2017
	A\$'000	A\$'000	A\$'000	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
	<b>40,247</b>	<b>126,381</b>	<b>277,167</b>	<b>353,325</b>

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	Fair values	Carrying amounts	Fair values
	A\$'000	A\$'000	A\$'000	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	2017
	A\$'000	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	2017
	A\$'000	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

<sup>(1)</sup> 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 earnings per share	751,026	787,690

Profit figures were calculated as follows:

	2018 A\$'000	2017 A\$'000
Profit for the year attributable to members 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 contribution 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>

### 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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

## 30 Commitments (Cont'd)

### 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 Obligors). The PSA governs the rights and obligations of the Obligors. These obligations and liabilities of the Obligors 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
<b>Reportable segment revenue</b>										
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									(1,026,428)	(648,151)
	229,055	136,390	859,058	545,609	1,434,940	947,731	13,791	6,603	1,510,416	988,182
<b>Reportable segment profit/(loss)</b>	94,934	38,863	134,300	25,385	24,909	23,960	(19,698)	6,986	234,445	95,194
<b>Reportable segment assets</b>										
Elimination	119,171	105,839	1,048,820	947,407	432,341	464,565	209,847	214,538	1,810,179	1,732,349
Investment in associates									(658,345)	(671,838)
									126,339	116,544
Total assets									1,278,173	1,177,055
<b>Reportable segment liabilities</b>										
Elimination	179,422	219,695	784,517	776,802	193,981	291,482	119,741	250,154	1,277,661	1,538,133
									(450,613)	(648,826)
Total liabilities									827,048	889,307
<b>Other segment information</b>										
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:

	2018 A\$'000	2017 A\$'000
The Group		
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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

## 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	Between 2 and 5 years	Over 5 years	Total	Total carrying amount
The Group	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
<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
	270,291	460,532	245,626	976,449	789,001

As at 31 December 2017

Trade and other payables	215,060	142,650	-	357,710	353,325
Borrowings	67,533	371,970	198,030	637,533	508,668
	282,593	514,620	198,030	995,243	861,993

The Company

**As at 31 December 2018**

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
	552,268	14,570	-	566,838	565,867

As at 31 December 2017

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
	659,701	27,775	-	687,476	682,373

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.

# 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

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

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

#### Sensitivity analysis for interest rate risk

At the end of the reporting period, if 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	2017	2018	2017
		A\$'000	A\$'000	A\$'000	A\$'000
United States Dollar	- lower 75 basis points (2017 - 75 basis points)	153	225	2,051	2,385
	- higher 75 basis points (2017 - 75 basis points)	(153)	(225)	(2,051)	(2,385)
Renminbi	- lower 75 basis points (2017 - 75 basis points)	-	-	(52)	(52)
	- higher 75 basis points (2017 - 75 basis points)	-	-	52	52
Malaysian Ringgit	- lower 75 basis points (2017 - 75 basis points)	-	-	544	512
	- higher 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
The Group					
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)
The Company					
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)

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

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

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
The Group			
<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>

The Company			
<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>

31 December 2018	Note	Other financial liabilities (at amortised cost) A\$'000	Total A\$'000
The Group			
<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>

The Company			
<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>

31 December 2017	Note	Loans and receivables (at amortised cost) A\$'000	Total A\$'000
The Group			
<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>
The Company			
<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>

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

## 35 Financial instruments (cont'd)

31 December 2017	Note	Other financial liabilities (at amortised cost) A\$'000	Total A\$'000
The Group			
<b>Financial liabilities</b>			
Borrowings (excluding finance lease liabilities)	18	508,668	508,668
Trade and other payables	20	353,325	353,325
		861,993	861,993
The Company			
<b>Financial liabilities</b>			
Borrowings	18	29,992	29,992
Trade and other payables	20	126,381	126,381
		156,373	156,373

## 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.

# CORPORATE GOVERNANCE

OM Holdings Limited (the “Company”) is committed to implementing and maintaining high standards of corporate governance. In determining what those high standards should involve, the Company has had regard to the third edition of the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations 3rd Edition. The ASX Listing Rules require the Company to report on the extent to which it has followed those principles and recommendations during its 2018 financial year.

This statement outlines the main corporate governance practices in place during the 2018 financial year, all of which comply with the ASX Corporate Governance Council recommendations unless stated otherwise.

Further information about the Company’s corporate governance practices is set out on the Company’s website at [www.omholdingsltd.com](http://www.omholdingsltd.com).

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

## 1. BOARD OF DIRECTORS

### 1.1 Role of the Board and Management

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

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

To assist the Board in carrying out its functions, it has developed a Code of Ethics and Conduct to guide the Company’s directors (“Directors”), key executives and all employees in the performance of their respective roles. The Code of Ethics and Conduct, along with a number of the Company’s other policies and protocols, is available on the Company’s website at [www.omholdingsltd.com/policy\\_ethics.htm](http://www.omholdingsltd.com/policy_ethics.htm).

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

The Board is responsible for ensuring that the OMH Group is managed in such a way so as to best achieve this desired result. Given the comparative size of the OMH Group’s mining, smelting, marketing and trading activities commensurate with its market share, the Board currently undertakes an active, not passive role in its management of the Company’s business and investment goals.

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

# CORPORATE GOVERNANCE

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

- appointing and removing the Chief Executive Officer, any other executive director and the Company Secretary and determining their respective remuneration and conditions of employment;
- determining the strategic direction of the OMH Group and measuring the performance of management against approved strategies;
- reviewing the adequacy of resources for management to properly carry out approved strategies and business plans;
- adopting operating (including production), capital and development expenditure budgets at the commencement of each financial year and ensuring adherence to those budgets by monitoring both financial and non-financial key performance indicators;
- monitoring the OMH Group's medium term capital, exploration and cash flow requirements;
- approving and monitoring financial and other reporting to regulatory bodies, shareholders and other key stakeholders;
- determining that satisfactory arrangements are in place for auditing the OMH Group's financial affairs;
- appointing the external auditors of the OMH Group;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and compliance with all applicable legislative requirements;
- authorising the issue of shares, options, equity instruments or other securities;
- authorising borrowings, other than in the ordinary course of business, and the granting of any security over the undertakings of the OMH Group or any of its assets;
- approving the acquisition, establishment, disposal or cessation of any significant business of the OMH Group; and
- ensuring that policies and compliance systems consistent with the OMH Group's objectives and best practice are in place and that the OMH Group and its officers act legally, ethically and responsibly at all times.

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

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

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

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

## 1.2 Composition of the Board

To add value to the OMH Group, the Board, which comprises of a majority of independent Directors has been formed so that it has an effective composition, size and commitment to adequately discharge its responsibilities and duties. The names of the Directors and their qualifications and experience are disclosed in the 'Directors' section of the Annual Report. Directors are appointed based on the specific governance skills required by the OMH Group and on the independence of their decision-making and judgment. The OMH Group ensures that each Director and senior executive enters into a written agreement with the OMH Group which sets out the terms of their appointment.

The current Executive Chairman and five Non-Executive Directors have a mix of legal, commercial, exploration, project development, mining, commodities processing, ore and alloy trading and financial skills and experience. Accordingly the composition, diversity of skills and experience is appropriate to effectively review and challenge the performance of management and to exercise independent judgement in discharging their responsibilities and in making decisions.

# CORPORATE GOVERNANCE

In addition to the Directors' experience outlined in the Annual Report, the below table sets out the skills, attributes and experience of the Directors serving on the Board as at 31 December 2018.

Domain Area	Board Skills and Experience		From 1 January 2018 to 31 December 2018 (out of 6 Directors)
Legal and Governance	Experience in a large organisation with a strong focus on and adherence to high governance standards		6
	Listed entity board and/or sub-committee experience		6
	Experience in corporate legal affairs and/or regulatory/governmental departments		6
	Relevant legal tertiary degree or professional qualification		2
	Constructively challenge and contribute to Board discussions and communicate effectively with management and other Directors. Build consensus, negotiate and obtain stakeholder support for Board decisions.		6
Executive Management	Experience as Director, CEO, CFO or other office holder or similar in medium to large entities		6
Strategy	Identifying and critically assessing strategic opportunities and threats to the OMH Group and developing and implementing successful strategies in context to an organisations policies and business objectives		6
	Mining, production, manufacturing or resources industry executive management	Senior executive, advisory or board experience in a large mining, production, manufacturing or resources organisation	4
	Technical skills	Senior executive responsibility for exploration or production or processing or long-term board experience in a large mining and resources organisation with exploration, production or processing as a key part of its business	1
	Health, Safety Environment and Community	Executive or board sub-committee experience in a mining and resources organisation with responsibility for health and workplace safety, and/or environmental and social responsibility	3
	Capital projects, engineering and construction	Senior executive experience with capital projects and/or engineering in a mining or resources environment; tertiary or professional engineering qualification. Includes contract negotiations, project management and projects with long term investment horizons	4
	Senior executive expertise in commodities, mining, trading or resources sector		3
Human Resources /Organisational Development & Culture	Senior executive management in people management and remuneration policy development or board remuneration and nomination sub-committee experience		4
Finance, Commerce and Accounting	Financial accounting and reporting, internal financial and risk controls, corporate finance and restructuring corporate transactions (eg: joint ventures, listings etc).		5
	Board audit sub-committee experience		5
	Relevant tertiary degree or professional qualification		2
Risk Management	Senior executive experience in risk management		4
	Board risk sub-committee experience		4



# CORPORATE GOVERNANCE

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

While the Board strongly believes that boards need to exercise independence of judgment, it also recognises (as noted in Principle 2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition) that the need for independence is to be balanced with the need for skills, commitment and a workable board size. The Board believes it has recruited members with the skills, experience and character necessary to discharge its duties and that any greater emphasis on independence would be at the expense of the Board's effectiveness.

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

The Company's current Executive Chairman and Chief Executive Officer, Mr Low, is not considered by the Board to be independent having regard to the relationships set out in Box 2.3 entitled 'Factors relevant to assessing the independence of a director' in the ASX Corporate Governance Council's Principles and Recommendations. The Board has regard to the relationships set out in Box 2.3, among other things, together with the Company's materiality thresholds, when forming a view as to the independent status of a Director.

Notwithstanding Recommendation 2.5 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition (being the requirement for the Chairman of the Company to be an independent director and for the position of Chairman to not be fulfilled by the same person who fulfils the position of Chief Executive Officer), the Board considers that Mr Low's position as Executive Chairman (and Chief Executive Officer) is appropriate given his world-wide experience and specialised understanding of the global manganese industry. The Board believes that Mr Low has the range of skills, knowledge, and experience necessary to effectively govern the Company and understand the industries and market segments in which the Company operates. Mr Low was a founding Director of the Company and has been a major force in its evolution and success. Mr Low has been instrumental in advancing the OMH Group's Malaysian development and operational strategy which represents a unique opportunity for the OMH Group to be an active participant in one of the world's lowest cost and strategically located ferroalloy plants with unparalleled competitive advantages. In particular, Mr Low has proactively sought and secured the Malaysian smelting project's unique competitive advantages including, but not limited to, access to competitively priced long term hydroelectric power supply, identification of coastal industrial land with direct access to dedicated port facilities, geographical proximity to both raw materials and Asian steel mills and tax incentives and indirect duties as well as comprehensive purpose built industrial infrastructure. The Board believes that there are sufficient internal controls in place to ensure adequate accountability, transparency and effective oversight by the Board such that an appropriate balance of power and authority is exercisable by the Board for objective decision-making in the best interests of the OMH Group. The Board is therefore of the view that given Mr Low's technical, commercial and financial experience and knowledge of the Company, and his continuing contribution to the Board, it is appropriate that he remain in his current position and that it is currently unnecessary to effect a separation of the role of Executive Chairman from that of Chief Executive Officer to facilitate the Company's decision-making and implementation process. Mr Zainul Abidin Rasheed is the independent Deputy Chairman who has regular and direct contact with the Executive Chairman and seeks to ensure in conjunction with the Executive Chairman, that the Board is effective, has the right balance of diversity, skills, experience and independence.

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

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

## 1.3 Responsibilities of the Board

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

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

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

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

## 1.4 Board Policies

### 1.4.1 Conflict of Interest

Directors must:

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

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, in accordance with the requirements of the law, remove himself/herself from the boardroom when discussion in relation to or concerning matters relating to that conflict occur and/or abstain from voting on matters about which the conflict relates.

### 1.4.2 Commitments

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

### 1.4.3 Confidentiality

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

### 1.4.4 Independent Professional Advice

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

# CORPORATE GOVERNANCE

## 1.4.5 Board Access to Information

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

## 1.4.6 Related Party Transactions

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

## 1.5 Board Meetings

The Executive Chairman (who is also the Chief Executive Officer), in conjunction with the Company Secretary<sup>1</sup>, sets the agenda for each meeting of the Board. Any Director may request a matter be included on the agenda.

Typically, at Board Meetings the agenda will include:

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

The number of meetings of the Directors held in the period each Director held office during the 2018 financial year and the number of meetings attended by each Director were:

Director	Board of Directors' Meetings	
	<i>Held</i>	<i>Attended</i>
Low Ngee Tong	4	4
Julie Wolseley	4	4
Tan Peng Chin	4	4
Thomas Teo	4	4
Zainul Abidin Rasheed	4	4
Peter Church	4	4

During the financial year there were four general Directors' meetings for which a formal notice of meeting was given.

## 2. BOARD COMMITTEES

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

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

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

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

<sup>1</sup> In accordance with Recommendation 1.4, the company secretary of the Company is directly accountable to the Board, through the Executive Chairman, on all matters to do with the proper functioning of the Board.

## 2.1 Audit Committee

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

During the financial year ended 31 December 2018, the Audit Committee held two meetings and all committee members were in attendance.

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

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

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

Key activities undertaken by the Audit Committee include:

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

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

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

## 2.2 Remuneration Committee

The Remuneration Committee reviews and makes recommendations to the Board on remuneration policies applicable to executive officers and Directors of the OMH Group. The Remuneration Committee comprises three Non-Executive Independent Directors, Mr Tan Peng Chin (chairman of the Remuneration Committee), Mr Zainul Abidin Rasheed and Mr Thomas Teo Liang Huat. Ms Julie Wolseley a Non-Executive Director is also a member of the Remuneration Committee.

A copy of the Remuneration Committee Charter is on the Company's website.

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

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

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

The OMH Group is committed to remunerating its senior executives in a manner that is market competitive and consistent with best practice as well as supporting the interests of shareholders and will continually review and assess the remuneration structure in place to achieve this in accordance with the Remuneration Charter.

# CORPORATE GOVERNANCE

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

During the year ended 31 December 2018, the Remuneration Committee held one meeting and all committee members were in attendance.

## Nomination committee

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

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

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

- accounting and financial management;
- legal skills;
- technical skills; and
- in relation to the Executive Chairman (Chief Executive Officer) - business experience and commercial acumen.

Prior to appointing a director or recommending a new candidate for election as a director the Board ensures that appropriate checks are undertaken as to the persons character, experience, education, criminal record and bankruptcy history.

In addition the Board ensures that all material information relevant to a decision on whether or not to elect or re-elect a Director must be provided to security holders in the Notice of Meeting containing the resolution to elect or re-elect a Director. The Board will ensure this material information is included in the Company's 2018 Notice of Annual General Meeting.

## 3. ETHICAL STANDARDS

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

### 3.1 Code of Ethics and Conduct for Directors and Key Executives

The Board has adopted a Code of Ethics and Conduct for Directors, key executives and all employees to promote ethical and responsible decision-making as per Recommendation 3.1 of the ASX Corporate Governance Council's Principles and Recommendations 3rd Edition. This code outlines how the OMH Group expects its Directors, key executives and employees to behave and conduct business in the workplace on a range of issues. The OMH Group is committed to the highest level of integrity and ethical standards in all business practices. Directors and employees must conduct themselves in a manner consistent with current community and corporate standards and in compliance with all applicable legislation. In addition, the Board subscribes to the Statement of Ethical Standards as published by the Australian Institute of Company Directors.

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

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

## 3.2 Code of Ethics and Conduct

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

All Directors and employees are expected to:

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

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

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

### *Responsibilities to Shareholders and the Financial Community Generally*

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

### *Employment Practices*

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

### *Responsibilities to the Community*

As part of the community, the OMH Group:

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

### *Responsibilities to the Individual*

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

### *Conflict of Interests*

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

### *How the OMH Group Monitors and Ensures Compliance with its Code*

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

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



# CORPORATE GOVERNANCE

## 4. DIVERSITY

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

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

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

	Number of Women	%
Board of Directors	1	16.7%
Senior Executives <sup>2</sup>	4	21.1%
Total OMH Group employees	368	14.0%

As at 31 December 2018, approximately 13% of the OMH Group's Australian mining subsidiary workforce were Indigenous employees.

A copy of the Company's Diversity Policy is available on the Company's website.

## 5. KEY MANAGEMENT PERSONNEL DEALING IN COMPANY SHARES

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

## 6. DISCLOSURE OF INFORMATION

### 6.1 Continuous Disclosure to ASX

The Company has a formal Continuous Disclosure and Information Policy as required by Recommendation 5.1 of the ASX Corporate Governance Council's Principles and Recommendations 3rd Edition. This policy was introduced to ensure that the Company achieves best practice in complying with its continuous disclosure obligations under the ASX Listing Rules and also to ensure that the Company and individual officers do not contravene the ASX Listing Rules.

The Company is committed to ensuring that shareholders and the market are provided with equal and timely access to material information concerning the Company (including of its financial position, performance, ownership and governance), and that all stakeholders have equal opportunity to receive externally available information issued by the Company.

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

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

Information is material if it is likely that the information is market sensitive information, such as would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities, or would otherwise have a material effect on the price or value of the Company's securities.

<sup>2</sup> A Senior Executive of the OMH Group is a person having the authority and responsibility for planning, directing and controlling the activities of the entity.

## 6.2 Communication with Shareholders

The Company places considerable importance on effective communication with shareholders and has adopted a Shareholder Communications Strategy which sets out the OMH Group's commitment to effectively communicating with shareholders. A copy of the Shareholder Communications Strategy is available on the Company's website. Directors recognise that shareholders, as the ultimate owners of the Company, are entitled to receive timely and relevant high quality information about their investment. Similarly, prospective new investors are entitled to be able to make informed investment decisions when considering the purchase of the Company's shares.

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

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

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

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

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

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

## 7. RISK MANAGEMENT

### 7.1 Approach to Risk Management and Internal Control

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

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

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

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

### 7.2 Risk Management Roles and Responsibilities

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

The Board is also responsible for satisfying itself that management has developed and implemented a sound system of risk management and internal control. Rather than separately constituting an additional committee of the Board, the Board has delegated oversight of the risk and internal control policy, including review of the effectiveness of OMH's internal control framework and risk management process, to the key executive management team in conjunction with the Board. The Board considers this structure to be the most effective means of (i) managing the various risks that are relevant to the OMH Group and (ii) monitoring the OMH Group's compliance with the Risk and Internal Control policy.

# CORPORATE GOVERNANCE

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

Each business unit reports annually to the Board on its business plan, risk profile and management of risk. The Board confirms that each business unit has provided such a report for the 2018 financial year.

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

## 7.3 Internal Audit

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

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

## 7.4 Integrity of Financial Reporting

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

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

The Board confirms that such a report was provided by the Chief Executive Officer and Group Financial Controller for the 2018 financial year.

## 7.5 Role of External Auditor

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

The Board (i) ensures that the appointment of the external auditor is limited in scope so as to maintain the independence of the external auditor; and (ii) assesses, on a case by case basis, whether the provision of any non-audit services by the external auditor that may be proposed, is appropriate.

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

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

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

## 8. ENCOURAGE ENHANCED PERFORMANCE

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

The Board has adopted a self-evaluation process to measure its own performance during each financial year. The Board confirms that a review, conducted in accordance with this self-evaluation process, was performed during the 2018 financial year. Also, an annual review is undertaken in relation to the composition and skills mix of the Directors.

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

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

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

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

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

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

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

The Board confirms that a review, conducted in accordance with these arrangements, was performed in relation to the performance of the Company's Executive Directors and senior management during the 2018 financial year.

### Executive Remuneration Policy

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

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

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

# CORPORATE GOVERNANCE

Remuneration consists of the following key elements:

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

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

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

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

As OMH is incorporated in Bermuda, it is not required to disclose the nature and amount of remuneration for each Director. However, in the interests of good corporate governance, the following table provides the remuneration details of all Directors of the Company (and the nature and amount of their remuneration) for the year ended 31 December 2018.

Director	Primary		Post Employment		Total
	Base Remuneration	Directors Fees	Performance Bonus	Defined Contributions	
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Low Ngee Tong <sup>(i)</sup>	1,195	-	3,500	8	4,703
Zainul Abidin Rasheed <sup>(ii)</sup>	-	130	-	-	130
Julie Wolseley <sup>(iii)</sup>	-	120	-	-	120
Tan Peng Chin <sup>(iv)</sup>	-	120	-	-	120
Thomas Teo <sup>(v)</sup>	-	120	-	-	120
Peter Church OAM <sup>(vi)</sup>	-	120	-	-	120
	<b>1,195</b>	<b>610</b>	<b>3,500</b>	<b>8</b>	<b>5,313</b>

(i) Mr Low Ngee Tong has been the Executive Chairman since October 2008 (and was appointed as Chief Executive Officer following the resignation of the Chief Executive Officer at that time).

(ii) Mr Zainul Abidin Rasheed was first appointed as a Director on 3 October 2011.

(iii) Ms Julie Wolseley was first appointed as a Director on 24 February 2005.

(iv) Mr Tan Peng Chin was first appointed as a Director on 14 September 2007.

(v) Mr Thomas Teo Liang Huat was first appointed as a Director on 17 July 2008.

(vi) Mr Peter Church was first appointed as a Director on 12 December 2011.

The Non-Executive Directors do not earn additional fees for undertaking their respective duties on the Audit Committee and Remuneration Committee.

## 9. RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS

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

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

# CORPORATE GOVERNANCE

As at 31 December 2018, the Company complied in all material respects with each of the Corporate Governance Principles and the corresponding Recommendations as published by the ASX Corporate Governance Council except as noted below:

Recommendation Reference	Notification of Departure	Explanation for Departure
1.5	Disclose the measurable objectives for achieving gender diversity	The Diversity Policy outlines the strategies and process according to which the Board will set measurable objectives to achieve the aims of its Diversity Policy, with particular focus on gender diversity within the Company and representation from indigenous communities. The Board did not set measurable gender diversity objectives for the past financial year because the Board considered the application of a measurable gender diversity objective requiring a specified proportion of women on the Board and in senior executive roles would, given the relative size of the Company and the Board, unduly limit the Company from applying the Diversity Policy as a whole and the Company's policy of appointing based on skills and merit. The Board is committed to appointing the best person into any position. The Company also builds strong relationships with its Indigenous communities and has training and employment programs in place to encourage greater participation in the Company's workforce. The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements, including the achievement of diversity objectives. The Board may establish appropriate measurable objectives and to report progress against them in future Annual Reports.
2.1	A separate Nomination Committee should be established	The Board considers that the Company currently cannot justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification of the attributes required in new Directors. Where appropriate, independent consultants are engaged to identify possible new candidates for the Board. The Board ensures that prior to appointing a director or recommending a new candidate for election as a director that appropriate checks are undertaken as to the persons character, experience, education, criminal record and bankruptcy history.
2.5	The chair should be an independent director and should not be the same person as the Chief Executive Officer	The Company's current Executive Chairman and Chief Executive Officer, Mr Low, is not considered by the Board to be independent in the light of the factors outlined in Box 2.5 of the ASX Corporate Governance Council's Principles and Recommendations which indicate when a director may not be considered to be an independent director. Refer Section 1.2 of the Corporate Governance Statement. However the Board considers that Mr Low's position as both Executive Chairman and CEO is appropriate given his world-wide experience and specialised understanding of the global manganese industry. Furthermore, the Board believes that Mr Low has the range of skills, knowledge, and experience necessary to effectively govern the Company and to understand the economic sectors in which the Company operates. In addition, it should be noted that Mr Low is a substantial and longstanding shareholder of the Company and, as such, is able to clearly identify with the interests of shareholders as a whole. Mr Low was instrumental in the formation of the Company and has for over 20 years overseen its rapid growth and success. The dual role of Mr Low is balanced by the Deputy Chairman Mr Zainul Abidin Rasheed who is an independent Non-Executive Director. In this role Mr Zainul chairs the discussions of the Non-Executive Directors. The Board believes that there are sufficient internal controls in place to ensure adequate accountability, transparency and effective oversight by the Board such that an appropriate balance of power and authority is exercisable by the Board for objective decision-making in the best interests of the OMH Group. Accordingly Mr Low is the best person to undertake the Executive Chairman role and the Board does not believe it is necessary at this stage to appoint an independent chair of the Board.



# CORPORATE GOVERNANCE

2.6	A listed entity should have a program for inducing new directors	The Company does not consider it necessary, in the light of the size of the Board and the relatively low turn-over of Directors, to have a separate formal induction program for new Directors. All new Directors are given sufficient support from the Board in order to familiarise themselves with the Company and its governance protocols as well as being adequately briefed about the OMH Group's activities, strategies and actual and budgeted financial positions. All new Directors are appointed through a written agreement with the Company that sets out all their duties, rights and responsibilities. New Directors are also provided with the Board Meeting schedule and have the opportunity to visit the operations each year on a rotational basis as part of the familiarisation process.
7.1	The board of a listed entity should have a committee or committees to oversee risk.	<p>Rather than separately constituting an additional committee of the Board, the entire Board has delegated oversight of the risk and internal control policy, including review of the effectiveness of OMH's internal control framework and risk management process, to the key executive management team in conjunction with the Board. The Board considers this structure to be the most effective means of (i) managing the various risks that are relevant to the OMH Group and (ii) monitoring the OMH Group's compliance with the Risk and Internal Control policy. In addition from a Board perspective the following processes occur to oversee the entity's risk management framework:</p> <ul style="list-style-type: none"> <li>• 'Risk' is a standing agenda item at each monthly Board meeting; and</li> <li>• Prior to the approval of the Company's statutory financial statements, the Audit Committee has the opportunity to meet with the Company's auditors as appropriate.</li> </ul> <p>The Company is committed to the identification, monitoring and management of material business risks of its activities via its risk management framework which includes health and safety, environmental governance, community, operational risk management, business risk management and legal and regulatory compliance.</p>
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	The Company does not currently have an equity-based remuneration scheme in operation and this recommendation is therefore not applicable.

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

# ASX ADDITIONAL INFORMATION

Pursuant to the listing requirements of the Australian Securities Exchange ("ASX"), the shareholder information set out below was applicable as at 4 April 2019.

## 1. SHAREHOLDER INFORMATION

### A. Distribution of Equity Securities

Distribution schedule and number of holders of equity securities as at 4 April 2019

Distribution	Fully Paid Ordinary Shares (OMH)	Convertible Notes exercisable at A\$0.80 each by 6 March 2020
1 – 1,000	345	-
1,001 – 5,000	337	-
5,001 – 10,000	177	-
10,001 – 100,000	230	-
More than 100,000	75	1
<b>TOTAL</b>	<b>1,164</b>	<b>1</b>

There were 201 holders holding less than a marketable parcel of ordinary shares.

### B. Twenty Largest Shareholders

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

Shareholder Name	Listed Ordinary Shares	
	Number	Percentage Quoted
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	280,294,293	37.95%
CITICORP NOMINEES PTY LIMITED	182,486,503	24.71%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	59,591,205	8.07%
STRATFORD SUN LIMITED	58,731,393	7.95%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	44,239,828	5.99%
HANWA CO LTD	32,500,000	4.40%
BNP PARIBAS NOMS PTY LTD <DRP>	11,110,026	1.50%
DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT>	6,998,850	0.95%
MS JULIE ANNE WOLSELEY	5,562,002	0.75%
MR HAMID MAHDAVI ARDABILI	4,995,000	0.68%
MS HENG SIOH KWEE	4,680,000	0.63%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAIL CLIENT DRP>	2,610,659	0.35%
RHB SECURITIES SINGAPORE PTE LTD <CLIENTS A/C>	2,501,996	0.34%
NATIONAL NOMINEES LIMITED <DB A/C>	2,033,761	0.28%
NATIONAL NOMINEES LIMITED	1,860,440	0.25%
BNP PARIBAS NOMS PTY LTD <UOB KAY HIAN PRIV LTD DRP>	1,792,828	0.24%
CHAO FAN HUANG	1,686,291	0.23%
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	1,539,582	0.21%
MR KEITH WILLIAM SHEPPARD <THE SHEPPARD FAMILY ACCOUNT>	1,402,500	0.19%
MR PENG CHIN JOSEPH TAN	1,300,000	0.18%
<b>TOTAL HELD BY 20 LARGEST SHAREHOLDERS</b>	<b>707,917,157</b>	<b>95.85%</b>
<b>OTHERS</b>	<b>30,706,180</b>	<b>4.15%</b>
<b>TOTAL</b>	<b>738,623,337</b>	<b>100.00%</b>

# ASX ADDITIONAL INFORMATION

## C. Substantial Shareholders

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

Shareholder Name	Listed Ordinary Shares	
	Number of Shares	% of Shares
Huang Gang and Newtimes Marine Co Ltd	89,261,779	12.08%
Marc Chan, Amplewood Resources Ltd and Parfield International Ltd	80,554,553	10.91%
Low Ngee Tong	67,138,500	9.09%
Heng Siow Kwee and Dino Company Limited	65,951,769	8.93%
Stratford Sun Limited	58,731,393	7.95%

## D. Unquoted Securities

The number of unquoted securities on issue as at 4 April 2019:

Security	Number on Issue
Convertible notes convertible at 80 cents, on or before 6 March 2020	12,500,000

Names of persons holding more than 20% of a given class of unquoted securities (other than employee options) as at 4 April 2019

Security	Name	Number of Securities
Convertible notes convertible at 80 cents, on or before 6 March 2020	Hanwa Co Ltd	12,500,000

## E. Restricted Securities

There were no restricted securities on issue as at 4 April 2019.

## F. Voting Rights

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

## 2. TAXATION

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

## 3. ON-MARKET BUY-BACK

The Company is not currently undertaking an on-market buy-back.

## 4. INVESTOR INFORMATION

### (a) Stock Exchange Listing

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

### (b) Company Information Contact

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

OM Holdings Limited  
10 Eunos Road 8  
#09 – 03A Singapore Post Centre  
Singapore 408600

Telephone: (65) 6346 5515  
Facsimile: (65) 6342 2242  
Email: [om@ommaterials.com](mailto:om@ommaterials.com)  
Website: [www.omholdingsltd.com](http://www.omholdingsltd.com)

### (c) Share Registry Enquiries

Shareholders who require information about their shareholdings, dividend payments, notification of tax file numbers, changes of name, address or bank account details or related administrative matters should contact the Company's share registry:

Computershare Investor Services Pty Limited  
Level 11, 172 St Georges Terrace  
PERTH WA 6000

Postal Address:  
GPO Box D182  
PERTH WA 6840

Telephone: (within Australia) 1300 850 505  
Telephone: (outside Australia) (61) 3 9415 4000  
Facsimile: (61) 3 9473 2500  
Website: [www.computershare.com](http://www.computershare.com)  
Email: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)

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

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