

OM HOLDINGS LIMITED

(ARBN 081 028 337)



No. of Pages Lodged: 1 – Covering page
92 – Audited Financial Statements – 31 December 2019

30 March 2020

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

Dear Sir/Madam

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Pursuant to the Corporations Act 2001 and the ASX Listing Rule 4.5, please find attached the audited Financial Statements and Reports for the year ended 31 December 2019.

The 2019 Annual Report (including the Financial Statements and Reports) are expected to be dispatched to Shareholders who have requested a copy by Thursday, 30 April 2020.

Yours faithfully

OM HOLDINGS LIMITED



Heng Siow Kwee/Julie Wolseley
Joint Company Secretary

Financial statements
OM Holdings Limited
and its subsidiaries

31 December 2019

Company information

Company registration number	ARBN 081 028 337
Registered office	Clarendon House 2 Church Street Hamilton, HM11 Bermuda
Directors	Low Ngee Tong (Executive Chairman) 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)
Audit committee	Thomas Teo Liang Huat (Chairman) Julie Anne Wolseley Zainul Abidin Rasheed Peter Church OAM
Remuneration committee	Tan Peng Chin (Chairman) Julie Anne Wolseley Zainul Abidin Rasheed Thomas Teo Liang Huat
Secretaries	Heng Siow Kwee Julie Anne Wolseley Conyers Corporate Services (Bermuda) Limited Lo Chi Man
Bankers	National Australia Bank Ltd Standard Chartered Bank
Independent auditor	Foo Kon Tan LLP Public Accountants and Chartered Accountants 24 Raffles Place #07-03 Clifford Centre Singapore 048621 Partner in charge: Mr Ho Teik Tiong (since financial year ended 31 December 2018)

Contents

	Page
Directors' statement	1
Independent auditor's report	4
Statements of financial position	10
Consolidated statement of comprehensive income	11
Consolidated statement of changes in equity	12
Consolidated statement of cash flows	13
Notes to the financial statements	16

Directors' statement

for the financial year ended 31 December 2019

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 2019 and the statement of financial position of the Company as at 31 December 2019.

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 2019 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 2019

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 1.1.2019	As at 31.12.2019	As at 1.1.2019	As at 31.12.2019
The Company -				
	<u>Number of ordinary shares fully paid</u>			
Low Ngee Tong	67,138,500	67,855,828	-	-
Julie Anne Wolseley	5,562,002	5,562,002	-	-
Tan Peng Chin	⁽¹⁾ 1,860,000	⁽¹⁾ 2,020,000	-	-
Peter Church OAM	-	-	⁽²⁾ 69,290	⁽²⁾ 94,262

Note:

- (1) 720,000 (2018 - 560,000) shares are held by DBS Vickers Securities (Singapore) Pte Ltd on behalf of Mr Tan Peng Chin.
- (2) These shares are held directly by a company named Murmeli Pty Limited Superannuation Fund in which the Director has a relevant interest.

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 2019.

Audit Committee

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

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

The Audit Committee performs the functions set out in the Audit Committee Charter available on the Company's website. The Company has also considered the third edition of the Corporate Governance Principles and Recommendations with relevant amendments developed by the ASX Corporate Governance Council. In performing those functions, the Audit Committee has reviewed the following:

- i. overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It has met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluations of the Company's system of internal accounting controls;
- ii. the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit; and
- iii. the half-yearly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2019 as well as the auditor's report thereon.

Audit Committee (Cont'd)

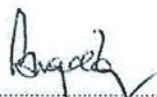
The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any Director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor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

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

Independent auditor

The independent auditor, Foo Kon Tan LLP, Public Accountants and Chartered Accountants, has expressed its willingness to accept the re-appointment.

On behalf of the Directors



LOW NGEE TONG
Executive Chairman

Dated: 27 March 2020

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 2019, 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 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

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

Key Audit Matters (Cont'd)

Key audit matter:	Risk:	Our response and work performed:
Impairment of non-financial assets	<p>The Group's non-financial assets comprise property, plant and equipment, land use rights, exploration and evaluation costs, mine development costs and right-of-use assets amounting to A\$739.8 million as at 31 December 2019. Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is based on certain key assumptions, such as cash flow projections covering a five-year period and the perpetual growth rate and discount rate per cash generating unit (CGU). A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. These assumptions which are determined by management are judgmental.</p> <p>In determining appropriate CGU level, the Group has considered whether there are: active markets for intermediate products; external users of the processing assets; mining or smelting operations through the use of shared infrastructure; stand-alone mines or smelting plants operated on a portfolio basis. Significant judgement is required by management to determine whether multiple assets should be grouped to form CGU.</p> <p>Due to the uncertain global economic environment, there are higher inherent risks relating to the impairment of the Group's non-financial assets.</p>	<p>Our audit procedures included among others, assessing appropriateness of 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 experts and publication reports, and uses inputs, such as market growth rate, weighted average cost of capital and other factors, typical of similar mining and smelting industries. Senior management has applied its knowledge of the business in its regular review of these estimates. We also focused on the adequacy of disclosures about key assumptions and sensitivities. The disclosures about the Group's property, plant and equipment, land use rights, exploration and evaluation costs, mine development costs and right-of-use assets are included in Notes 4, 5, 6, 7 and 9 to the financial statements respectively.</p>

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

Key Audit Matters (Cont'd)

Key audit matter:	Risk:	Our response and work performed:
Recognition of deferred tax assets	<p>The Group recognised deferred tax assets based upon unutilised tax losses and other temporary differences. The Group exercised its judgement to determine the amount of deferred tax assets that can be recognised, to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. As at 31 December 2019, the Group recognised deferred tax assets and deferred tax liabilities of A\$11.4 million and A\$1.2 million respectively.</p> <p>In addition, the Group has unrecorded deferred tax assets of A\$3.5 million as at 31 December 2019.</p>	<p>Our audit procedures included among others, discussions with the component auditors to understand the local tax regulations and their work performed on the recognition of deferred tax assets. We have also assessed the profit forecast to evaluate the reasonableness of the recognition of deferred tax assets.</p> <p>We discussed with the Group's key management and considered their views on the Group's recoverability of deferred tax assets to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilised. We also focused on the adequacy of disclosures about key assumptions and sensitivities. The disclosures about the Group's deferred tax assets and liabilities are included in Note 10 to the financial statements.</p>

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

Other Information

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

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



Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore,
27 March 2020

Statements of financial position as at 31 December 2019

		The Company		The Group	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
	Note	A\$'000	A\$'000	A\$'000	A\$'000
Assets					
Non-Current					
Property, plant and equipment	4	-	-	698,406	660,743
Land use rights	5	-	-	9,920	10,070
Exploration and evaluation costs	6	-	-	963	1,808
Mine development costs	7	-	-	23,363	23,988
Investment property	8	-	-	642	-
Right-of-use assets	9	-	-	7,131	-
Deferred tax assets	10	-	-	11,392	-
Interests in subsidiaries	11	144,621	134,300	-	-
Interests in associates	12	-	-	116,358	126,339
		144,621	134,300	868,175	822,948
Current					
Inventories	13	-	-	228,275	267,042
Trade and other receivables	14	18,325	46,231	37,809	90,570
Capitalised contract costs	15	-	-	1,015	2,759
Prepayments		118	133	3,754	3,035
Cash and bank balances	16	31	178	63,712	91,819
		18,474	46,542	334,565	455,225
Total assets		163,095	180,842	1,202,740	1,278,173
Equity					
Capital and Reserves					
Share capital	17	36,931	36,931	36,931	36,931
Treasury shares	18	(2,330)	(2,330)	(2,330)	(2,330)
Reserves	19	59,462	85,554	390,277	354,016
		94,063	120,155	424,878	388,617
Non-controlling interests		-	-	82,990	62,508
Total equity		94,063	120,155	507,868	451,125
Liabilities					
Non-Current					
Borrowings	20	15,029	14,441	385,549	436,120
Lease liabilities	21	-	-	1,102	-
Trade and other payables	22	-	-	60,230	112,879
Provisions	23	-	-	14,453	9,931
Deferred tax liabilities	10	-	-	1,237	3,301
Deferred capital grant	24	-	-	12,605	13,315
		15,029	14,441	475,176	575,546
Current					
Trade and other payables	22	54,003	40,247	113,168	164,288
Contract liabilities	25	-	-	4,859	3,011
Borrowings	20	-	5,999	88,369	76,806
Lease liabilities	21	-	-	5,990	-
Deferred capital grant	24	-	-	809	803
Income tax payables		-	-	6,501	6,594
		54,003	46,246	219,696	251,502
Total liabilities		69,032	60,687	694,872	827,048
Total equity and liabilities		163,095	180,842	1,202,740	1,278,173

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 2019

	Note	Year ended 31 December 2019 A\$'000	Year ended 31 December 2018 A\$'000
Revenue	3	1,026,454	1,510,416
Cost of sales		(874,001)	(1,157,128)
Gross profit		152,453	353,288
Other income	26	4,334	2,356
Distribution costs		(47,692)	(54,566)
Administrative expenses		(20,383)	(35,244)
Other operating expenses		(27,952)	(30,984)
Finance costs	27	(32,220)	(44,881)
Profit from operations		28,540	189,969
Share of results of associates		30,381	46,958
Profit before income tax	27	58,921	236,927
Income tax	28	(2,849)	(52,270)
Profit for the year		56,072	184,657
Other comprehensive income/(loss), net of tax:			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences arising from foreign subsidiaries		(15)	24,409
Cash flow hedges	29	919	461
Other comprehensive income for the year, net of tax		904	24,870
Total comprehensive income for the year		56,976	209,527
Profit/(Loss) attributable to:			
Owners of the Company		56,641	161,722
Non-controlling interests		(569)	22,935
		56,072	184,657
Total comprehensive income/(loss) attributable to:			
Owners of the Company		57,742	181,761
Non-controlling interests		(766)	27,766
		56,976	209,527
Profit per share			
- Basic	30	Cents 7.69	Cents 22.05
- Diluted	30	Cents 7.69	Cents 21.79

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 2019

	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 2019	36,931	(2,330)	178,363	8,868	15,444	(6,540)	29,769	128,112	388,617	62,508	451,125
Profit/(Loss) for the year	-	-	-	-	-	-	-	56,641	56,641	(569)	56,072
Other comprehensive income/(loss) for the year	-	-	-	-	-	689	412	-	1,101	(197)	904
Total comprehensive income/(loss) for the year	-	-	-	-	-	689	412	56,641	57,742	(766)	56,976
Dividends paid	-	-	-	-	-	-	-	(22,101)	(22,101)	(1,228)	(23,329)
Capital injection from non-controlling interest shareholder	-	-	-	-	-	-	-	-	-	22,476	22,476
Write off of warrants	-	-	-	-	620	-	-	-	620	-	620
Transactions with owners	-	-	-	-	620	-	-	(22,101)	(21,481)	21,248	(233)
At 31 December 2019	36,931	(2,330)	178,363	8,868	16,064	(5,851)	30,181	162,652	424,878	82,990	507,868

	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 redeemable convertible preference shares in subsidiary from non-controlling interest shareholder	-	-	-	-	-	-	-	-	-	-	-
Buy-back of warrants	-	-	-	-	(1,069)	-	-	(3,319)	(1,069)	(25,040)	(25,040)
Transfer	-	-	-	3,316	-	-	3	-	-	-	(1,069)
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

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 2019

	Note	Year ended 31 December 2019 A\$'000	Year ended 31 December 2018 A\$'000
Cash Flows from Operating Activities			
Profit before income tax		58,921	236,927
Adjustments for:			
Amortisation of land use rights	5, 27	204	193
Amortisation of deferred capital grant	24, 27	(814)	(760)
Amortisation of mine development costs	7, 27	5,147	9,052
Depreciation of property, plant and equipment	4, 27	42,369	36,751
Depreciation of right-of-use assets	9, 27	6,156	-
Depreciation of investment property	8, 27	11	-
Write off of exploration and evaluation costs	6, 27	2,706	932
Write off of goodwill from acquisition of subsidiary	11, 27	-	2,550
Write off of property, plant and equipment	27	121	116
Write off of warrants	19, 27	620	-
Loss on disposal of property, plant and equipment	27	121	-
Unwinding of discount on non-current trade payables	27	1,128	2,464
Reclassification from hedging reserve to profit or loss	29	919	461
Impairment loss on trade and other receivables	14, 27	278	-
Interest expense	27	32,220	44,881
Interest income	26	(898)	(405)
Share of results of associates		(30,381)	(46,958)
Operating profit before working capital changes		118,828	286,204
Decrease/(Increase) in inventories		38,994	(13,163)
Decrease in trade receivables		44,860	1,034
Decrease/(Increase) in capitalised contract costs		1,754	(2,759)
Decrease in prepayments, deposits and other receivables		7,208	2,573
Increase in contract liabilities		1,859	3,301
Decrease in trade payables		(71,576)	(53,426)
Decrease in other payables		(17,548)	(38,184)
Increase in provisions		4,522	3,899
Cash generated from operations		128,901	189,479
Income tax paid		(30,199)	(9,886)
Net cash generated from operating activities		98,702	179,593
Cash Flows from Investing Activities			
Payments for exploration and evaluation costs	6	(1,861)	(573)
Payments for mine development costs	7	(4,522)	(1,014)
Purchase of property, plant and equipment	4	(76,564)	(29,172)
Proceeds from disposal of property, plant and equipment		95	-
Acquisition of a subsidiary	11	-	(2,550)
Loan repayment and dividend received from an associate		40,362	35,623
Interest received		898	405
Net cash (used in)/generated from investing activities		(41,592)	2,719

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

Consolidated statement of cash flows (Cont'd)

for the financial year ended 31 December 2019

	Year ended 31 December 2019 A\$'000	Year ended 31 December 2018 A\$'000
Cash Flows from Financing Activities		
Repayment of bank and other loans (Note A)	(67,594)	(41,960)
Proceeds from bank and other loans (Note A)	23,081	-
Principal repayment of lease liabilities (Note A)	(6,415)	-
Repayment to finance lease creditors (Note A)	-	(921)
Buy-back of warrants	-	(641)
Issue of ordinary shares, net of issue costs	-	2,060
Capital contribution by non-controlling interest shareholder	22,476	-
Acquisition of irredeemable convertible preference shares in subsidiary from non-controlling interest shareholder	-	(25,040)
Increase in cash collateral	(2,039)	(8,310)
Dividend paid	(23,329)	(22,101)
Interest paid (Note A)	(33,664)	(38,252)
Net cash used in financing activities	(87,484)	(135,165)
Net (decrease)/increase in cash and cash equivalents	(30,374)	47,147
Cash and cash equivalents at beginning of the year	79,046	29,913
Exchange difference on translation of cash and cash equivalents at beginning of the year	228	1,986
Cash and cash equivalents at end of the year (Note 16)	48,900	79,046

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

Consolidated statement of cash flows (Cont'd) for the financial year ended 31 December 2019

Note A Reconciliation of liabilities arising from financing activities

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

	31 December 2018 A\$'000	Cash inflows A\$'000	Cash outflows A\$'000	Interest paid A\$'000	Non-cash changes				31 December 2019 A\$'000
					Adoption of IFRS 16 A\$'000	New leases A\$'000	Foreign exchange difference A\$'000	Interest expense A\$'000	
Lease liabilities	-	-	(6,415)	(591)	6,495	6,964	48	591	7,092
Finance leases	1,092	-	-	-	(1,092)	-	-	-	-
Bank and other loans	511,834	23,081	(67,594)	-	-	-	6,597	-	473,918
Trade and other payables - Interest payables	8,556	-	-	(33,073)	-	-	-	31,629	7,112

	31 December 2017 A\$'000	Cash inflows A\$'000	Cash outflows A\$'000	Interest paid A\$'000	Non-cash changes		31 December 2018 A\$'000
					Foreign exchange difference A\$'000	Interest expense A\$'000	
Finance leases	2,013	-	(921)	(98)	-	98	1,092
Bank and other loans	508,668	-	(41,960)	-	45,126	-	511,834
Trade and other payables - Interest payables	1,927	-	-	(38,154)	-	44,783	8,556

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 2019

1 General information

The financial statements of the Company and of the Group for the financial year ended 31 December 2019 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 is domiciled in Bermuda.

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

2(a) Basis of preparation

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

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

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

As at 31 December 2019, the Company has net assets of A\$94,063,000 (2018: A\$120,155,000) and net current liabilities of A\$35,529,000 (2018: net current assets of A\$296,000). Included in the Company's current liabilities as at 31 December 2019 is a non-trade amount owing to OM Materials (S) Pte Ltd ("OMS"), a wholly-owned subsidiary, of A\$52,031,000 (2018: A\$35,368,000) that the Company has full control and discretion over the timing on which the subsidiary will demand for repayment from the Company. Excluding this amount owing to OMS, the Company would have net current assets of A\$16,502,000 (2018: A\$35,664,000) as at 31 December 2019. Therefore, the Company is of the view that the preparation of financial statements on a going concern basis is appropriate.

Significant accounting estimates and judgements

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

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

Significant accounting estimates and judgements (Cont'd)

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

Significant judgements in applying accounting policies

Income taxes (Note 28)

The Group has exposures to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such a determination is made.

Determination of functional currency

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

Allowance for expected credit losses (ECL) of trade and other receivables (Note 14)

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

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

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

Deferred tax assets (Note 10)

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

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

Significant accounting estimates and judgements (Cont'd)

Significant judgements in applying accounting policies (cont'd)

Determination of cash-generating units (CGU)

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

Critical assumptions used and accounting estimates in applying accounting policies

Impairment of non-financial assets

Non-financial assets comprise property, plant and equipment (Note 4), land use rights (Note 5), exploration and evaluation costs (Note 6), mine development costs (Note 7) and right-of-use assets (Note 9). Determining whether the carrying value is impaired requires an estimation of the value in use of the cash-generating units. This requires the Group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of cash flows. Management has performed the impairment test and assessed that no impairment was required. The carrying amount is disclosed in the statement of financial position.

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\$2,336,000 (2018 - A\$2,399,000).

Impairment of investment in subsidiaries (Note 11)

Determining whether an investment in subsidiaries is impaired requires an estimation of the value-in-use of that investment. The value-in-use calculation requires the Company to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverability of the investment based on such estimates and assessed that no impairment was required.

Net realisable value of inventories (Note 13)

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 2019 is A\$228,275,000 (2018 - A\$267,042,000).

2(a) Basis of preparation (Cont'd)**Significant accounting estimates and judgements (Cont'd)****Critical assumptions used and accounting estimates in applying accounting policies (cont'd)****Estimation of the incremental borrowing rate ("IBR")**

For the purpose of calculating the right-of-use asset and lease liability, an entity applies the interest rate implicit in the lease ("IRIIL") and, if the IRIIL is not readily determinable, the entity shall use its IBR applicable to the lease asset. The IBR is the rate of interest that the entity would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. For most of the leases whereby the Group is the lessee, the IRIIL is not readily determinable. Therefore, the Group estimates the IBR relevant to each lease asset by using observable inputs (such as market interest rate and asset yield) when available, and then making certain lessee specific adjustments (such as a group entity's credit rating). The carrying amounts of the Group's right-of-use assets and lease liabilities are disclosed in Note 9 and 21 respectively. An increase/decrease of 50 basis points in the estimated IBR will not significantly decrease/increase the Group's right-of-use assets and lease liabilities.

2(b) Interpretations and amendments to published standards effective in 2019

On 1 January 2019, the Group and the Company have adopted all the new and revised IFRS, IFRS interpretations ("IFRS INT") and amendments to IFRS, effective for the current financial year that are relevant to them. The adoption of these new and revised IFRS pronouncements does not result in significant changes to the Group's and the Company's accounting policies and has no material effect on the amounts or the disclosures reported for the current or prior reporting periods, except as discussed below:

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

IFRS 16 Leases

IFRS 16 *Leases* supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*, and pronounces new or amended requirements with respect to lease accounting. For lessee accounting, IFRS 16 introduces significant changes by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low-value assets when such recognition exemptions are adopted. For lessor accounting, the requirements have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's financial statements are discussed below.

The date of initial application of IFRS 16 for the Group was 1 January 2019. The Group has elected to transition to IFRS 16 using the cumulative catch-up (or modified retrospective) approach which requires the Group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application, without restatement of comparatives under IAS 17.

(a) Definition of a lease

The new definition of a lease under IFRS 16 mainly relates to the concept of 'control' that determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration, which is in contrast to the concept of 'risks and rewards' under IAS 17.

2(b) Interpretations and amendments to published standards effective in 2019 (Cont'd)

IFRS 16 Leases (Cont'd)

(a) Definition of a lease (cont'd)

The Group has elected to apply the practical expedient available on transition to IFRS 16 not to reassess whether a contract is, or contains, a lease. Accordingly, the superseded definition of a lease under IAS 17 continues to be applied to those leases entered into, or modified, before 1 January 2019, and the Group applies the new definition of a lease and related guidance set out in IFRS 16 only to those lease contracts entered into, or modified, on or after 1 January 2019. After the transition to IFRS 16, the Group shall reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

The new requirements for identifying a lease under IFRS 16 do not change significantly the scope of contracts that will meet the definition of a lease for the Group.

(b) Lessee accounting

(i) Former operating leases

Before the adoption of IFRS 16, the Group's non-cancellable operating lease payments in future reporting periods for leasehold buildings and office equipment, were not recognised as liabilities in the statement of financial position but were disclosed as commitments in the notes to the financial statements, and these lease payments were reported as rental expenses in the profit or loss over the lease term on a straight-line basis and presented under operating activities in the statement of cash flows. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities in the statement of financial position for these outstanding lease payments, reports depreciation of right-of-use assets and interest expense on lease liabilities in the profit or loss, and presents these lease payments as principal repayment and interest paid separately under financing activities in the statement of cash flows.

Under IFRS 16, lease incentives are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17, they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expenses on a straight-line basis.

The Group has elected, as a practical expedient of IFRS 16, not to separate non-lease components from lease components for all classes of underlying assets and instead account for each lease component and any associated non-lease components as a single lease component, except if the non-lease component is an embedded derivative according to IFRS 9.

For short-term leases and leases of low-value assets, the Group has elected for exemption under IFRS 16 from recognising their right-of-use assets and lease liabilities, and to report lease expenses in the profit or loss on a straight-line basis.

On 1 January 2019, the Group has applied the following IFRS 16 transition provisions under the cumulative catch-up approach for each lease, or each portfolio of leases with reasonably similar characteristics, formerly classified as operating lease under IAS 17:

- recognises a lease liability at the present value of the remaining lease payments using the lessee's incremental borrowing rate for the underlying lease asset;
- recognises a right-of-use asset, on a lease-by-lease basis, for leasehold buildings and office equipment, at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application;
- applies IAS 36 *Impairment of Assets* to perform an impairment review of the right-of-use asset; and
- adjusts any difference between the carrying amounts of the right-of-use asset and the lease liability to the opening balance of retained earnings.

2(b) Interpretations and amendments to published standards effective in 2019 (Cont'd)

IFRS 16 Leases (Cont'd)

(b) Lessee accounting (cont'd)

(i) Former operating leases (cont'd)

The Group has adopted the following IFRS 16 practical expedients when applying the cumulative catch-up transition approach to leases formerly classified as operating lease under IAS 17:

- applies a single discount rate to a portfolio of leases with reasonably similar characteristics;
- adjusts the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* in the statement of financial position immediately before the date of initial application, as an alternative to performing an impairment review under IAS 36;
- elects not to recognise the right-of-use asset and lease liability for a lease with a lease term ending within twelve months of the date of initial application;
- excludes initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- uses hindsight for determining the lease term when the contract contains options to extend or terminate the lease.

(ii) Former finance leases

On 1 January 2019, with regards to the Group's leases of plant and machinery and motor vehicles that were formerly classified as finance leases under IAS 17, the carrying amounts of the leased assets (in property, plant and equipment) and obligations under finance leases immediately before the date of initial application become respectively the opening balance of the carrying amounts of right-of-use assets and lease liabilities under IFRS 16. Subsequently, the Group accounts for these right-of-use assets and lease liabilities in accordance with IFRS 16.

(iii) Land use rights

The Group had made prepayments for the usage of land in the People's Republic of China ("PRC") and Malaysia under formerly known operating leases, which were presented as land use rights in the statement of financial position. Under IFRS 16, these prepaid land use rights form part of the Group's right-of-use assets.

(c) Lessor accounting

The Group contracts (as a lessor) with tenants to rent out office premises for which the Group has continued to classify as an operating lease using similar principles as in IAS 17. Therefore, IFRS 16 does not impact the operating leases where the Group is the lessor.

(d) Deferred tax effects on adoption of IFRS 16

In certain jurisdictions that the Group operates in, tax deductions are available only for the lease payments as they are paid, and no tax deduction is allowed for the leased assets depreciation or finance cost. On 1 January 2019, these tax circumstances gave rise to temporary differences on initial recognition of both the right-of-use asset and lease liability. However, these deferred tax effects are not significant and therefore not recognised.

2(b) Interpretations and amendments to published standards effective in 2019 (Cont'd)**IFRS 16 Leases (Cont'd)****(c) Financial impact of initial application of IFRS 16**

The weighted average incremental borrowing rate applied to measure the Group's lease liabilities recognised in the statement of financial position on 1 January 2019 was 3.82%.

A reconciliation of the differences between the Group's operating lease commitments previously disclosed in the financial statements as at 31 December 2018 and the Group's lease liabilities recognised in the statement of financial position on 1 January 2019 was as follows:

	A\$'000
Operating lease commitments as at 31 December 2018	6,943
<i>(Less)/Add effects of:</i>	
Short-term leases exempted from recognition	(982)
Leases of low-value assets exempted from recognition	(55)
Discounting based on the weighted average incremental borrowing rate	(503)
Obligations under finance lease at 31 December 2018 reclassified to lease liabilities	1,092
Lease liabilities as at 1 January 2019	6,495

The effects of adoption of IFRS 16 on the Group's financial statements as at 1 January 2019 were as follows:

	Increase/ (Decrease) A\$'000
Assets:	
Property, plant and equipment	(848)
Right-of-use assets	6,251
	5,403
Liabilities:	
Borrowings – obligations under finance leases	(1,092)
Lease liabilities	6,495
	5,403
Equity:	
Reserves – Retained profits	-
Non-controlling interests	-
	-

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 Interpretation is effective for annual reporting periods beginning on or after 1 January 2019. Management has reassessed all deferred and current income tax assets and liabilities and there is no material impact on the consolidation financial statements of the Group

The Group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings, as follows:
 - if yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings; or
 - if no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

There is no material impact to the Group's and the Company's financial statements.

Notes to the financial statements for the financial year ended 31 December 2019

2(c) IFRS not yet effective

The following are not expected to have any financial impact, being the new or amended IFRS and Interpretations issued in 2019 and which are not yet effective but may be early adopted for the current financial year:

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to IFRS 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
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-Current</i>	1 January 2022

Amendments to IFRS 3 *Definition of a Business*

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contributes to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

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

The amendments are intended to make the definition of 'material' in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IAS. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of 'material' in IAS 8 has been replaced by a reference to the definition of 'material' in IAS 1. In addition, the other IFRS and the Conceptual Framework, which contain a definition of 'material' or refer to the term 'material', have been updated to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

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

The amendments, which affect only the presentation of liabilities in the statement of financial position, clarify that:

- the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- the settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and are to be applied retrospectively. Earlier application is permitted.

2(d) Summary of significant accounting policies

Consolidation

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

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

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

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

Subsidiaries

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

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

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

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

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

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.

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

Subsidiary (Cont'd)

Changes in ownership interests in subsidiaries without change of control

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

Changes in ownership interests in subsidiaries resulting in loss of control

When the Group loses control over a subsidiary, it:

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

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

Business combinations

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

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.

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

Associates

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

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

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

Under the equity method, the investments in associates are carried in the Group's statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from 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 the associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the profit or loss.

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

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

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

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

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

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

Intangible assets

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

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

Goodwill

Goodwill on the acquisition of subsidiaries on or after 1 January 2010 represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired.

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

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

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

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

Exploration and evaluation costs

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

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

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

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

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

Intangible assets (Cont'd)

Exploration and evaluation costs (Cont'd)

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.

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

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

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

Plant and equipment - Process facility	Life of mine
--	--------------

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

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

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

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

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

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

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

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

Inventories

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

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

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

Financial instruments

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

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

Financial assetsClassification

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

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

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

Recognition and derecognition

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

Measurement

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

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

Debt instruments

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

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

2(d) Summary of significant accounting policies (Cont'd)**Financial assets (Cont'd)**Measurement (Cont'd)Equity instruments

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

Impairment

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

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

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

Significant increase in credit risk

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

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

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

2(d) Summary of significant accounting policies (Cont'd)**Financial assets (Cont'd)**Impairment (Cont'd)*Credit-impaired financial asset*

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

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

Definition of default

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

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

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

Measurement of expected credit losses

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

Write-off policy

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

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.

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

The Company's and the Group's financial liabilities include borrowings, lease liabilities, 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.

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.

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

Financial liabilities (Cont'd)

Financial guarantees

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

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

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

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

There are 3 types of hedges as follows:

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

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

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

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

Cash flow hedges

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

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

Derivative financial instruments and hedging activities (Cont'd)

Cash flow hedges (Cont'd)

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

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

Derivative financial instruments not designated as hedging instrument

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

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

Cash and cash equivalents

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

Share capital and treasury shares

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

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

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

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

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.

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

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

Government grants

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

Provisions and contingent liabilities

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

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

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

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

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

Leases (from 1 January 2019)**(i) The Group as lessee**

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

2(d) Summary of significant accounting policies (Cont'd)**Leases (from 1 January 2019) (cont'd)****(i) The Group as lessee (cont'd)****(a) Lease liability**

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

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

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

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

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

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

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

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

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

2(d) Summary of significant accounting policies (Cont'd)**Leases (from 1 January 2019) (cont'd)**(i) The Group as lessee (cont'd)*(b) Right-of-use asset*

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

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

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

Leasehold buildings: over lease term of 1 to 2 years

Plant and machinery: 1 to 2 years

Office equipment: 5 years

Motor vehicle: 5 to 10 years

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

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

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

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

(ii) The Group as lessor

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

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

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

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

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

Leases (from 1 January 2019) (cont'd)

(ii) The Group as lessor (cont'd)

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

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

Leases (before 1 January 2019)

(i) The Group as lessee

(a) Operating lease

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in the profit or loss on a straight-line basis over the period of the lease. Contingent rents are recognised as an expense in the profit or loss when incurred.

(b) Finance lease

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statement of financial position as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the interest expense and the reduction of the outstanding lease liability. The interest expense is recognised within "finance costs" in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) The Group as lessor

(a) Operating lease

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in the profit or loss over the lease term on the same basis as the lease income. Contingent rents are recognised as income in the profit or loss when earned.

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

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

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

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

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

Deferred income tax is measured:

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

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

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

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

The Group presents deferred tax assets and deferred tax liabilities net if, and only if,

- (a) the Group has a legally enforceable right to set off deferred tax assets against deferred tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

Royalties and Special Mining Taxes

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

Employee benefits

Defined contribution plan

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

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

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

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

Employee leave entitlements

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

Key management personnel

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

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

A related party is defined as follows:

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

2(d) Summary of significant accounting policies (Cont'd)**Impairment of non-financial assets (Cont'd)**

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

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

With the exception of goodwill,

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

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

Revenue recognition

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

Sale of goods

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

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

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

Revenue recognition (Cont'd)

Transportation of goods sold on CFR or CIF Incoterms

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

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

Interest income

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

Dividend income

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

Contract liabilities

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

Capitalised contract costs

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

Functional currencies

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

Conversion of foreign currencies

Transactions and balances

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

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

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

Conversion of foreign currencies (Cont'd)

Transactions and balances (Cont'd)

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

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

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

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

Group entities

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

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

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.

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

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

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

3 Principal activities and revenue

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

Revenue is turnover 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 2019

3 Principal activities and revenue (Cont'd)

Disaggregation of the Group's total revenue

Segments	Mining		Smelting		Marketing and Trading		Others		Total Revenue	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Primary geographical markets										
Asia Pacific	2,651	321	315,973	265,938	539,122	964,538	-	8,528	857,746	1,239,325
Europe	-	-	-	-	79,522	147,291	-	-	79,522	147,291
Middle East	-	-	-	-	39,681	82,599	-	-	39,681	82,599
Africa	-	-	-	-	1,911	1,414	-	-	1,911	1,414
Others	-	-	-	-	47,594	39,787	-	-	47,594	39,787
	2,651	321	315,973	265,938	707,830	1,235,629	-	8,528	1,026,454	1,510,416
Major product or service lines										
Ores	2,651	321	-	-	245,938	559,198	-	-	248,589	559,519
Alloys	-	-	309,760	261,726	435,587	613,838	-	-	745,347	875,564
Services	-	-	6,213	4,212	26,305	62,593	-	8,528	32,518	75,333
	2,651	321	315,973	265,938	707,830	1,235,629	-	8,528	1,026,454	1,510,416
Timing of transfer of goods or services										
At a point in time	2,651	321	309,760	261,726	681,525	1,173,036	-	8,528	993,936	1,443,611
Over time	-	-	6,213	4,212	26,305	62,593	-	-	32,518	66,805
	2,651	321	315,973	265,938	707,830	1,235,629	-	8,528	1,026,454	1,510,416

Notes to the financial statements for the financial year ended 31 December 2019

4 Property, plant and equipment

The Group

	Construction -in-progress A\$'000	Buildings and infrastructure A\$'000	Plant and machinery A\$'000	Computer equipment, office equipment and furniture A\$'000	Motor vehicles A\$'000	Total A\$'000
<u>Cost</u>						
At 1 January 2018	2,189	22,879	675,988	3,683	2,231	706,970
Additions	5,611	595	21,344	1,304	318	29,172
Written off	-	(180)	(120)	(32)	-	(332)
Exchange realignment	-	1,172	66,010	168	149	67,499
At 31 December 2018	7,800	24,466	763,222	5,123	2,698	803,309
Adoption of IFRS 16						
- Reclassification to right-of-use assets (Note 9)	-	-	(4,755)	-	(712)	(5,467)
At 1 January 2019, as adjusted	7,800	24,466	758,467	5,123	1,986	797,842
Additions	72,254	35	3,576	565	134	76,564
Transfers	(6,210)	82	6,109	68	(49)	-
Reclassification to investment property (Note 8)	-	(802)	-	-	-	(802)
Disposals	-	-	(4,758)	(69)	-	(4,827)
Written off	-	(36)	(114)	(19)	-	(169)
Exchange realignment	304	(151)	5,267	15	24	5,459
At 31 December 2019	74,148	23,594	768,547	5,683	2,095	874,067
<u>Accumulated depreciation and impairment loss</u>						
At 1 January 2018	344	9,776	83,772	2,616	1,547	98,055
Depreciation for the year (Note 27)	-	1,336	34,741	432	242	36,751
Written off	-	(163)	(28)	(25)	-	(216)
Exchange realignment	-	518	7,265	87	106	7,976
At 31 December 2018	344	11,467	125,750	3,110	1,895	142,566
Adoption of IFRS 16						
- Reclassification to right-of-use assets (Note 9)	-	-	(4,381)	-	(238)	(4,619)
At 1 January 2019, as adjusted	344	11,467	121,369	3,110	1,657	137,947
Depreciation for the year (Note 27)	-	1,469	40,102	637	161	42,369
Transfers	-	(3)	19	-	(16)	-
Reclassification to investment property (Note 8)	-	(154)	-	-	-	(154)
Disposals	-	-	(4,547)	(64)	-	(4,611)
Written off	-	(20)	(14)	(14)	-	(48)
Exchange realignment	-	(97)	242	-	13	158
At 31 December 2019	344	12,662	157,171	3,669	1,815	175,661
<u>Net book value</u>						
At 31 December 2019	73,804	10,932	611,376	2,014	280	698,406
At 31 December 2018	7,456	12,999	637,472	2,013	803	660,743

In 2018, the total carrying amount of plant and machinery and motor vehicles acquired under finance lease for the Group amounted to A\$772,000 and A\$579,000 respectively. From 1 January 2019, these leased assets are reclassified to right-of-use assets in the statement of financial position (Note 9).

Buildings are located in the PRC (2018: Singapore, Malaysia and the PRC).

As of 31 December 2019, property, plant and equipment with a total carrying amount of A\$645,000,000 (2018 - A\$612,000,000) had been pledged for banking facilities granted to a subsidiary (Note 20.2).

4 Property, plant and equipment (Cont'd)

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 of the industry in which the CGU operates.

These assumptions are used for the analysis of each CGU within the business segment. Management determines budgeted gross margins based on past performance and its expectations of market developments. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. A further decrease in the budgeted gross margin by 1% (2018 – 1%) would not result in indication of impairment of the carrying amount of property, plant and equipment.

Key assumptions used for value-in-use calculations:

	2019			2018		
	People's Republic of China Smelting operations	Malaysia	Australia	People's Republic of China Smelting operations	Malaysia	Australia
Gross margin ¹	8%	18%	34%	7%	15%	32%
Growth rate ²	2% before 2024, 0% after 2024	1.5% before 2024, 0% after 2024	0% before 2024, 0% after 2024	2.2% before 2023, 0% after 2023	2% before 2023, 0% after 2023	0% before 2023, 0% after 2023
Discount rate ³	8.5%	7.6%	9%	6.5%	8.6%	8.3%

¹ Budgeted gross margin. The gross margin differs due to the different operating efficiencies of the various subsidiaries located in different geographical locations.

² Weighted average growth rate used to extrapolate cash flows beyond the budget period.

³ 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

	2019 A\$'000	2018 A\$'000
The Group		
At beginning of the year	10,070	9,370
Amortisation for the year (Note 27)	(204)	(193)
Exchange realignment	54	893
At end of the year	9,920	10,070

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

The land use rights for leasehold land located in Malaysia had a net carrying value of A\$8,527,000 (2018 – A\$8,627,000) and were pledged as security for borrowings referred to in Note 20.2(b).

Information about the Group's leasing activities are disclosed in Note 33.

6 Exploration and evaluation costs

	2019 A\$'000	2018 A\$'000
The Group		
At beginning of the year	1,808	2,167
Costs incurred during the year	1,861	573
Written off during the year (Note 27)	(2,706)	(932)
At end of the year	963	1,808

7 Mine development costs

	2019 A\$'000	2018 A\$'000
The Group		
At beginning of the year	23,988	32,026
Costs incurred during the year	4,522	1,014
Amortisation for the year (Note 27)	(5,147)	(9,052)
At end of the year	23,363	23,988

8 Investment property

	2019 A\$'000
The Group	
<u>Cost</u>	
Balance at beginning of year	-
Transfer from property, plant and equipment (Note 4)	802
Exchange realignment	6
Balance at end of year	808
<u>Accumulated depreciation</u>	
Balance at beginning of year	-
Transfer from property, plant and equipment (Note 4)	154
Depreciation for the year (Note 27)	11
Exchange realignment	1
Balance at end of year	166
Net book value	642
Rental income	116
Direct operating expenses arising from investment property that generates rental income	(26)
Gross profit arising from investment property	90

In January 2019, a leasehold building in property, plant and equipment with carrying value of A\$648,000 was transferred to Investment Property as the Group rented out the office premises to a non-related tenant.

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

Property Name	Location	Description	Total net lettable area (sq m)	Tenure
Parkway Parade	80 Marine Parade Road, #08-08 Parkway Parade, Singapore 449269	Office premises	148	Leasehold of 73 years

Notes to the financial statements for the financial year ended 31 December 2019

8 Investment property (Cont'd)

Fair value hierarchy – Recurring fair value measurements

	Fair value measurements using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	A\$'000	A\$'000	A\$'000
2019	-	-	2,593

Valuation techniques used to derive fair values

As of 31 December 2019, the fair value of investment property amounted to approximately A\$2,593,000 as determined by management with reference to recent market transactions of comparable properties in close proximity, adjusted for differences in key attributes such as property size, which is based on the property's highest and best use.

9 Right-of-use assets

	Note	Leasehold buildings A\$'000	Plant and machinery A\$'000	Office equipment A\$'000	Motor vehicles A\$'000	Total A\$'000
The Group						
<u>Cost</u>						
Adoption of IFRS 16						
- Initial recognition		5,366	-	37	-	5,403
- Reclassification from property, plant and equipment	4	-	4,755	-	712	5,467
At 1 January 2019		5,366	4,755	37	712	10,870
Exchange realignment		41	-	-	-	41
Reclassification		-	191	-	(191)	-
Additions		1,652	5,312	-	-	6,964
At 31 December 2019		7,059	10,258	37	521	17,875
<u>Accumulated depreciation and impairment</u>						
Adoption of IFRS 16						
- Reclassification from property, plant and equipment	4	-	4,381	-	238	4,619
At 1 January 2019		-	4,381	-	238	4,619
Exchange realignment		(23)	(7)	-	(1)	(31)
Reclassification		-	68	-	(68)	-
Depreciation		3,742	2,358	9	47	6,156
At 31 December 2019		3,719	6,800	9	216	10,744
<u>Carrying Amount</u>						
At 31 December 2019		3,340	3,458	28	305	7,131
At 1 January 2019		5,366	374	37	474	6,251

Leasehold buildings are located in Malaysia, Singapore and Australia.

Information about the Group's leasing activities are disclosed in Note 33.

10 Deferred taxation

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset deferred income tax assets against deferred income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting in similar tax legislations, are shown on the statement of financial position as follows:

The Group	2019 A\$'000	2018 A\$'000
Deferred tax assets		
At gross	85,519	-
Less: Set off of tax in similar legislations	(74,127)	-
At net	11,392	-
Deferred tax liabilities		
At gross	(1,237)	(9,188)
Less: Set off of tax in similar legislations	-	5,887
At net	(1,237)	(3,301)
Deferred tax assets		
To be recovered within one year	1,976	-
To be recovered after one year	9,416	-
	11,392	-
Deferred tax liabilities		
To be settled within one year	-	-
To be settled after one year	(1,237)	(3,301)
	(1,237)	(3,301)

Notes to the financial statements for the financial year ended 31 December 2019

10 Deferred taxation (Cont'd)

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

The Group	Fair value losses A\$'000	Provisions A\$'000	Tax losses A\$'000	Northern Territory Government Royalty Benefit A\$'000	Others A\$'000	Total A\$'000
At 1 January 2018	3,139	2,228	28,930	1,651	106	36,054
(Charged)/Credited to profit or loss (Note 28)	(3,139)	1,129	(27,182)	(1,651)	676	(30,167)
At 31 December 2018	-	3,357	1,748	-	782	5,887
Credited to profit or loss (Note 28)	37	2,740	76,952	-	437	80,166
Exchange difference on translation	-	-	(534)	-	-	(534)
At 31 December 2019	37	6,097	78,166	-	1,219	85,519

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

The Group	Excess of net book value over tax written down value of qualifying property, plant and equipment, and mine development costs A\$'000	Fair value gains A\$'000	Provisions A\$'000	Others A\$'000	Total A\$'000
At 1 January 2018	(967)	-	(11,523)	(1,165)	(13,655)
(Charged)/Credited to profit or loss (Note 28)	(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)
(Charged)/Credited to profit or loss (Note 28)	(65,691)	452	(1,356)	4	(66,591)
Exchange difference on translation	424	-	-	(9)	415
At 31 December 2019	(71,602)	-	(2,950)	(812)	(75,364)

Unrecognised deferred tax assets

Deferred tax assets of A\$3,464,000 (2018 - A\$13,957,000) have not been recognised in respect of the following items:

The Group	2019 A\$'000	2018 A\$'000
Tax losses	14,229	57,493

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 income will be available against which the Group can recognise the benefits.

Notes to the financial statements for the financial year ended 31 December 2019

11 Subsidiaries

	2019 A\$'000	2018 A\$'000
The Company		
Unquoted equity investments, at cost	8,013	8,013
Less: Accumulated impairment losses		
At beginning of the year	-	-
Reversal of impairment	-	-
At end of the year	-	-
	8,013	8,013
Amounts due from subsidiaries	220,025	209,704
Less: Accumulated impairment losses		
At beginning of the year	(83,417)	(144,868)
Reversal of impairment	-	61,451
At end of the year	(83,417)	(83,417)
	136,608	126,287
Total	144,621	134,300

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

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 higher of its 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 of the industry in which the CGU operates.

These assumptions are used for the analysis of each CGU within the business segment. Management determines budgeted gross margins based on past performance and its expectations of market developments. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. A further decrease in the budgeted gross margin by 1% (2018 – 1%) would not result in indication of impairment of the carrying amount of the investments in subsidiaries.

11 Subsidiaries (Cont'd)

Key assumptions used for value-in-use calculations:

	2019			2018		
	People's Republic of China Smelting operations	Malaysia	Australia	People's Republic of China Smelting operations	Malaysia	Australia
Gross margin ¹	8%	18%	34%	7%	15%	32%
Growth rate ²	2% before 2024, 0% after 2024	1.5% before 2024, 0% after 2024	0% before 2024, 0% after 2024	2.2% before 2023, 0% after 2023	2% before 2023, 0% after 2023	0% before 2023, 0% after 2023
Discount rate ³	8.5%	7.6%	9%	6.5%	8.6%	8.3%

¹ Budgeted gross margin. The gross margin differs due to the different operating efficiencies of the various subsidiaries located in different geographical locations.

² Weighted average growth rate used to extrapolate cash flows beyond the budget period.

³ Pre-tax discount rate applied to the pre-tax cash flow projections. The discount rates vary due to the geographical locations of the businesses.

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

Name	Place of incorporation/ operation	Proportion of ownership interest and voting rights held by the Group		Principal activities
		2019 %	2018 %	
<u>Held by the Company</u>				
OM (Manganese) Ltd. ⁽¹⁾	Australia	100	100	Operation of manganese mine
<u>Held by OM Resources (HK) Limited</u>				
OM Materials (S) Pte. Ltd. ⁽²⁾	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. ⁽³⁾	Malaysia	75	75	Sales and processing of ferroalloys and ores
OM Materials (Qinzhou) Co. Ltd. ⁽⁴⁾	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. ⁽⁴⁾	PRC	100	100	Sales and processing of ferroalloys and ores
OM Tshipi (S) Pte. Ltd. ⁽⁵⁾	Singapore	100	100	Sales and processing of ferroalloys and ores

Note:

(1) audited by Grant Thornton Audit Pty Ltd

(2) audited by Foo Kon Tan LLP

(3) audited by Ernst & Young, Malaysia

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

(5) in the process of winding up

11 Subsidiaries (Cont'd)

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

<u>Principal activities</u>	<u>Place of incorporation/ operation</u>	<u>Number of subsidiaries</u>	
		<u>2019</u>	<u>2018</u>
Investment holding	The British Virgin Islands	1	1
Investment holding	Mauritius	1	1
Investment holding	Hong Kong	1	1
Investment holding	Singapore	1	1
Logistics and trading of metals and ferroalloy products	Malaysia	1	1
Trading of metals and ferroalloy products	Singapore	-	1
Trading of metals and ferroalloy products	PRC	1	1
Sales and processing of ferroalloys and ores	Malaysia	1	1
Exploration and mining of minerals	Malaysia	2	2
		9	10

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

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 27) 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:

<u>Name</u>	<u>Place of Incorporation and principal place of business</u>	<u>Proportion of ownership interests and voting rights held by non- controlling interests</u>		<u>(Loss)/Profit allocated to non- controlling interests</u>		<u>Accumulated non- controlling interests</u>	
		<u>2019</u> %	<u>2018</u> %	<u>2019</u> A\$'000	<u>2018</u> A\$'000	<u>2019</u> A\$'000	<u>2018</u> A\$'000
OM Materials (Sarawak) Sdn. Bhd.	Malaysia	25	25	(273)	21,159	70,531	52,294

Notes to the financial statements for the financial year ended 31 December 2019

11 Subsidiaries (Cont'd)

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

	2019 A\$'000	2018 A\$'000
OM Materials (Sarawak) Sdn. Bhd.		
<u>Summarised Statement of Financial Position</u>		
Current assets	250,295	357,107
Non-current assets	665,389	619,331
Current liabilities	(187,692)	(193,061)
Non-current liabilities	(441,610)	(584,717)
Equity attributable to owners of the Company	215,851	146,366
Non-controlling interests	70,531	52,294
<u>Summarised Statement of Comprehensive Income</u>		
Revenue	673,991	791,977
Expenses	(675,083)	(707,340)
(Loss)/Profit for the year	(1,092)	84,637
(Loss)/Profit attributable to owners of the Company	(819)	63,478
(Loss)/Profit attributable to NCI	(273)	21,159
(Loss)/Profit for the year	(1,092)	84,637
Other comprehensive income attributable to owners of the Company	719	704
Other comprehensive income attributable to NCI	240	234
Other comprehensive income for the year	959	938
Total comprehensive (loss)/income attributable to owners of the Company	(99)	64,182
Total comprehensive (loss)/income attributable to NCI	(33)	21,393
Total comprehensive (loss)/income for the year	(132)	85,575
<u>Other summarised information</u>		
Net cash inflow from operating activities	69,035	78,247
Net cash outflow from investing activities	(49,969)	(39,782)
Net cash outflow from financing activities	(40,973)	(17,866)
Net cash (outflow)/inflow	(21,907)	20,599

12 Interests in associates

	2019 A\$'000	2018 A\$'000
The Group		
Cost of investment in associates ⁽¹⁾	77,672	77,613
Share of post-acquisition profits and reserves, net of dividends	38,686	48,726
	116,358	126,339

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

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

Name	Country of incorporation	Proportion of effective ownership interest and voting rights held by the Group		Principal activities
		2019 %	2018 %	
Ntsimbintle Mining Limited ("NML") ⁽¹⁾	South Africa	26	26	Investment holding
<u>Held by NML</u> ⁽²⁾				
Tshipi é Ntle Manganese Mining Proprietary Limited ("Tshipi Mining") ⁽¹⁾	South Africa	13	13	Exploration and exploitation of minerals

(1) audited by KPMG Inc.

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

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

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

The financial year end date of Ntsimbintle Mining Limited is 28 February. For the purposes of applying the equity method accounting, the management accounts of Ntsimbintle Mining Limited for the year ended 31 December 2019 have been used and appropriate adjustments have been made as necessary.

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

	Ntsimbintle Mining Limited	
	2019 A\$'000	2018 A\$'000
Current assets	1,990	14,114
Non-current assets ⁽¹⁾	178,358	198,053
Current liabilities	(14)	(34)
Net assets	180,334	212,133
Income ⁽¹⁾	116,987	182,364
Profit for the year	116,773	180,649
Total comprehensive income for the year	116,773	180,649

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

Notes to the financial statements for the financial year ended 31 December 2019

12 Interests in associates (Cont'd)

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

	Ntsimbintle Mining Limited		Total	
	2019 A\$'000	2018 A\$'000	2019 A\$'000	2018 A\$'000
Net assets of the associate	180,334	212,133	180,334	212,133
Proportion of the Group's ownership interest in the associate	46,887	55,155	46,887	55,155
Goodwill	59,842	59,842	59,842	59,842
Currency translation difference	9,573	11,306	9,573	11,306
Carrying value	116,302	126,303	116,302	126,303
Add:				
Carrying value of individually immaterial associates			56	36
Carrying value of Group's interest in associates			116,358	126,339

Aggregate information of associates that are not individually material

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

	2019 A\$'000	2018 A\$'000
- Profit/(Loss) for the year	60	(21)
- Total comprehensive income/(loss) for the year	60	(21)
	2019 A\$'000	2018 A\$'000
The Group's share of profit/(loss)	20	(7)

13 Inventories

	2019 A\$'000	2018 A\$'000
The Group		
Raw materials, at cost	157,745	215,809
Work-in-progress, at cost	1,467	1,748
Finished goods, at cost	69,063	49,485
	228,275	267,042
Cost of inventories recognised as an expense and included in cost of sales (Note 27)	874,001	1,157,128

14 Trade and other receivables

	The Company		The Group	
	2019	2018	2019	2018
	A\$'000	A\$'000	A\$'000	A\$'000
Trade receivables	-	-	30,167	74,826
Bills receivable	-	-	-	707
Net trade receivables (i)	-	-	30,167	75,533
Other receivables:				
Amounts due from subsidiaries (non-trade)	18,325	46,231	-	-
Deposits and other receivables:				
- third party	-	-	7,155	15,037
- associate	-	-	765	-
	18,325	46,231	7,920	15,037
Less: Allowance for impairment of other receivables:				
At beginning of the year	-	(50,976)	-	-
Impairment loss (Note 27)	-	-	(278)	-
Reversal of unutilised amounts	-	50,976	-	-
At end of the year	-	-	(278)	-
Net other receivables (ii)	18,325	46,231	7,642	15,037
Total (i) + (ii)	18,325	46,231	37,809	90,570

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	
	2019	2018	2019	2018
	A\$'000	A\$'000	A\$'000	A\$'000
Australian Dollar	18,325	46,231	2,015	1,877
Renminbi	-	-	2,930	7,990
United States Dollar	-	-	31,047	75,756
Malaysian Ringgit	-	-	228	355
Others	-	-	1,589	4,592
	18,325	46,231	37,809	90,570

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

	The Company		The Group	
	2019	2018	2019	2018
	A\$'000	A\$'000	A\$'000	A\$'000
<u>By geographical areas</u>				
Asia Pacific	9,441	-	27,280	81,166
Europe	-	-	1,155	4,031
Africa	8,884	46,231	835	-
Others	-	-	8,539	5,373
	18,325	46,231	37,809	90,570

Neither past due nor impaired

Trade and other receivables that were neither past due nor impaired amounting to A\$18,325,000 (2018 - A\$46,231,000) and A\$37,535,000 (2018 - A\$89,692,000) for the Company and the Group respectively related to a wide range of customers for whom there was no recent history of default.

14 Trade and other receivables (Cont'd)Past due but not impaired

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

	The Company		The Group	
	2019	2018	2019	2018
	A\$'000	A\$'000	A\$'000	A\$'000
Past due 0 to 3 months	-	-	213	878
Past due 3 to 6 months	-	-	61	-
Past due over 6 months	-	-	-	-
	-	-	274	878

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.

15 Capitalised contract costs

	2019	2018
	A\$'000	A\$'000
The Group		
Costs to fulfil service rendered for transportation of goods sold under CFR and CIF Incoterms	1,015	2,759
Amortisation recognised as cost of sales during the year	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.

16 Cash and bank balances

	The Company		The Group	
	2019	2018	2019	2018
	A\$'000	A\$'000	A\$'000	A\$'000
Cash at bank and on hand	31	178	42,598	87,118
Short-term bank deposits	-	-	21,114	4,701
Total cash and bank balances	31	178	63,712	91,819
Less: Cash collateral	-	-	(14,812)	(12,773)
Cash and cash equivalents	31	178	48,900	79,046

Included in the cash collateral were amounts of A\$1,436,000 (2018 - A\$1,842,000) and A\$13,376,000 (2018 - A\$10,931,000) which were pledged to banks as security for banking facilities and the issuance of environmental bonds (Note 34.5) respectively.

16 Cash and bank balances (Cont'd)

Cash and bank balances are denominated in the following currencies:

	The Company		The Group	
	2019	2018	2019	2018
	A\$'000	A\$'000	A\$'000	A\$'000
Australian Dollar	30	177	13,680	17,030
Renminbi	-	-	12,776	9,181
United States Dollar	1	1	35,361	62,435
Malaysian Ringgit	-	-	1,757	2,868
Others	-	-	138	305
	31	178	63,712	91,819

The short term bank deposits have an average maturity of 3 months (2018 - 3 months) from the end of the financial year with the following weighted average effective interest rates:

The Group	2019	2018
United States Dollar	1.10% to 2.70%	2.04%
Renminbi	2.30%	2.30%
Malaysia Ringgit	1.60% to 2.50%	-

17 Share capital

	No. of ordinary shares		Amount	
The Company and The Group	2019	2018	2019	2018
	'000	'000	A\$'000	A\$'000
Authorised:				
Ordinary shares of A\$0.05 (2018 - A\$0.05) each	2,000,000	2,000,000	100,000	100,000
Issued and fully paid:				
Ordinary shares of A\$0.05 (2018 - A\$0.05) each				
At beginning of the year	738,623	733,423	36,931	36,671
Issue of ordinary shares	-	5,200	-	260
At end of the year	738,623	738,623	36,931	36,931

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

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.

18 Treasury shares

	No. of ordinary shares		Amount	
The Company and The Group	2019	2018	2019	2018
	'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 (2018 - Nil shares) in the Company through on-market purchase on the Australia Securities Exchange.

19 Reserves

		The Company		The Group	
		31 December	31 December	31 December	31 December
		2019	2018	2019	2018
		A\$'000	A\$'000	A\$'000	A\$'000
Share premium	[Note (i)]	178,363	178,363	178,363	178,363
Non-distributable reserves	[Note (ii)]	-	-	8,868	8,868
Capital reserve	[Note (iii)]	-	(620)	16,064	15,444
Contributed surplus	[Note (iv)]	3,312	3,312	-	-
Hedging reserve	[Note (v)]	-	-	(5,851)	(6,540)
Exchange fluctuation reserve	[Note (vi)]	-	-	30,181	29,769
Retained profits/ (Accumulated losses)	[Note (vii)]	(122,213)	(95,501)	162,652	128,112
		59,462	85,554	390,277	354,016
Share premium					
At 1 January		178,363	176,563	178,363	176,563
Issue of ordinary shares, net of issue costs		-	1,800	-	1,800
At 31 December		178,363	178,363	178,363	178,363
Non-distributable reserve					
At 1 January		-	-	8,868	5,552
Transfer-in		-	-	-	3,316
At 31 December		-	-	8,868	8,868
Capital reserve					
At 1 January		(620)	449	15,444	16,513
Buy-back of warrants		-	(1,069)	-	(1,069)
Write off of warrants (Note 27)		620	-	620	-
At 31 December		-	(620)	16,064	15,444
Contributed surplus					
At 1 January and 31 December		3,312	3,312	-	-
Hedging reserve					
At 1 January		-	-	(6,540)	(6,886)
Cash flow hedges		-	-	689	346
At 31 December		-	-	(5,851)	(6,540)
Exchange fluctuation reserve					
At 1 January		-	-	29,769	10,073
Currency translation differences		-	-	412	19,696
At 31 December		-	-	30,181	29,769
Retained profits/(Accumulated losses)					
At 1 January		(95,501)	(179,049)	128,112	(8,190)
(Loss)/Profit for the year		(4,611)	105,649	56,641	161,722
Transfer-out		-	-	-	(3,319)
Dividends paid	[Note (viii)]	(22,101)	(22,101)	(22,101)	(22,101)
At 31 December		(122,213)	(95,501)	162,652	128,112

19 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.

The Company wrote off an amount of A\$620,000 (equivalent to US\$500,000) as a result of the expiry of the 26,000,000 unlisted warrants 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.

Notes to the financial statements for the financial year ended 31 December 2019

19 Reserves (Cont'd)

Notes: (cont'd)

(viii)	The Group and the Company	
	2019 A\$'000	2018 A\$'000
Interim tax-exempt (one-tier) dividend of 0.01 cents per share for 2019	7,367	-
Final tax-exempt (one-tier) dividend of 0.02 cents per share for 2018	14,734	-
Interim tax-exempt (one-tier) dividend of 0.03 cents per share for 2018	-	22,101
	22,101	22,101

20 Borrowings

	The Company		The Group	
	2019 A\$'000	2018 A\$'000	2019 A\$'000	2018 A\$'000
Non-current				
Obligations under finance leases (Note 20.1)	-	-	-	439
Bank loans, secured (Note 20.2)	-	-	357,049	400,562
5% Convertible Note (Note 20.3)	15,029	14,441	15,029	14,441
Other loans (Note 20.4)	-	-	15,199	23,510
	15,029	14,441	387,277	438,952
Structuring and arrangement fee	-	-	(1,728)	(2,832)
	15,029	14,441	385,549	436,120
Current				
Obligations under finance leases (Note 20.1)	-	-	-	653
Bank loans, secured (Note 20.2)	-	-	80,573	71,684
5% Convertible Note (Note 20.3)	-	5,999	-	5,999
Other loans (Note 20.4)	-	-	9,048	-
	-	5,999	89,621	78,336
Structuring and arrangement fee	-	-	(1,252)	(1,530)
	-	5,999	88,369	76,806
Total	15,029	20,440	473,918	512,926
Less: Total obligations under finance leases	-	-	-	(1,092)
	15,029	20,440	473,918	511,834

20.1 Obligations under finance leases

	2019 A\$'000	2018 A\$'000
The Group		
Minimum lease payments payable:		
Due not later than one year	-	701
Due later than one year and not later than five years	-	472
	-	1,173
Less: Finance charges allocated to future periods	-	(81)
Present value of minimum lease payments	-	1,092
Present value of minimum lease payments:		
Due not later than one year	-	653
Due later than one year and not later than five years	-	439
	-	1,092

20 Borrowings (Cont'd)

20.1 Obligations under finance leases (cont'd)

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.

At 31 December 2018, the average interest rate per annum ranged from 5.01% to 7.07%.

Obligations under finance leases are reclassified to lease liabilities (Note 21) on 1 January 2019 arising from the adoption of IFRS 16. The impact of adoption is disclosed in Note 2(b).

20.2 Bank loans

	The Company		The Group	
	2019	2018	2019	2018
	A\$'000	A\$'000	A\$'000	A\$'000
Bank loans, secured [Note (a)]	-	-	2,044	-
Bank loans, secured [Note (b)]	-	-	435,578	472,246
	-	-	437,622	472,246
Amount repayable not later than one year	-	-	80,573	71,684
Amount repayable after one year:				
Later than one year and not later than five years	-	-	344,392	212,289
Later than five years	-	-	12,657	188,273
	-	-	357,049	400,562
	-	-	437,622	472,246

Notes:

(a) These loans are secured by charges over certain bank deposits as disclosed in Note 16.

(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).

Notes to the financial statements for the financial year ended 31 December 2019

20 Borrowings (Cont'd)

20.3 5% Convertible Note

	The Company		The Group	
	2019	2018	2019	2018
	A\$'000	A\$'000	A\$'000	A\$'000
5% Convertible Note:				
Due not later than one year	-	5,999	-	5,999
Due later than one year and not later than five years	15,029	14,441	15,029	14,441
	15,029	20,440	15,029	20,440

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).

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

In December 2019, the Company executed an amendment and restatement agreement with Hanwa Co. Ltd to extend the Convertible Note terms for a further 1 year to 6 March 2021, which 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.

Notes to the financial statements for the financial year ended 31 December 2019

20 Borrowings (Cont'd)

20.4 Other loans

	The Company		The Group	
	2019	2018	2019	2018
	A\$'000	A\$'000	A\$'000	A\$'000
Shareholder loan, unsecured [Note (a)]	-	-	3,067	15,009
Shareholder loan, unsecured [Note (b)]	-	-	9,048	-
Third party loan, secured [Note (c)]	-	-	12,132	8,501
	-	-	24,247	23,510
Amount repayable not later than one year	-	-	9,048	-
Amount repayable after one year:				
Later than one year and not later than five years	-	-	12,132	8,501
Later than five years	-	-	3,067	15,009
	-	-	15,199	23,510
	-	-	24,247	23,510

Notes:

- (a) These loans are unsecured. None of the shareholders are entitled to demand or receive payment or any distribution in respect of any shareholders' loans from the Group. Repayment may be made subject to satisfaction of pre-agreed tests typical for a project financing of this nature.
- (b) The loan is unsecured and repayable on demand.
- (c) The loan is repayable on 4 January 2021. The loan is guaranteed by the Company.

20.5 Currency risk

Total borrowings are denominated in the following currencies:

	The Company		The Group	
	2019	2018	2019	2018
	A\$'000	A\$'000	A\$'000	A\$'000
United States Dollar	15,029	20,440	382,591	414,529
Malaysian Ringgit	-	-	91,327	98,284
Others	-	-	-	113
	15,029	20,440	473,918	512,926

20.6 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	
	2019	2018	2019	2018
Obligations under finance leases (Note 20.1)	-	-	-	5.01% to 7.07%
Bank loans (Note 20.2)	-	-	2.67% to 7.19%	5.73% to 6.78%
5% convertible note (Note 20.3)	9.00%	9.00%	9.00%	9.00%
Other loans (Note 20.4)	-	-	3.20% to 5.95%	1.55% to 5.26%

Notes to the financial statements for the financial year ended 31 December 2019

20 Borrowings (Cont'd)

20.7 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 A\$'000	Fair values A\$'000	Carrying amounts A\$'000	Fair values A\$'000
2019				
Obligations under finance leases	-	-	-	-
Bank loans, secured	-	-	357,049	334,608
5% convertible note	15,029	15,024	15,029	15,024
Other loans	-	-	15,199	15,199
2018				
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

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.

21 Lease liabilities

The Group	2019 A\$'000
Undiscounted lease payments due:	
- Year 1	6,296
- Year 2	1,045
- Year 3	118
- Year 4 and onwards	2
	7,461
Less: Unearned interest cost	(369)
Lease liabilities	7,092
Presented as:	
- Non-current	1,102
- Current	5,990
	7,092

Interest expense on lease liabilities of A\$591,000 is recognised within “finance costs” in the profit or loss.

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

The Group	2019 A\$'000
Short-term leases	1,397
Leases of low value asset	60

21 Lease liabilities (Cont'd)

Total cash outflows for all leases in the year amount to A\$7,006,000.

As at 31 December 2019, the Group's short-term lease commitments at the reporting date are not substantially dissimilar to those giving rise to the Group's short-term lease expense for the year.

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

Further information about the financial risk management are disclosed in Note 37.

Lease liabilities are denominated in the following currencies:

	2019 A\$'000
The Group	
Australian Dollar	3,666
Malaysian Ringgit	2,593
Others	833
	7,092

22 Trade and other payables

	The Company		The Group	
	2019 A\$'000	2018 A\$'000	2019 A\$'000	2018 A\$'000
Non-current				
Trade payables - third party	-	-	53,537	101,419
Other payables	-	-	3,617	11,439
Retention monies	-	-	3,076	21
	-	-	60,230	112,879
Current				
Trade payables				
- third party	-	-	65,954	94,033
- associate	-	-	3,964	-
	-	-	69,918	94,033
Amount due to subsidiaries (non-trade)	52,117	35,454	-	-
Accruals	1,880	4,790	6,808	12,798
Other payables	6	3	27,602	47,352
Retention monies	-	-	54	180
Welfare expense payable	-	-	1,674	1,369
Interest payables	-	-	7,112	8,556
	54,003	40,247	43,250	70,255
	54,003	40,247	113,168	164,288
Total	54,003	40,247	173,398	277,167

Non-current trade payables relate to payables to vendors which bear interest of 6% (2018 - 6%) per annum.

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

Notes to the financial statements for the financial year ended 31 December 2019

22 Trade and other payables (Cont'd)

Trade and other payables are denominated in the following currencies:

	The Company		The Group	
	2019	2018	2019	2018
	A\$'000	A\$'000	A\$'000	A\$'000
Australian Dollar	35,544	34,277	7,009	25,492
Renminbi	-	-	8,851	3,740
United States Dollar	18,373	5,884	37,564	56,074
Malaysian Ringgit	-	-	119,759	190,907
Others	86	86	215	954
	54,003	40,247	173,398	277,167

All trade payables are generally on 30 to 120 (2018 - 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
2019				
Trade payables - third party	-	-	53,537	53,537
Other payables	-	-	3,617	3,617
Retention monies	-	-	3,076	3,076
2018				
Trade payables - third party	-	-	101,419	101,419
Other payables	-	-	11,439	11,439
Retention monies	-	-	21	21

23 Provisions

	2019	2018
	A\$'000	A\$'000
The Group		
<u>Rehabilitation</u>		
At beginning of the year	9,931	6,032
Addition	4,522	3,899
At end of the year	14,453	9,931

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.

Notes to the financial statements for the financial year ended 31 December 2019

24 Deferred capital grant

	2019 A\$'000	2018 A\$'000
The Group		
Government grant	13,414	14,118
Non-current	12,605	13,315
Current	809	803
	13,414	14,118

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\$814,000 (2018 - A\$760,000) (Note 27) and foreign currency translation differences.

25 Contract liabilities

	2019 A\$'000	2018 A\$'000
The Group		
Transportation of goods sold under CFR and CIF Incoterms	4,859	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:

	2019 A\$'000	2018 A\$'000
The Group		
Aggregate amount of transaction price allocated to contracts that are partially or fully unsatisfied at end of the year	4,859	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.

26 Other income

	2019 A\$'000	2018 A\$'000
The Group		
Interest income from banks	898	405
Commission income	2,395	676
Sundry income	1,041	1,275
	4,334	2,356

27 Profit before income tax

	Note	2019 A\$'000	2018 A\$'000
The Group			
Profit before income tax has been arrived at after charging/(crediting):			
Amortisation of land use rights ⁽¹⁾	5	204	193
Amortisation of mine development costs ⁽¹⁾	7	5,147	9,052
Amortisation of deferred capital grant ⁽²⁾	24	(814)	(760)
Cost of inventories recognised as expenses and included in cost of sales	13	874,001	1,157,128
Depreciation of property, plant and equipment:			
- cost of sales		34,043	29,904
- other operating expenses		8,326	6,847
	4	42,369	36,751
Depreciation of right-of-use assets ⁽¹⁾	9	6,156	-
Depreciation of investment property ⁽¹⁾	8	11	-
Foreign exchange loss – net ⁽¹⁾		3,809	5,249
Write off of exploration and evaluation costs ⁽¹⁾	6	2,706	932
Write off of property, plant and equipment ⁽¹⁾		121	116
Write off of goodwill from acquisition of subsidiary ⁽¹⁾	11	-	2,550
Write off of warrants ⁽¹⁾	19	620	-
Loss on disposal of property, plant and equipment ⁽¹⁾		121	-
Impairment loss on trade and other receivables ⁽¹⁾	14	278	-
Unwinding of discount on non-current trade payables ⁽¹⁾		1,128	2,464
Rental expenses:			
- short-term leases		1,398	-
- leases of low-value assets		60	-
Finance costs:			
- loans		28,832	43,508
- lease liabilities		591	-
- others		2,797	1,373
		32,220	44,881
Operating lease expense		-	5,587
Employee benefits expenses	31	81,850	80,552

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

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

Notes to the financial statements for the financial year ended 31 December 2019

28 Income tax

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

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

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

	2019 A\$'000	2018 A\$'000
The Group		
Current taxation:		
- Singapore income tax (concessionary tax rate of 10%)	2,594	2,972
- PRC tax (tax rate of 25%)	647	1,728
- Australia income tax (tax rate of 30%)	2,856	-
- others	364	42
Deferred taxation (Note 10) – net effect	(13,575)	25,558
	(7,114)	30,300
Under/(Over) provision in prior years:		
- current taxation	1,134	(260)
Income tax	(5,980)	30,040
Other taxation:		
- withholding tax	6,629	2,531
- profits-based royalty and special mining taxes	2,200	19,699
	2,849	52,270

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:

	2019 A\$'000	2018 A\$'000
The Group		
Profit before income tax	58,921	236,927
Tax at applicable tax rates	9,410	63,538
Tax effect of non-taxable revenue	(118)	(1,358)
Tax effect of non-deductible expenses	2,312	8,362
Tax effect of allowances and concessions given by tax jurisdictions	(2,093)	(20,944)
Deferred tax assets on temporary difference not recognised	30	32
Utilisation of deferred tax assets on temporary difference not recognised in previous years	(12,088)	(12,275)
Effects of share of results of associates	(4,557)	(7,046)
Tax rebate	(10)	(9)
Under/(Over) provision in prior years	1,134	(260)
	(5,980)	30,040

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

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

29 Cash flow hedges

	2019 A\$'000	2018 A\$'000
The Group		
Cash flow hedges:		
Gain arising during the year	919	461

30 Profit per share

The Group

Basic profit per share is calculated based on the consolidated profit attributable to owners of the parent divided by the weighted average number of shares on issue of 736,690,000 (2018 - 733,590,000) shares during the financial year.

Fully diluted profit per share was calculated on the consolidated profit attributable to owners of the parent divided by 736,690,000 (2018 - 751,026,000) ordinary shares. The number of ordinary shares was calculated based on the weighted average number of shares on issue during the financial year adjusted for the effects of all dilutive convertible bonds and warrants. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the year or if later, the date of the issue of the potential ordinary shares.

For calculation of diluted earnings per share in 2019, the convertible bonds are not included because they are anti-dilutive. These convertible bonds can potentially dilute basic earnings per share in the future.

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:

	2019 '000	2018 '000
The Group		
Weighted average number of ordinary shares for the purpose of basic profit per share	736,690	733,590
Effect of dilutive potential ordinary shares:		
Convertible bonds	-	17,436
Weighted average number of ordinary shares for the purpose of diluted profit per share	736,690	751,026

Profit figures were calculated as follows:

	2019 A\$'000	2018 A\$'000
Profit for the year attributable to owners of the Company	56,641	161,722
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	-	1,945
Profit for the purposes of diluted profit per share	56,641	163,667

Notes to the financial statements for the financial year ended 31 December 2019

31 Employee benefits expense

	2019 A\$'000	2018 A\$'000
The Group		
Directors' fees	610	610
Directors' remuneration other than fees:		
- Directors of the Company	2,547	4,695
- Directors of the subsidiaries	1,314	1,638
- Defined contributions plans	69	57
Key management personnel (other than Directors):		
- Salaries, wages and other related costs	4,857	4,540
- Defined contributions plans	350	278
	9,747	11,818
Other than key management personnel:		
- Salaries, wages and other related costs	66,897	64,431
- Defined contributions plans	5,206	4,303
	81,850	80,552

32 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:

	2019 A\$'000	2018 A\$'000
The Group		
Consultancy fee charged by an associate	-	(235)
Commission charged by associates	(2,970)	(215)
Sales of goods to an associate	147	79
Purchases of goods from an associate	(93,831)	-

33 Leases

(i) The Group as lessee

(a) Properties

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

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

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

33 Leases (Cont'd)(i) The Group as lessee (cont'd)*(b) Plant and machinery, office equipment and motor vehicles*

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

Information regarding the Group's right-of-use assets and lease liabilities are disclosed in Note 9 and 21 respectively.

(ii) The Group as lessor*Investment property*

Operating leases, in which the Group as the lessor, relate to investment property (Note 8) owned by the Group with lease term of 73 years. The operating lease contract contains market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

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

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

	2019 A\$'000
The Group	
Undiscounted lease payments to be received:	
- Year 1	127
- Year 2 and onwards	10
	<u>137</u>

34 Commitments**34.1 Capital commitments**

The following table summarises the Group's capital commitments:

	2019 A\$'000	2018 A\$'000
The Group		
Capital expenditure contracted but not provided for in the financial statements:		
- acquisition of property, plant and equipment	18,856	64,838

Notes to the financial statements for the financial year ended 31 December 2019

34 Commitments (Cont'd)

34.2 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.

In 2018, 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:

The Group	2018 A\$'000
Not later than one year	3,877
Later than one year and not later than five years	3,066
Later than five years	-
	<u>6,943</u>

As disclosed in Note 2(b), the Group has adopted IFRS 16 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the statement of financial position as at 1 January 2019, except for short-term and low-value leases.

(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:

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

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

On 1 January 2019, the Group has adopted IFRS 16 and the undiscounted lease payments from the operating leases to be received after 31 December 2019 are disclosed in Note 33.

34.3 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.

	2019 A\$'000	2018 A\$'000
The Group		
Not later than one year	14,386	12,113
Later than one year and not later than five years	1,883	13,819
Later than five years	-	-
	<u>16,269</u>	<u>25,932</u>

34 Commitments (Cont'd)

34.4 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:

	2019 A\$'000	2018 A\$'000
The Group		
Mineral tenements annual expenditure commitments	210	197

34.5 Environmental bonds

A subsidiary had environmental bonds to the value of A\$13,927,000 (2018 – A\$10,545,000) lodged with the Northern Territory Government (Department of Primary Industry and Resources) to secure environmental rehabilitation commitments. The A\$13,927,000 (2018 – A\$10,545,000) of bonds were secured by A\$12,347,000 (2018 – A\$8,881,000) of bonds issued under financing facilities and certain cash backed as disclosed in Note 16.

35 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 18 months after the satisfaction of pre-agreed project completion tests typical for a project financing facility of this nature.

36 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 2019

36 Operating segments (Cont'd)

	Mining		Smelting		Marketing and Trading		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Reportable segment revenue										
Sales to external customers	2,651	321	315,973	265,938	707,830	1,235,629	-	8,528	1,026,454	1,510,416
Inter-segment sales	136,815	228,734	418,637	593,120	179,449	199,311	4,520	5,263	739,421	1,026,428
Elimination	139,466	229,055	734,610	859,058	887,279	1,434,940	4,520	13,791	1,026,454	(1,026,428)
Reportable segment profit/(loss)	20,770	94,934	23,462	134,300	20,782	24,909	(5,152)	(19,698)	59,862	234,445
Reportable segment assets	109,633	119,171	997,622	1,048,820	460,708	432,341	188,246	209,847	1,756,209	1,810,179
Elimination									(669,827)	(658,345)
Investment in associates									116,358	126,339
Total assets									1,202,740	1,278,173
Reportable segment liabilities	167,017	179,422	644,340	784,517	199,265	193,981	93,171	119,741	1,103,793	1,277,661
Elimination									(408,921)	(450,613)
Total liabilities									694,872	827,048
Other segment information										
Purchase of property, plant and equipment	8,725	7,212	66,281	19,789	56	477	1,502	1,694	76,564	29,172
Depreciation of property, plant and equipment	7,444	5,927	34,201	30,515	190	162	534	147	42,369	36,751
Depreciation of right-of-use assets	2,565	-	3,122	-	451	-	18	-	6,156	-
Depreciation of investment property	-	-	-	-	11	-	-	-	11	-
Loss/(Gain) on disposal of property, plant and equipment	120	-	22	-	(21)	-	-	-	121	-
Write off of evaluation and exploration costs	724	337	-	-	-	-	1,982	595	2,706	932
Write off of property, plant and equipment	-	92	100	8	21	16	-	-	121	116
Impairment loss on trade and other receivables	-	-	-	-	-	-	278	-	278	-
Amortisation of deferred capital grant	-	-	(814)	(760)	-	-	-	-	(814)	(760)
Amortisation of land use rights	-	-	204	193	-	-	-	-	204	193
Addition of mine development costs	4,522	1,014	-	-	-	-	-	-	4,522	1,014
Amortisation of mine development costs	5,147	9,052	-	-	-	-	-	-	5,147	9,052
Addition of evaluation and exploration costs	1,724	573	-	-	-	-	137	-	1,861	573

Notes to the financial statements for the financial year ended 31 December 2019

36 Operating segments (Cont'd)

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

The Group	2019 A\$'000	2018 A\$'000
Reportable segment profit	59,862	234,445
Finance income	898	405
Share of results of associates	30,381	46,958
Finance costs	(32,220)	(44,881)
Profit before income tax	58,921	236,927

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	
	2019 A\$'000	2018 A\$'000	2019 A\$'000	2018 A\$'000
Asia Pacific	857,746	1,239,325	740,481	696,645
Europe	79,522	147,291	-	-
Middle East	39,681	82,599	-	-
Africa	1,911	1,414	116,302	126,303
Others	47,594	39,787	-	-
	1,026,454	1,510,416	856,783	822,948

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.

37 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.

37 Financial risk management objectives and policies (Cont'd)

37.1 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 14.

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 37.2) at the reporting date is equal to the facilities drawn down by the subsidiaries in the amounts of A\$565,000,000 (2018 - A\$505,000,000). At the reporting date, the Company does not consider it probable that a claim will be made against the Company under these intragroup corporate guarantees.

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

Undrawn credit facilities

The Group has undrawn credit facilities of approximately A\$144,000,000 (2018 - A\$196,800,000) at the reporting date.

37.2 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 2019

37 Financial risk management objectives and policies (Cont'd)

37.2 Liquidity risk (Cont'd)

The table below analyses the maturity profile of the Company's and the Group's financial liabilities based on contractual undiscounted cash flows:

	Less than 1 year A\$'000	Between 2 and 5 years A\$'000	Over 5 years A\$'000	Total A\$'000	Total carrying amount A\$'000
The Group					
As at 31 December 2019					
Trade and other payables	113,168	60,580	-	173,748	173,398
Borrowings	112,132	444,908	3,067	560,107	473,918
Lease liabilities	6,296	1,165	-	7,461	7,092
	231,596	506,653	3,067	741,316	654,408
As at 31 December 2018					
Trade and other payables	164,288	114,339	-	278,627	277,167
Borrowings	106,004	346,193	245,626	697,823	511,834
	270,292	460,532	245,626	976,450	789,001
The Company					
As at 31 December 2019					
Trade and other payables	54,003	-	-	54,003	54,003
Borrowings	-	16,092	-	16,092	15,029
Intragroup financial guarantees	565,000	-	-	565,000	565,000
	619,003	16,092	-	635,095	634,032
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

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.

37.3 Interest rate risk

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

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

Notes to the financial statements for the financial year ended 31 December 2019

37 Financial risk management objectives and policies (Cont'd)

37.3 Interest rate risk (Cont'd)

Sensitivity analysis for interest rate risk

At the end of the reporting period, if USD, RMB and MYR interest rates had been 75 (2018 - 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	
		2019	2018	2019	2018
		A\$'000	A\$'000	A\$'000	A\$'000
United States Dollar	- lower 75 basis points (2018 - 75 basis points)	113	153	2,006	2,051
	- higher 75 basis points (2018 - 75 basis points)	(113)	(153)	(2,006)	(2,051)
Renminbi	- lower 75 basis points (2018 - 75 basis points)	-	-	(72)	(52)
	- higher 75 basis points (2018 - 75 basis points)	-	-	72	52
Malaysian Ringgit	- lower 75 basis points (2018 - 75 basis points)	-	-	511	544
	- higher 75 basis points (2018 - 75 basis points)	-	-	(511)	(544)

37.4 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.

		2019		2018	
		Profit or Loss A\$'000	Equity A\$'000	Profit or Loss A\$'000	Equity A\$'000
The Group					
United States Dollar	- strengthened 5% (2018 - 5%)	(17,687)	(17,525)	(16,621)	(17,865)
	- weakened 5% (2018 - 5%)	17,687	17,525	16,621	17,865
Renminbi	- strengthened 5% (2018 - 5%)	343	341	672	674
	- weakened 5% (2018 - 5%)	(343)	(341)	(672)	(674)
Malaysian Ringgit	- strengthened 5% (2018 - 5%)	(10,585)	(10,603)	(14,298)	(14,441)
	- weakened 5% (2018 - 5%)	10,585	10,603	14,298	14,441
The Company					
United States Dollar	- strengthened 5% (2018 - 5%)	(1,670)	(1,655)	(1,316)	(1,415)
	- weakened 5% (2018 - 5%)	1,670	1,655	1,316	1,415

37 Financial risk management objectives and policies (Cont'd)

37.5 Market price risk

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

38 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	
	2019	2018	2019	2018
	A\$'000	A\$'000	A\$'000	A\$'000
Borrowings	15,029	20,440	473,918	512,926
Less: Cash and bank balances	(31)	(178)	(63,712)	(91,819)
Net debt	14,998	20,262	410,206	421,107
Total equity	94,063	120,155	507,868	451,125
Gearing ratio	0.16	0.17	0.81	0.93

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 2019

39 Financial instruments

Accounting classifications of financial assets and financial liabilities

31 December 2019	Note	Debt instruments (at amortised cost) A\$'000	Total A\$'000
The Group			
Financial assets			
Trade and other receivables	14	37,809	37,809
Cash and bank balances	16	63,712	63,712
		101,521	101,521
The Company			
Financial assets			
Trade and other receivables	14	18,325	18,325
Cash and bank balances	16	31	31
		18,356	18,356
31 December 2019	Note	Other financial liabilities (at amortised cost) A\$'000	Total A\$'000
The Group			
Financial liabilities			
Borrowings	20	473,918	473,918
Lease liabilities	21	7,092	7,092
Trade and other payables	22	173,398	173,398
		654,408	654,408
The Company			
Financial liabilities			
Borrowings	20	15,029	15,029
Trade and other payables	22	54,003	54,003
		69,032	69,032
31 December 2018	Note	Debt instruments (at amortised cost) A\$'000	Total A\$'000
The Group			
Financial assets			
Trade and other receivables	14	90,570	90,570
Cash and bank balances	16	91,819	91,819
		182,389	182,389
The Company			
Financial assets			
Trade and other receivables	14	46,231	46,231
Cash and bank balances	16	178	178
		46,409	46,409
31 December 2018	Note	Other financial liabilities (at amortised cost) A\$'000	Total A\$'000
The Group			
Financial liabilities			
Borrowings (excluding finance lease liabilities)	20	511,834	511,834
Trade and other payables	22	277,167	277,167
		789,001	789,001
The Company			
Financial liabilities			
Borrowings	20	20,440	20,440
Trade and other payables	22	40,247	40,247
		60,687	60,687

40 Fair value measurement

Definition of fair value

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

Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statements of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

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

The carrying amounts of trade and other receivables (Note 14), cash and bank balances (Note 16), trade and other payables (Note 22), current borrowings (Note 20) and current lease liabilities (Note 21) are reasonable approximation of fair values due to their short term nature.

The carrying amounts of non-current trade and other payables (Note 22), non-current borrowings (Note 20) and non-current lease liabilities (Note 21) are reasonable approximation of fair values as their interest rate approximate the market lending rate.

41 Events occurring after the reporting period

Final dividends

In February 2020, the Board resolved to declare a final dividend of A\$0.01 per share (total dividend of A\$7,367,000) for the financial year ended 31 December 2019.

However on 27 March 2020 the Company announced that given the impact of the COVID-19 global pandemic, it would still pay A\$0.005 per share due to be paid on 29 May 2020 and the balance of A\$0.005 per share would be deferred subject to review by the Board in August 2020. The record date of 8 May 2020 still applies. These financial statements do not reflect this dividend which will be accounted for in the financial year ending 31 December 2020.

COVID-19

Subsequent to 31 December 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organisation in March 2020. The outbreak and the response of Governments across the world in dealing with the pandemic is interfering with general activity levels globally. The scale and duration of the developments associated with COVID-19 remain uncertain as at the date of these financial statements. It is not possible to estimate the impact relating to the near-term and longer effects of COVID-19 to the Company and Group at this time. The financial statements have been prepared based upon conditions existing as at 31 December 2019. As the outbreak of COVID-19 occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to the Company and the Group's financial statements as at 31 December 2019 for any impacts of COVID-19.