

OM HOLDINGS LIMITED

(ARBN 081 028 337)



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78 – Audited Financial Statement – 31 December 2014

30 March 2015

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 2014

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 2014.

The 2014 Annual Report (including the Financial Statements and Reports) will be dispatched to Shareholders who have requested a copy by Thursday, 30 April 2015.

Yours faithfully

OM HOLDINGS LIMITED



Heng Siow Kwee/Julie Wolseley
Company Secretary



BACKGROUND INFORMATION ON OM HOLDINGS LIMITED

OMH Holdings Limited (OMH) was listed on the ASX in March 1998 and has its foundations in metals trading – incorporating the sourcing and distribution of manganese ore products.

OMH is involved in mining manganese product in Australia and South Africa and is constructing a smelter in Sarawak, Malaysia to produce ferrosilicon and ferro-manganese intermediate products. The smelter project is owned 75% by OMH.

The first phase of the Sarawak smelter project commenced production in September 2014 and will ramp up to full commercial production by the end of 2015. When completed the ferrosilicon production facility's capacity of 308,000 tonnes per annum will make it one of the largest ferrosilicon smelters globally.

OMH, through a wholly owned subsidiary, owns the Bootu Creek manganese mine in the Northern Territory. This mine has the capacity to produce up to 1,000,000 tonnes of manganese product per annum.

OMH also owns a 26% investment in Ntsimbintle Mining (Proprietary) Ltd, which, in turn owns 50.1% interest in the world class Tshipi Borwa ("Tshipi") manganese mine in South Africa. This mine has the capacity to produce up to 2,400,000 tonnes of manganese product per annum when the permanent processing plant is completed.

The manganese products of Bootu Creek, and those from Tshipi, are exclusively marketed through the OMH's trading division and OM Tshipi Pte Ltd (33.33% owned) respectively. Through all these activities OMH has established itself as a significant manganese supplier to the Chinese market.

Financial statements
OM Holdings Limited
and its subsidiaries

31 December 2014

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) Peter Ivan Toth (Chief Executive Officer) (Resigned on 4 April 2014) 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) Ivo Philipps (Independent Non-Executive Director) (Appointed on 20 May 2014)
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 I.S. Outerbridge Lo Chi Man
Bankers	National Australia Bank Ltd Standard Chartered Bank Credit Suisse AG
Independent auditor	Foo Kon Tan LLP (formerly known as Foo Kon Tan Grant Thornton LLP) Public Accountants and Chartered Accountants 47 Hill Street #05-01 Singapore Chinese Chamber of Commerce & Industry Building Singapore 179365 Partner in charge: Mr Ong Soo Ann (since financial year 31 December 2011)

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Directors' report

for the financial year ended 31 December 2014

The Directors submit to the members the audited consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2014.

Names of Directors

The Directors of the Group in office at the date of this report are:

Low Ngee Tong (Executive Chairman)
 Peter Ivan Toth (Chief Executive Officer) (Resigned on 4 April 2014)
 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)
 Ivo Philipps (Independent Non-Executive Director) (Appointed on 20 May 2014)

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

Arrangements to enable Directors to acquire shares or debentures

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

Directors' interests in shares

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

	Holdings registered in the name of director or nominee		Holdings in which director is deemed to have an interest	
	As at 1.1.2014	As at 31.12.2014	As at 1.1.2014	As at 31.12.2014
The Company -				
	<u>Number of ordinary shares fully paid</u>			
Low Ngee Tong	19,825,000	19,825,000	47,313,500	⁽¹⁾ 47,313,500
Julie Anne Wolseley	5,562,002	5,562,002	-	-
Tan Peng Chin	1,660,000	⁽²⁾ 1,660,000	-	-

Directors' interest in shares (cont'd)

Note:

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

Directors' benefits

Since the end of the previous financial year, no Director has received or has become entitled to receive a benefit under a contract except as disclosed in the accompanying financial statements and in this report, and except that Mr Low Ngee Tong has an employment relationship with a subsidiary of the Group, and has received remuneration in that capacity.

Unissued Shares under Option

The unissued shares under option at the end of the financial year were as follows:

OM Holdings Limited Unlisted Options (in '000)							
Date options granted	Balance at 1.1.2014	Lapsed/ expired during the year	Exercised during the year	Balance at 31.12.2014	A\$ Exercise price per option	No. of options holders at 31.12.2014	Period exercisable
17.10.2008	4,000	(4,000)	-	-	1.87	-	03.09.2012 - 03.09.2014
17.10.2008	2,000	(2,000)	-	-	2.49	-	01.01.2013 - 01.01.2015
	6,000	(6,000)	-	-			

There were no unissued shares of subsidiaries under option at 31 December 2014.

Audit Committee

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

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

The Audit Committee performs the functions set out in the Audit Committee Charter available on the Company's website. The Company has also considered the second edition of the Corporate Governance Principles and Recommendations with 2010 Amendments developed by the ASX Corporate Governance Council. In performing those functions, the Audit Committee has reviewed the following:

- i. overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;
- 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 2014 as well as the auditor's report thereon.

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 (formerly known as Foo Kon Tan Grant Thornton LLP), be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Independent auditor

The independent auditor, Foo Kon Tan LLP (formerly known as Foo Kon Tan Grant Thornton LLP), Public Accountants and Chartered Accountants, has expressed its willingness to accept the re-appointment.

On behalf of the Directors


.....
LOW NGEE TONG
Executive Chairman

Dated: 27 March 2015

Statement by Directors

for the financial year ended 31 December 2014

In the opinion of the Directors, the accompanying statements of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the results of the business, changes in equity and cash flows of the Group for the financial year ended on that date, and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors



.....
LOW NGEE TONG
Executive Chairman

Dated: 27 March 2015

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

Report on the financial statements

We have audited the accompanying financial statements of OM Holdings Limited ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and the results, changes in equity and cash flows of the Group for the financial year ended on that date in accordance with International Financial Reporting Standards.



Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 27 March 2015

Statements of financial position as at 31 December 2014

		The Company		The Group	
		31 December	31 December	31 December	31 December
		2014	2013	2014	2013
	Note	A\$'000	A\$'000	A\$'000	A\$'000
Assets					
Non-Current					
Property, plant and equipment	4	-	-	532,052	324,784
Land use rights	5	-	-	32,164	37,476
Exploration and evaluation costs	6	-	-	1,479	1,660
Mine development costs	7	-	-	14,076	16,910
Goodwill	8	-	-	2,065	2,065
Deferred tax assets	10	-	-	8,996	31,031
Interests in subsidiaries	11	258,397	194,575	-	-
Interests in associates	12	-	-	107,881	100,336
		258,397	194,575	698,713	514,262
Current					
Inventories	13	-	-	166,512	119,704
Trade and other receivables	15	126,417	125,154	39,905	125,574
Prepayments		1	1	1,113	1,504
Available-for-sale financial assets	9	2,727	11,691	2,727	11,691
Land use rights	5	-	-	6,698	-
Cash collateral	16	-	-	26,122	31,274
Cash and cash equivalents	16	227	50	38,751	36,052
		129,372	136,896	281,828	325,799
Total assets		387,769	331,471	980,541	840,061
Equity					
Capital and Reserves					
Share capital	17	36,671	36,671	36,671	36,671
Treasury shares	18	(2,330)	(2,330)	(2,330)	(2,330)
Reserves	19	232,913	235,942	172,796	241,504
		267,254	270,283	207,137	275,845
Non-controlling interests		-	-	32,522	26,437
Total equity		267,254	270,283	239,659	302,282
Liabilities					
Non-Current					
Borrowings	21	64,243	18,442	402,602	188,335
Land use rights obligation	20	-	-	3,229	7,612
Derivative financial liabilities	14	-	-	48,859	27,410
Trade and other payables	23	-	-	36,621	14,247
Provisions	22	-	-	6,560	5,724
Deferred tax liabilities	10	-	-	-	6
		64,243	18,442	497,871	243,334
Current					
Trade and other payables	23	49,912	34,773	150,822	135,763
Derivative financial liabilities	14	483	2,713	483	2,713
Borrowings	21	-	-	79,410	138,558
Land use rights obligation	20	-	-	3,488	1,017
Income tax payables		5,877	5,260	8,808	16,394
		56,272	42,746	243,011	294,445
Total equity and liabilities		387,769	331,471	980,541	840,061

Consolidated statement of comprehensive income

for the financial year ended 31 December 2014

	Note	Year ended 31 December 2014 A\$'000	Year ended 31 December 2013 A\$'000 (Restated)
Revenue	3	532,740	423,662
Cost of sales		(496,602)	(389,264)
Gross profit		36,138	34,398
Other income	24	3,585	1,237
Distribution costs		(27,129)	(17,080)
Administrative expenses		(11,441)	(8,507)
Other operating expenses		(25,003)	(50,574)
Finance costs		(17,291)	(9,387)
Loss from operations		(41,141)	(49,913)
Share of results of associates		6,161	1,710
Loss before income tax	25	(34,980)	(48,203)
Income tax	26	(25,412)	(890)
Loss for the year		(60,392)	(49,093)
Other comprehensive income/(expense), net of tax:			
Items that may be reclassified subsequently to profit or loss			
Net fair value (loss)/gain on available-for-sale financial assets and financial derivative		(4,976)	5,809
Currency translation differences		18,628	10,148
Cash flow hedges	27	(21,245)	(25,154)
Other comprehensive expense for the year, net of tax		(7,593)	(9,197)
Total comprehensive expense for the year		(67,985)	(58,290)
Loss attributable to:			
Owners of the Company		(62,586)	(48,987)
Non-controlling interests		2,194	(106)
		(60,392)	(49,093)
Total comprehensive (expense)/income attributable to:			
Owners of the Company		(69,157)	(54,887)
Non-controlling interests		1,172	(3,403)
		(67,985)	(58,290)
Loss per share			
- Basic	28	Cents (8.89)	Cents (6.96)
- Diluted	28	(8.89)	(6.96)

Consolidated statement of changes in equity

for the financial year ended 31 December 2014

	Share capital A\$'000	Share premium A\$'000	Treasury shares A\$'000	Non-distributable reserve A\$'000	Capital reserve A\$'000	Share option reserve A\$'000	Fair value reserve A\$'000	Hedging reserve A\$'000	Exchange fluctuation reserve A\$'000	Retained profits A\$'000	Total attributable to equity holders of the parent A\$'000	Non-controlling interests A\$'000	Total equity A\$'000
Balance at 1 January 2014	36,671	176,563	(2,330)	5,553	139	5,975	5,809	(20,123)	(7,176)	74,764	275,845	26,437	302,282
Loss for the year	-	-	-	-	-	-	-	-	-	(62,586)	(62,586)	2,194	(60,392)
Other comprehensive (expense)/income for the year	-	-	-	-	(16)	-	(4,976)	(16,996)	15,417	-	(6,571)	(1,022)	(7,593)
Total comprehensive (expense)/income for the year	-	-	-	-	(16)	-	(4,976)	(16,996)	15,417	(62,586)	(69,157)	1,172	(67,985)
Issue of warrants	-	-	-	-	449	-	-	-	-	-	449	-	449
Share option lapsed	-	-	-	-	-	(5,975)	-	-	-	5,975	-	-	-
Capital injection from non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	4,913	4,913
Balance at 31 December 2014	36,671	176,563	(2,330)	5,553	572	-	833	(37,119)	8,241	18,153	207,137	32,522	239,659

	Share capital A\$'000	Share premium A\$'000	Treasury shares A\$'000	Non-distributable reserve A\$'000	Capital reserve A\$'000	Share option reserve A\$'000	Fair value reserve A\$'000	Hedging reserve A\$'000	Exchange fluctuation reserve A\$'000	Retained profits A\$'000	Total attributable to equity holders of the parent A\$'000	Non-controlling interests A\$'000	Total Equity A\$'000
Balance at 1 January 2013	33,671	155,884	(2,330)	4,074	69	12,814	-	-	(15,520)	115,951	304,613	17,757	322,370
Loss for the year	-	-	-	-	-	-	-	-	-	(48,987)	(48,987)	(106)	(49,093)
Other comprehensive income/(expense) for the year	-	-	-	-	70	-	5,809	(20,123)	8,344	-	(5,900)	(3,297)	(9,197)
Total comprehensive income/(expense) for the year	-	-	-	-	70	-	5,809	(20,123)	8,344	(48,987)	(54,887)	(3,403)	(58,290)
Issue of ordinary shares	3,000	20,679	-	-	-	-	-	-	-	-	23,679	-	23,679
Share option lapsed	-	-	-	-	-	(9,279)	-	-	-	9,279	-	-	-
Value for employee services received for grant of share options	-	-	-	-	-	2,440	-	-	-	-	2,440	-	2,440
Capital injection from non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	12,623	12,623
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(540)	(540)
Transfer to statutory reserve	-	-	-	1,479	-	-	-	-	-	(1,479)	-	-	-
Balance at 31 December 2013	36,671	176,563	(2,330)	5,553	139	5,975	5,809	(20,123)	(7,176)	74,764	275,845	26,437	302,282

Consolidated statement of cash flows

for the financial year ended 31 December 2014

	Year ended 31 December 2014 A\$'000	Year ended 31 December 2013 A\$'000 (Restated)
Cash Flows from Operating Activities		
Loss before income tax	(34,980)	(48,203)
Adjustments for:		
Amortisation of land use rights	651	626
Amortisation of mine development costs	4,296	2,254
Depreciation of property, plant and equipment	15,687	15,158
Reversal of provision for rehabilitation	(709)	(67)
Equity-settled share-based payments	-	813
Write off of exploration and evaluation costs	1,708	566
Write-down of inventories to net realisable value	89	607
Loss on disposal of property, plant and equipment	93	34
Gain on disposal of a subsidiary	(523)	(8)
Impairment loss on:		
- Available-for-sale financial assets	3,988	23,022
- Property, plant and equipment	-	4,038
- Other assets	507	-
Fair value gain on financial liabilities through profit or loss	(2,230)	-
Interest expenses	17,291	9,387
Interest income	(300)	(608)
Share of results of associates	(6,161)	(1,710)
Operating (loss)/profit before working capital changes	(593)	5,909
Increase in inventories	(3,150)	(768)
Decrease in trade and bill receivables	676	12,225
Decrease/(increase) in prepayments, deposits and other receivables	891	(17,676)
(Decrease)/increase in trade and bill payables	(1,114)	26,970
Increase in other payables and accruals	2,185	11,793
Changes in long-term liabilities:		
- Decrease in long-term lease obligation	(127)	(2,223)
- Decrease in long-term provision (for restoration)	(8)	(664)
- Increase in retirement benefit obligation	7	451
- Increase in other long term payable	1,487	14,247
Cash generated from operations	254	50,264
Overseas income tax paid	(10,829)	(11,762)
Net cash (used in)/generated from operating activities	(10,575)	38,502
Cash Flows from Investing Activities		
Payments for exploration and evaluation costs	(1,527)	(1,407)
Purchase of property, plant and equipment (Note A)	(199,240)	(203,132)
Proceeds from disposal of property, plant and equipment	207	220
Net proceeds from disposal of a subsidiary (Note B)	146	-
Loan to an associate	(1,197)	(7,026)
Interest received	300	608
Net cash used in investing activities	(201,311)	(210,737)
Cash Flows from Financing Activities		
Dividends paid to non-controlling interests	-	(540)
Repayment of bank and other loans	(10,400)	(8,455)
Proceeds from bank loans	230,228	124,767
Payment to finance lease creditors	(2,642)	(45)
Capital contribution by non-controlling interests	4,773	12,623
Decrease/(increase) in cash collateral	5,152	(11,540)
Proceeds from the issue of shares	-	24,000
Payment of transaction costs on share issue	-	(321)
Interest paid	(17,189)	(9,076)
Net cash generated from financing activities	209,922	131,413
Net decrease in cash and cash equivalents	(1,964)	(40,822)
Cash and cash equivalents at beginning of year	36,052	69,118
Exchange difference on translation of cash and cash equivalents at beginning of year	4,663	7,756
Cash and cash equivalents at end of year (Note 16)	38,751	36,052

Note A

Purchase of property, plant and equipment exclude an amount of A\$Nil (2013 - A\$3,883,000) which relates to capitalisation of non-cash items (Note 14 and Note 30) into construction-in-progress which are directly attributable to the construction of the ferrosilicon production facility in one of the subsidiaries.

Consolidated statement of cash flows (Cont'd)

for the financial year ended 31 December 2014

Note B

The Group disposed certain subsidiaries in 2014 and 2013. The carrying value of assets and liabilities disposed were as follows:

	2014 A\$'000	2013 A\$'000
Net assets disposed of		
Deposits and other receivables	47	-
Cash and bank balances	7	8
Other payables and accruals	(237)	(16)
Translation reserve	(187)	-
	(370)	(8)
Proceed received	153	8
Cash balance in subsidiary disposed of	(7)	(8)
Cash inflow on disposal	146	-

Notes to the financial statements

for the financial year ended 31 December 2014

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Directors on the date of the Statement by Directors.

The Company is incorporated as a limited liability company listed on the Australian Securities Exchange and domiciled in Bermuda.

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

2(a) Basis of preparation

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

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

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

Significant accounting estimates and judgements

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

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

Significant judgements

Income taxes (Note 26)

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 determination is made.

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

Significant judgements (Cont'd)

Impairment of available-for-sale financial assets (Note 9)

The Group's quoted equity investments are classified as available-for-sale financial assets. These financial assets are recognised at fair value on initial recognition, with subsequent fair value changes recognised in other comprehensive income, unless there is objective evidence that the investment is impaired. The Group assesses at each reporting date whether there is objective evidence of impairment by comparing the fair values of these investments against the initial costs. The fair value of quoted equity investments is determined primarily by reference to quoted closing bid prices on the Australian Securities Exchange at the financial reporting dates. Judgement is required to determine whether there is objective evidence of impairment. In making the judgement, the Group not only evaluates the historical share price movements and the duration and extent to which the quoted prices of an investment is less than its cost, but also other factors like the volatility of market prices, published independent assessments of fair value and expected realisable on or off market sale values of the Group's equity investments.

The carrying amount of the Company and Group's available-for-sale financial assets as at 31 December 2014 is A\$2,727,000 (2013 - A\$11,691,000).

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 impairment of trade and other receivables (Note 15)

Allowance for impairment of trade and other receivables are based on the assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact the carrying value of trade receivables and impairment allowance in the period in which such estimate has been changed. The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements. The carrying amount of the Company's and the Group's trade and other receivables as at 31 December 2014 are A\$126,417,000 (2013 - A\$125,154,000) and A\$39,905,000 (2013 - A\$125,574,000) respectively.

Capitalisation of employee benefit expenses in construction-in-progress (Note 29)

During the year, the Group capitalised employee benefits expenses of A\$5,423,000 (2013 - A\$2,033,000) in construction-in-progress. The amounts capitalised represent the proportion of salaries of certain directors, key management personnel and other staff based on their expected time cost spent on the construction of the ferrosilicon production facility in one of the subsidiaries.

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

Critical assumptions used and accounting estimates in applying accounting policies

Depreciation of property, plant and equipment (Note 4)/Amortisation of mine development costs (Note 7)

The Group's management exercises its judgement in estimating the useful lives of the depreciable assets. The estimated useful lives reflect management's estimate of the periods the Group intends to derive future economic benefits from the use of these assets based on historical experience. Changes in expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. If the depreciation of the property, plant and equipment increases/decreases by 10% from management's, the Group's loss for the year will increase/decrease by approximately A\$1,569,000 (2013 – A\$1,516,000). The Group depreciates property, plant and equipment in accordance with the accounting policies stated in Note 2(d). The carrying amount of the Group's property, plant and equipment as at 31 December 2014 is A\$532,052,000 (2013 – A\$324,784,000).

The mine development costs of the Group are amortised on a unit-of-production basis using estimated mineral resources as a depletion basis in accordance with the accounting policies stated in Note 2(d). The estimates of the mineral resources for the depletion basis are determined based on professional evaluation, but may change based on additional knowledge gained subsequent to the initial assessment. A change in the original mineral resource estimates would result in a change in the rate of depletion. If the amortisation of the mine development costs increases/decreases by 10% from management's, the Group's loss for the year will increase/decrease by approximately A\$430,000 (2013 – A\$225,000). The carrying amount of the Group's mine development costs as at 31 December 2014 is A\$14,076,000 (2013 – A\$16,910,000).

Impairment of goodwill (Note 8)

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the value-in-use of the cash-generating unit to which the asset is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made. The carrying amount of the Group's goodwill as at 31 December 2014 is A\$2,065,000 (2013 – A\$2,065,000).

Fair value of financial instruments

The Group carries certain financial assets and liabilities at fair value. Where the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of the mathematical models. The input to these models are derived from observable market data where possible. Where observable data are not available, judgement are required to establish the fair value. The judgement includes considerations of liquidity and model inputs such as volatility and discount rate, prepayment rates and default rate assumptions, which fair value would differ if the Group utilised different valuation methodology. Any changes in fair values of these financial assets and liabilities would affect directly the Group's profit or loss.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

Fair value of financial instruments (Cont'd)

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring the fair values is included in the following notes:

- Note 14 – Derivative financial instruments

The carrying amount of the Company's and the Group's financial liabilities carried at fair values are A\$483,000 (2013 - \$2,713,000) and A\$49,342,000 (2013 - A\$30,123,000) respectively. If the fair value of the Company's and the Group's derivative financial liabilities increase/decrease by 10%, the Group's loss and other comprehensive expenses for the year will increase/decrease by A\$48,000 (2013 – A\$271,000) and A\$4,886,000 (2013 – A\$2,515,000) respectively.

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 the changes in market conditions. Management reassesses the estimations at the end of each reporting date.

If the net realisable value of the inventories increase or decrease by 10% from management's estimates, the Group's profit will increase or decrease by A\$3,079,000 (2013 – A\$3,710,000). The carrying amount of the inventories as at 31 December 2014 is A\$166,512,000 (2013 – A\$119,704,000).

Provision for rehabilitation (Note 22)

The Group recognises the fair value of a liability in connection with the provision for rehabilitation in the period in which it is incurred when a reasonable estimate of fair value can be made. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with the clauses of the mining permits. The recognition of rehabilitation provisions requires significant estimates including the magnitude of possible works for removal or treatment of waste materials and the extent of work required and the associated costs of rehabilitation work. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The relevant provision has been estimated based on the Group's interpretation of current regulatory requirements and have been measured at fair value.

Fair value is determined based on the net present value of expected future cash expenditures upon restoration and mine closure. Because the fair value measurement requires the input of subjective assumptions, including the restoration and closure costs, changes in subjective input assumptions can materially affect their fair value estimate.

Notes to the financial statements for the financial year ended 31 December 2014

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

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

Provision for rehabilitation (Note 22) (Cont'd)

The provision recognised for each mine pit is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimate future costs for operating sites are recognised in the balance sheet by adjusting the rehabilitation asset and provision. If the provision made during the year increases/decreases by 10% from management's, the Group's loss for the year will increase/decrease by A\$76,000 (2013 – A\$41,000). The carrying amount of the Group's provision for rehabilitation as at 31 December 2014 is A\$5,744,000 (2013 - A\$5,007,000).

2(b) Interpretations and amendments to published standards effective in 2014

On 1 January 2014, the Company and the Group adopted the new or amended IFRSs and IFRIC interpretations that are mandatory for application from that date. This includes the following IFRS which is relevant to the Company and the Group:

Reference	Description
Amendments to IAS 39	Financial Instruments Recognition and Measurement

The adoption of the above amended IFRS did not result in substantial changes to the Company's and the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except as follows:

Amendments to IAS 39 – Financial Instruments Recognition and Measurement

This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The Group has reassessed the impact and expected no change.

2(c) FRS not yet effective

The following are the new or amended IFRS issued in 2014 that are not yet effective but may be early adopted for the current financial year:

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to IAS 19	Employee Benefits	01.07.2014
Annual improvements 2010 – 2012 Cycle		
- IFRS 2	Share-based Payment	01.07.2014
- IFRS 3	Business Combination	01.07.2014
- IFRS 8	Operating Segments	01.07.2014
- IAS 16	Property, Plant and Equipment	01.07.2014
- IAS 24	Related Party Disclosures	01.07.2014
- IAS 38	Intangible Assets	01.07.2014

Notes to the financial statements for the financial year ended 31 December 2014

2(c) FRS not yet effective (Cont'd)

Reference	Description	Effective date (Annual periods beginning on or after)
Annual improvements 2011 – 2013 Cycle		
- IFRS 3	Business Combination	01.07.2014
- IFRS 13	Fair Value Measurement	01.07.2014
- IAS 40	Investment Property	01.07.2014
Amendments to IAS 1	Presentation of Financial Statements	01.01.2016
Amendments to IFRS 10, 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	01.01.2016
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	01.01.2016
Amendments to IFRS 11	Joint Arrangements	01.01.2016
Annual Improvements to IFRSs 2012 – 2014 Cycle		
- IFRS 5	Non-current Assets Held for Sales and Discontinued Operations	01.01.2016
- IFRS 7	Financial Instruments: Disclosures (with consequential amendments to IFRS 1)	01.01.2016
- IAS 19	Employee Benefits	01.01.2016
- IAS 34	Interim Financial Reporting	01.01.2016
Amendments to IFRS 7	Financial Instruments: Disclosures	01.01.2015
IFRS 14	Regulatory Deferral Accounts	01.01.2016
Amendments to IAS 16 and IAS 38	Property, Plant and Equipment and Intangible Assets	01.01.2016
Amendments to IAS 27	Equity Method in Separate Financial Statements	01.01.2016
Amendments to IAS 16 and IAS 41	Property, Plant and Equipment and Agriculture	01.01.2016
IFRS 15	Revenue from Contracts with Customers	01.01.2017
IFRS 9	Financial Instruments	01.01.2018

There are no other IFRSs, IAS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company and the Group, except as follows:

Amendments to IAS 1 – Presentation of Financial Statements

The amendments to IAS 1 clarify that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Company and Group when applicable.

IFRS 15 – Revenue from Contracts with Customers

IFRS 115 Revenue from Contracts with Customers requires the entity to recognise revenue which depict transfer of promised goods or services to customers in an amount that reflects the consideration (payment) to which the entity expects to be entitled in exchange for those goods or services. The directors are in the midst of assessing the impact to the financial position and financial performance of the Company and Group when applicable.

2(c) FRS not yet effective (Cont'd)

IFRS 9 – Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 and it is a package of improvements introduced by IFRS 9 which includes a logical model for:

- classification and measurement,
- a single, forward – looking “expected loss” impairment model and
- a substantially reformed approach to hedge accounting

In addition, IFRS 9 addresses the “own credit” issue by removing the volatility in profit or loss that was caused by changes in an entity’s own credit risk on liabilities elected to be measured at fair value. The directors are in the midst of assessing the impact to the financial position and financial performance of the Company and Group when applicable.

Annual Improvements 2010 to 2012 Cycle IAS 24 - Related Party Disclosures

Annual Improvements to IAS 24 Related Party Disclosures clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. As this is a disclosure standard, it will not have any impact on the financial performance or the financial position of the Company and the Group when applicable.

Annual Improvements 2010 to 2012 Cycle IFRS 8 Operating Segments

Annual Improvements to IFRS 8 Operating Segments clarifies that an entity shall only provide reconciliations of the total of the reportable segments’ assets to the entity’s assets if the segment assets are reported regularly. In addition, the entity is required to disclose the judgements made by management in applying the aggregation criteria to operating segments. As this is a disclosure standard, it will not have any impact on the financial performance or the financial position of the Company and the Group when applicable.

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 continue 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.

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

Consolidation (Cont'd)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If 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 profit or loss; and
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

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 or 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.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

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

Consolidation (Cont'd)

When the Group loses control of a subsidiary, a gain or loss is recognised in 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 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 IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Transactions with Non-Controlling Interest

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

Changes in 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.

Subsidiaries

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

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 is not control or joint control of those policies.

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

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

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

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

Associates (Cont'd)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss, on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in 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 the 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 profit or loss.

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

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

If the Group's ownership interest in an associate is reduced, but the Group continues to apply the equity method, the Group reclassifies to 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 profit or loss on the disposal of the related assets or liabilities.

Intangible assets

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

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

Goodwill

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

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

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

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

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

Intangible assets (Cont'd)

Goodwill (Cont'd)

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

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

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

Exploration and evaluation costs

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

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

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

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

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with IAS "6 "Impairment of Assets" whenever one of the following events or changes in facts and circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- (a) the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be recovered;
- (b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- (c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or

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

Intangible assets (Cont'd)

Exploration and evaluation costs (Cont'd)

- (d) sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

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

Mine development costs

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

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

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

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

The amortisation of capitalised mine development costs commenced from 1 September 2006 and continues to be amortised over the life (approximately 17 years) of the mine according to the rate of depletion of the economically recoverable mineral resources.

Property, plant and equipment

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

Leasehold building and improvements	3 to 73 years (based on original lease period)
Plant and machinery	3 to 20 years
Plant and equipment - Process facility	Life of mine: 10 years
Computer equipment, office equipment and furniture	1 to 10 years
Motor vehicles	5 to 10 years

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

Property, plant and equipment (Cont'd)

CIP represents assets in the course of construction for production or for its own use purpose. CIP is stated at cost less any impairment loss and is not depreciated. Cost includes direct costs incurred during the periods of construction, installation and testing plus interest charges arising from borrowings used to finance these assets during the construction period. CIP is reclassified to the appropriate category of property, plant and equipment and depreciation commences when the construction work is completed and the asset is ready for use.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

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

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

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

Land use rights

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

Financial assets

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

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

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

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

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

Financial assets (Cont'd)

Loans and receivables

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

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

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

Available-for-sale financial assets

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

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

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

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

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

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

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

Financial assets (Cont'd)

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

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

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

Determination of fair value

The fair values of quoted financial assets are based on quoted market prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs. Where fair value of unquoted instruments cannot be measured reliably, fair value is determined by the transaction price.

Derivative financial instruments and hedging activities

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

There are 3 types of hedges as follows:

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

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

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

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 14. Movements on the hedging reserve in other comprehensive income are shown in Note 19. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

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

Derivative financial instruments and hedging activities (Cont'd)

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

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

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

Derivatives financial instruments not designated as hedging instrument

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

The changes in fair value of the derivative financial instruments not designated as hedges are capitalised as part of the cost of 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.

Inventories

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

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

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

Cash and cash equivalents

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

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

Share capital and treasury shares

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

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

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

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

Dividends

Final dividends proposed by the Directors are not accounted for in shareholders' equity as an appropriation of retained profits, until they have been approved by shareholders in a general meeting. When these dividends have been approved by shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Financial liabilities

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

Financial liabilities are recognised when the Company and the Group becomes a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance cost" in the profit or loss.

Financial liabilities are derecognised if the 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 profit or loss over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

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

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

Financial liabilities (Cont'd)

Borrowings (Cont'd)

Borrowings which are due to be settled within 12 months after the end of the reporting period are included in current borrowings in the statements of financial position even though the original terms were for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of the reporting period. Borrowings to be settled within the 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 interests and other financing charges that the Company and the Group incurs in connection with the borrowing of funds.

Capitalisation of borrowing costs commences when the activities to prepare the qualifying asset for its intended use are in progress and the expenditures for the qualifying asset and the borrowing costs have been incurred. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying assets are substantially completed for their intended use.

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

Trade and bill payables/accruals and other payables

Trade and bill payables/accruals and other payables are initially measured at fair value, and subsequently measured at amortised 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 recorded as a non-current liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option, which is recognised and included as a current liability as the convertible note is issued in a currency that is not the functional currency of the issuer and hence, cannot be classified as equity.

Financial guarantees

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

Financial guarantee contracts are initially recognised at their fair value plus transaction costs in the statement of financial position.

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

Provisions and contingent liabilities

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

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

Provisions and contingent liabilities (Cont'd)

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

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

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

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

Leases

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

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

Where the Group is the lessee,

Finance leases

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

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

Operating leases

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

Income taxes

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

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

Income taxes (Cont'd)

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

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

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

Deferred income tax is measured:

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

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

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

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

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

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

Royalties and Special Mining Taxes

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

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

Employee benefits

Defined contribution plan

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

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

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

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

Key management personnel

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

Related parties

A related party is defined as follows:

- a) A person or a close member of that person's family is related to the Group and Company 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 Group or Company or of a parent of the Company.
- b) An entity is related to the Group and the Company 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); or
 - (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).

Impairment of non-financial assets

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

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

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

Impairment of non-financial assets (Cont'd)

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

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

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

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

With the exception of goodwill,

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

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

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, net of rebates and discounts, goods and services tax and other sale taxes. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably and there is no continuing management involvement with the goods, revenue is recognised in the consolidated statement of comprehensive income as follows:

Revenue from the sale of goods is recognised upon the transfer of significant risks and rewards of ownership to the customers. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sales of ores in the domestic markets, transfer occurs upon satisfaction of (i) full payments by customers and, (ii) notifications issued to customers to take deliveries; for international shipments, transfer occurs upon loading of the goods onto the relevant carrier at the port.

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

Revenue recognition (Cont'd)

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

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

Functional currencies

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

Conversion of foreign currencies

Transactions and balances

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

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

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

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

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

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 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 translated at the closing rates at the reporting date. For acquisitions prior to 1 January 2005, the goodwill and fair value adjustments are translated at the exchange rates at the dates of acquisition.

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

Operating segments

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

The Group has identified the following reportable segments:

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

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

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

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

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

3 Principal activities and revenue

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

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

Notes to the financial statements for the financial year ended 31 December 2014

4 Property, plant and equipment

The Group	Construction -in-progress A\$'000	Leasehold buildings and improvements A\$'000	Plant and machinery A\$'000	Computer equipment, office equipment and furniture A\$'000	Motor vehicles A\$'000	Total A\$'000
<u>Cost</u>						
At 1 January 2013	57,973	16,309	111,664	3,191	1,319	190,456
Additions	206,546	6	149	70	244	207,015
Transfers	(16,050)	285	15,226	539	-	-
Disposals	-	-	(628)	(59)	-	(687)
Written off	-	-	-	(21)	-	(21)
Impairment	(4,038)	-	-	-	-	(4,038)
Reclassification	54	-	-	-	-	54
Exchange realignment	2,821	3,248	3,153	78	241	9,541
At 31 December 2013	247,306	19,848	129,564	3,798	1,804	402,320
Additions	196,076	143	2,456	290	275	199,240
Transfers	(80,901)	993	79,865	41	2	-
Disposals	-	(30)	(395)	(139)	(103)	(667)
Written off	-	-	-	(13)	-	(13)
Exchange realignment	21,676	2,182	2,118	53	175	26,204
At 31 December 2014	384,157	23,136	213,608	4,030	2,153	627,084
<u>Accumulated depreciation</u>						
At 1 January 2013	-	3,415	53,977	2,539	550	60,481
Depreciation for the year (Note 25)	-	977	13,524	425	232	15,158
Disposals	-	-	(433)	-	-	(433)
Written off	-	-	-	(21)	-	(21)
Exchange realignment	-	737	1,445	51	118	2,351
At 31 December 2013	-	5,129	68,513	2,994	900	77,536
Depreciation for the year (Note 25)	-	1,065	13,936	389	297	15,687
Disposals	-	(6)	(215)	(84)	(62)	(367)
Written off	-	-	-	(13)	-	(13)
Exchange realignment	-	682	1,347	44	116	2,189
At 31 December 2014	-	6,870	83,581	3,330	1,251	95,032
<u>Net book value</u>						
At 31 December 2014	384,157	16,266	130,027	700	902	532,052
At 31 December 2013	247,306	14,719	61,051	804	904	324,784

The net book value of motor vehicles acquired under finance lease for the Group amounted to A\$305,000 (2013 - A\$237,000) (Note 21.1).

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

The impairment of construction-in-progress in prior year pertained to the cessation of a construction project in one of the subsidiaries.

Notes to the financial statements for the financial year ended 31 December 2014

5 Land use rights

The Group	2014 A\$'000	2013 A\$'000
At the beginning of the year	37,476	35,771
Amortisation for the year (Note 25)	(651)	(626)
Reclassification #	(6,698)	(54)
Exchange realignment	2,037	2,385
At the end of the year	32,164	37,476
At the end of the year		
Cost	33,605	38,392
Accumulated amortisation	(1,441)	(916)
Net carrying value	32,164	37,476

The land use rights are for leasehold land situated in the PRC and Malaysia.

As at 31 December 2014, the land use rights for leasehold land located in Malaysia had a net carrying value of A\$30,609,000 (2013 - A\$36,042,000) and are pledged as security for borrowings referred to in Note 21.2(c) and (f).

#On 5 December 2014, a subsidiary of the Company entered into two option agreements with two parties to sell a total of 30 acres of land at A\$10,100,000. The sales and purchase agreements were signed subsequent to 31 December 2014 and a total of A\$1,010,000, representing 10% of down payment for the purchase of land had been received. The cost of the 30 acres of land sold which amounted to A\$6,698,000 was reclassified to current assets as at 31 December 2014.

6 Exploration and evaluation costs

The Group	2014 A\$'000	2013 A\$'000
At beginning of year	1,660	819
Costs incurred during the year	1,527	1,407
Written off during the year (Note 25)	(1,708)	(566)
At end of year	1,479	1,660

The summarised financial information in relation to exploration and evaluation costs is as follows:

The Group	2014 A\$'000	2013 A\$'000
Assets	28	35
Liabilities	-	-
Income and expenses	(201)	1,347
Operating cash flows	1,677	1,349
Investing cash flows	(2,005)	(415)

7 Mine development costs

The Group	2014 A\$'000	2013 A\$'000
At beginning of year	16,910	18,829
Costs incurred during the year	1,462	335
Amortisation for the year (Note 25)	(4,296)	(2,254)
At end of year	14,076	16,910

Notes to the financial statements for the financial year ended 31 December 2014

7 Mine development costs (Cont'd)

The Group	2014 A\$'000	2013 A\$'000
At the end of the year		
Costs	31,427	29,965
Accumulated amortisation	(17,351)	(13,055)
Net carrying value	14,076	16,910

The ultimate recoupment of the mine development costs is dependent upon successful mining or sale of the areas of interest. The Directors consider that the current results of the on-going development and production on the identified areas of interest are positive and expect that the costs will be fully recouped through sales of product generated from the mining operation.

8 Goodwill

The Group	2014 A\$'000	2013 A\$'000
Goodwill	2,065	2,065

Goodwill was allocated to the Group's cash-generating unit ("CGU") relating to the mining segment from which it is expected to benefit.

The recoverable amount of the CGU was determined based on value-in-use calculations. Cash flow projections used in these calculations were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs.

The Group	2014	2013
Gross margin(1)	14% - 35%	0% - 13%
Growth rate(2)	5% - 11%	0% - 10%
Discount rate(3)	10%	10%

(1) Budgeted gross margin

(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

Management estimates the discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the business segment. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. Management has determined the budgeted gross margin based on past performance and its expectations for market development.

Apart from the considerations described in determining the value-in-use of the CGUs above, the Directors are not currently aware of any other probable changes that would necessitate changes in its key estimates.

The impairment test carried out as at 31 December 2014 for the CGU for the operation in Australia shows the recoverable amount of the CGU to be A\$138,659,000 or 15% higher than its carrying amount. A decrease in the gross margin by 17.00% or a decrease in the growth rate by 3.00% would result in the recoverable amount of the operation CGU in Australia to equal its carrying amount.

Notes to the financial statements for the financial year ended 31 December 2014

9 Available-for-sale financial assets

	2014 A\$'000	2013 A\$'000
The Company and The Group		
Quoted equity investments, at fair value		
At beginning of year	11,691	28,884
Impairment loss		
- Impairment loss recognised directly in profit or loss	(3,988)	(23,022)
- Impairment loss recognised directly in other comprehensive income	(4,976)	-
- Reversal of impairment loss recognised directly in other comprehensive income	-	5,829
	(8,964)	(17,193)
At end of year	2,727	11,691

Represented by:

	2014 A\$'000	2013 A\$'000
The Company and The Group		
Quoted equity investments, at costs	81,899	81,899
Impairment loss		
At beginning of year	(70,208)	(53,015)
Impairment loss recognised directly in profit or loss	(3,988)	(23,022)
Impairment loss recognised directly in other comprehensive income	(4,976)	-
Reversal of impairment loss recognised directly in other comprehensive income	-	5,829
At end of year	(79,172)	(70,208)
At end of year	2,727	11,691

The fair value of quoted equity investments is determined by reference to quoted closing bid prices on the Australian Securities Exchange at the financial reporting dates.

Subsequent to the end of the reporting period, there were a further decline on the quoted prices of the available-for-sale financial assets which would have resulted in a further impairment charge of A\$1,061,000.

10 Deferred taxation

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

	2014 A\$'000	2013 A\$'000
The Group		
Deferred tax assets		
To be recovered within one year	-	-
To be recovered after one year	8,856	31,031
	8,856	31,031
Deferred tax liabilities		
To be recovered within one year	-	-
To be recovered after one year	-	6
	-	6

Notes to the financial statements for the financial year ended 31 December 2014

10 Deferred taxation (Cont'd)

	2014 A\$'000	2013 A\$'000
The Group		
Deferred tax assets		
Balance at beginning of year	22,468	21,312
Credited to the profit or loss (Note 26)	(20,142)	1,477
Exchange difference on translation	34	26
	2,360	22,815
Over provision in respect of prior years (Note 26)	370	(347)
	2,730	22,468
Profit-based royalty recoverable (Northern Territory Government)	6,266	8,563
Balance at end of year	8,996	31,031
Deferred tax liabilities		
Balance at beginning of year	(6)	(244)
Credited to the profit or loss (Note 26)	6	270
Exchange difference on translation	-	(32)
Balance at end of year	-	(6)

The balance comprises tax on the following temporary differences:

	Excess of net book value over tax written down value of qualifying property, plant, and equipment A\$'000	Provisions A\$'000	Interest payable A\$'000	Tax losses A\$'000	Northern Territory Government Royalty Benefit A\$'000	Others A\$'000	Total A\$'000
The Group							
At 1 January 2013	(7,238)	1,882	9,356	18,067	-	(999)	21,068
Charged/(credited) to - profit or loss (Note 26)	66	332	(9,356)	9,553	8,563	805	9,963
Exchange difference on translation	-	-	-	-	-	(6)	(6)
At 31 December 2013	(7,172)	2,214	-	27,620	8,563	(200)	31,025
Charged/(credited) to - profit or loss (Note 26)	7,172	(2,214)	-	(24,924)	(2,297)	200	(22,063)
Exchange difference on translation	-	-	-	34	-	-	34
At 31 December 2014	-	-	-	2,730	6,266	-	8,996

As at 31 December 2014, the Group had tax losses arising in Hong Kong of A\$374,700 (2013 - A\$351,300) and Australia of A\$26,077,000 (2013 - A\$5,460,000) which are available for offsetting against future taxable profits. No deferred tax asset has been recognised in respect of these tax losses due to the uncertainty of future profit streams against which the asset can be utilised. The tax losses arising in Hong Kong and Australia can be carried forward indefinitely without any expiry date.

Unrecognised taxable temporary differences associated with investments in subsidiaries and associates

Deferred income tax liabilities of A\$2,000,000 (2013: A\$2,200,000) have not been recognised for withholding and other taxes that will be payable on the earnings of an overseas subsidiary and associates when remitted to the holding company.

Notes to the financial statements for the financial year ended 31 December 2014

11 Subsidiaries

	2014 A\$'000	2013 A\$'000
The Company		
Unquoted equity investments, at cost	8,014	8,014
Amounts due from subsidiaries:		
- Interest-free	204,354	100,459
- Interest-bearing	46,029	86,102
	258,397	194,575

The amounts due from subsidiaries are unsecured and are not expected to be repaid within one year. The amounts include a balance of A\$46,029,000 (2013 - A\$86,102,000) which is interest-bearing at a weighted average effective interest rate of 12.45% (2013 - 9.62%) per annum. The remaining balances are interest-free. These amounts represent net investments, with indeterminable repayments.

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.

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

<u>Name</u>	<u>Place of incorporation/and operation</u>	<u>Proposition of ownership interest and voting rights held by the Group</u>		<u>Principal activities</u>
		2014 %	2013 %	
<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	80	80	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 Trade (S) Pte. Ltd.</u>				
OM Materials Trading (Qinzhou) Co. Ltd. ⁽⁴⁾	PRC	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
- (4) audited by Guangxi JiaHai Accountant Affairs Office Co. Ltd.

Notes to the financial statements for the financial year ended 31 December 2014

11 Subsidiaries (Cont'd)

At the end of the reporting period, the Company 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/and operation</u>	<u>Number of subsidiaries</u>	
		2014	2013
Investment holding	The British Virgin Islands	2	2
Investment holding	Mauritius	1	1
Investment holding	Hong Kong	1	1
Investment holding	Singapore	1	1
Trading of metals and ferroalloy products	Malaysia	1	1
Trading of metals and ferroalloy products	Singapore	1	1
Trading of metals and ferroalloy products	PRC	2	2
Sales and processing of ferroalloys and ores	Malaysia	2	2
Exploration and mining of minerals	Malaysia	2	1
Exploration and evaluation activities	Madagascar	-	1
Exploration and evaluation activities	Papua New Guinea	-	1
		13	14

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

<u>Name of subsidiary</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 allocated to non- controlling interests</u>		<u>Accumulated non-controlling interests</u>	
		2014	2013	2014	2013	2014	2013
				A\$'000	A\$'000	A\$'000	A\$'000
OM Materials (Sarawak) Sdn. Bhd.	Malaysia	20%	20%	(408)	(4,316)	19,452	19,860

Summarised financial information in respect of the above subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

OM Materials (Sarawak) Sdn. Bhd.	2014	2013
<u>Summarised Balance Sheet</u>	A\$'000	A\$'000
Current assets	100,084	42,165
Non-current assets	457,772	251,532
Current liabilities	(74,427)	(17,935)
Non-current liabilities	(386,478)	(176,772)
Equity attributable to owners of the Company	77,561	79,192
Non-controlling interests	19,390	19,798
<u>Summarised Statement of Comprehensive Income</u>		
Profit/(loss) attributable to owners of the Company	5,310	(1,613)
Profit/(loss) attributable to the non-controlling interest	1,328	(403)
Profit/(loss) for the year	6,638	(2,016)
Total comprehensive income/(expense) attributable to owners of the Company	5,310	(1,613)
Total comprehensive income/(expense) attributable to the non-controlling interests	1,328	(403)
Total comprehensive income/(expense) for the year	6,638	(2,016)

Notes to the financial statements for the financial year ended 31 December 2014

11 Subsidiaries (Cont'd)

	2014 A\$'000	2013 A\$'000
<u>Other summarised information</u>		
Net cash (outflow)/inflow from operating activities	(19,252)	1,533
Net cash outflow from investing activities	(160,755)	(183,156)
Net cash inflow from financing activities	150,731	165,253
Net cash outflow	(29,276)	(16,370)

12 Interests in associates

	2014 A\$'000	2013 A\$'000
The Group		
Unquoted equity investment, at cost	100,127	98,743
Share of post-acquisition profits and reserves	7,754	1,593
	107,881	100,336

Details of each of the Group's material associates at the end of the reporting period are as follows:-

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Percentage of equity held</u>		<u>Principal activities</u>
		2014 %	2013 %	
Main Street 774 (Pty) Limited (1)	South Africa	26	26	Investment holding
OM Tshipi (S) Pte Ltd (2)	Singapore	33	33	Trading of metals and ferroalloy products

(1) audited by KPMG Inc.

(2) audited by Foo Kon Tan LLP

Shares in the associates are held by wholly-owned subsidiaries of the Group, OMH (Mauritius) Corp., and OM Materials Trade (S) Pte Ltd.

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

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

	Main Street 774 (Pty) Limited		OM Tshipi (S) Pte Ltd		Total	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
- Current assets	36	6	8,745	20,747	8,781	20,753
- Non-current assets	149,214	125,459	-	-	149,214	125,459
- Current liabilities	6	-	2,438	20,106	2,444	20,106
- Revenue	-	-	7,783	44,886	7,783	44,886
- Profit for the year	17,130	5,800	5,108	597	22,238	6,397
- Other comprehensive income for the year	-	-	-	-	-	-
- Total comprehensive income for the year	17,130	5,800	5,108	597	22,238	6,397

Notes to the financial statements for the financial year ended 31 December 2014

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:

	Main Street 774 (Pty) Limited		OM Tshipi (S) Pte Ltd		Total	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
Net assets of the associate	149,244	125,465	6,307	641	155,551	126,106
Proportion of the Group's ownership interest in the associate	38,803	32,621	2,102	213	40,905	32,834
Goodwill	59,842	59,842	-	-	59,842	59,842
Currency translation difference	7,108	7,640	-	-	7,108	7,640
Carrying value	105,753	100,103	2,102	213	107,855	100,316
Add:						
Carrying value of individually immaterial associated company					26	20
Carrying value of Group's interest in associated companies					107,881	100,336

Aggregate information of associates that are not individually material

	2014 A\$'000	2013 A\$'000
The Group's share of profit, representing total comprehensive income	6	3

13 Inventories

	2014 A\$'000	2013 A\$'000
The Group		
Raw materials, at cost	89,376	33,752
Work-in-progress, at cost	1,055	5,807
Work-in-progress, at net realisable value	30,789	37,095
Finished goods, at cost	45,292	43,050
	166,512	119,704

Inventories of A\$11,789,000 (2013 - A\$13,674,000) have been pledged as security for bank loans of the Group [Note 21.2(e)].

Included in inventories is an amount of A\$20,740,000 (2013 - A\$27,370,000) of ore requiring re-treatment that is expected to be processed for sale within the next 5 years based on the expected production rate of the secondary processing plant.

14 Derivative financial instruments

	Notional Principal Amount A\$'000	2014		2013	
		Assets A\$'000	Liabilities A\$'000	Assets A\$'000	Liabilities A\$'000
The Group					
Non-current					
Foreign currency forward contracts [Note (a)]	298,297	-	31,050	-	15,714
Cross Currency Swap [Note (b)]	108,042	-	15,625	-	9,440
Interest Rate Swap [Note (c)]	118,950	-	2,184	-	2,256
	525,289	-	48,859	-	27,410

Notes to the financial statements for the financial year ended 31 December 2014

14 Derivative financial instruments (Cont'd)

	Notional Principal Amount A\$'000	2014		2013	
		Assets A\$'000	Liabilities A\$'000	Assets A\$'000	Liabilities A\$'000
The Company and The Group					
Current					
5% Convertible note (Note 21.3)		-	483	-	2,713

Derivative financial instruments are denominated in the following currencies:

	The Company		The Group	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
United States dollar	483	2,713	33,717	20,683
Malaysian Ringgit	-	-	15,625	9,440
	483	2,713	49,342	30,123

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

The changes in fair value of the derivatives not designated as cash flow hedges amounted to A\$2,256,000 (2013 - A\$2,256,000) and have been capitalised in construction-in-progress.

- The nature of the risk being hedged is currency mismatch between future earnings denominated in USD and forecasted purchases in RM in respect of bank loans [Note 21.2 (f)]. Due to this exposure to the variation in cash flows, forward contracts are entered into to exchange such forecasted payments denominated in the two different currencies. The hedge is designed to swap 50% of the Group's MYR obligations into USD obligations, thus removing future currency risk for 50% of the payments.
- Cross currency swap is entered into to exchange interest payments and loan principals denominated in USD and RM in respect of bank loans [Note 21.2 (f)]. The outstanding cross currency swap at the end of the financial year has a notional value that hedges 100% of such interest and principal repayments.
- Interest rate swaps are used to manage the interest rate risk exposures arising from the loans and borrowings at floating rates in respect of Note 21.2 (f). At the end of the reporting period, the Group has interest rate swaps with notional values that hedge 50% of the exposure to the cash flow risk in connection with the floating interest rate of loans and borrowings.

15 Trade and other receivables

	The Company		The Group	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
Trade receivables	-	-	17,882	23,563
Bills receivable	-	-	4,237	71,168
Net trade receivables (i)	-	-	22,119	94,731
Other receivables				
Amounts due from subsidiaries (non-trade)	126,417	125,154	-	-
Deposits and other receivables	-	-	17,786	30,843
Net other receivables (ii)	126,417	125,154	17,786	30,843
Total (i) + (ii)	126,417	125,154	39,905	125,574

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

Notes to the financial statements for the financial year ended 31 December 2014

15 Trade and other receivables (Cont'd)

Bills receivable of A\$1,368,000 (2013 - A\$67,497,000) have been pledged as security for bank loans of the Group (Note 21.2(b)).

Trade and other receivables are denominated in the following currencies:

	The Company		The Group	
	2014	2013	2014	2013
	A\$'000	A\$'000	A\$'000	A\$'000
Australian dollar	126,402	125,154	2,482	1,633
Renminbi	-	-	16,822	76,285
United States dollar	15	-	19,217	21,553
Malaysian Ringgit	-	-	1,316	25,914
Others*	-	-	68	189
	126,417	125,154	39,905	125,574

*Others include Singapore dollar and South African Rand.

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

	The Company		The Group	
	2014	2013	2014	2013
	A\$'000	A\$'000	A\$'000	A\$'000
<u>By geographical areas</u>				
People's Republic of China	-	-	32,760	97,425
Australia	26,197	26,197	2,482	1,633
Singapore	15	-	1,469	554
Malaysia	-	-	2,527	25,914
Mauritius	100,205	98,957	-	-
Others*	-	-	667	48
	126,417	125,154	39,905	125,574

*Others include India, Netherlands and Taiwan.

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

	The Company		The Group	
	2014	2013	2014	2013
	A\$'000	A\$'000	A\$'000	A\$'000
Past due 0 to 3 months	-	-	-	387
Past due 3 to 6 months	-	-	-	-
Past due over 6 months	-	-	78	-
	-	-	78	387

Trade and other receivables that were neither past due nor impaired amounting to A\$126,417,000 (2013 - A\$125,154,000) and A\$39,827,000 (2013 - A\$125,187,000) for the Company and the Group related to a wide range of customers for whom there was no recent history of default. 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 up to 6 months. These receivables are mainly arising from customers that have a good credit record with the Group.

Notes to the financial statements for the financial year ended 31 December 2014

16 Cash and bank balances

	The Company		The Group	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
Cash at bank and on hand	227	50	51,695	56,814
Short-term bank deposits	-	-	13,178	10,512
Total cash and bank balances [Notes (a) (b) and (c)]	227	50	64,873	67,326
Less: Cash collateral [Notes (d) and (e)]	-	-	(26,122)	(31,274)
Cash and cash equivalents	227	50	38,751	36,052

Notes:

- (a) Short-term bank deposits are for varying periods of one day to one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.
- (b) At 31 December 2014, the total amount of cash and cash equivalents of the Group which were deposited with banks in the PRC and denominated in Renminbi ("RMB") amounted to A\$12,691,000 (2013 - A\$16,026,000). The RMB is not freely convertible into other currencies.
- (c) Certain bank deposits were designated to secure banking facilities provided to the Group in respect of bank loans [(Note 21.2(f)]. The weighted average effective interest rate was 5.00% (2013 - 2.50%) per annum.
- (d) Certain bank deposits were pledged to banks to secure banking facilities provided to the Group in respect of letters of credit and bank loans [(Notes 21.2(a), (b), (d) and (g)]. The cash collateral has an average maturity of 1 to 6 months (2013 - 1 to 3 months) with the weighted average effective interest rates of 0.41% to 3.08% (2013 - 0.30% to 3.08%) per annum.
- (e) Certain bank deposits held by the Australian subsidiary were pledged to secure the issuance of environmental bonds. The A\$2,782,000 (2013 - A\$3,096,000) cash collateral has an average maturity of 1 month (2013 - 1 month) with the weighted average effective interest rate of 2.68% (2013 - 2.62%) per annum.

Cash and bank balances are denominated in the following currencies:

	The Company		The Group	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
Australian dollar	225	48	3,363	3,145
Renminbi	-	-	12,691	16,026
United States dollar	2	2	34,000	37,513
Malaysian Ringgit	-	-	14,637	10,486
Others	-	-	182	156
	227	50	64,873	67,326

*Others include Singapore dollar, Hong Kong dollar, South African Rand and Euro.

The fixed deposits have an average maturity of 1 to 6 months (2013 - 1 to 3 months) from the end of the financial year with the following weighted average effective interest rates:

	2014	2013
The Group		
Australian dollar	2.68%	2.62%
Renminbi	3.08%	0.35% - 3.08%
United States dollar	0.41%	0.30%
Malaysian Ringgit	2.7% - 5.00%	2.08%

Notes to the financial statements for the financial year ended 31 December 2014

17 Share capital

The Company and The Group	No. of ordinary shares		Amount	
	2014 '000	2013 '000	2014 A\$'000	2013 A\$'000
Authorised:				
Ordinary shares of A\$0.05 (2013 - A\$0.05) each	2,000,000	2,000,000	100,000	100,000
Issued and fully paid:				
Ordinary shares of A\$0.05 (2013 - A\$0.05)				
each as at 1 January	733,423	673,423	36,671	33,671
Issue of ordinary shares	-	60,000	-	3,000
Ordinary shares of A\$0.05 (2014 - A\$0.05)				
each as at 31 December	733,423	733,423	36,671	36,671

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

18 Treasury shares

The Company and The Group	No. of ordinary shares		Amount	
	2014 '000	2013 '000	2014 A\$'000	2013 A\$'000
At beginning and end of year	1,933	1,933	2,330	2,330

The Company acquired 983,295 and 950,000 of its own shares in year 2008 and 2009 respectively, through purchase on the Australia Stock Exchange. The total amount paid was A\$2,330,000 and has been deducted from the shareholders' equity (Note 17). The shares are held as "treasury shares".

19 Reserves

	The Company		The Group	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
Share premium	176,563	176,563	176,563	176,563
Non-distributable reserves [Note (i)]	-	-	5,553	5,553
Capital reserve [Note (ii)]	449	-	572	139
Share option reserve [Note (iii)]	-	5,975	-	5,975
Fair value reserve [Note (iv)]	833	5,809	833	5,809
Contributed surplus [Note (v)]	3,312	3,312	-	-
Hedging reserve [Note (vi)]	-	-	(37,119)	(20,123)
Exchange fluctuation reserve	-	-	8,241	(7,176)
Retained profits	51,756	44,283	18,153	74,764
	232,913	235,942	172,796	241,504
	The Company		The Group	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
Share premium				
At 1 January	176,563	155,884	176,563	155,884
Issue of ordinary shares	-	20,679	-	20,679
At 31 December	176,563	176,563	176,563	176,563
Non-distributable reserves				
At 1 January	-	-	5,553	4,074
Transfer from profit and loss	-	-	-	1,479
At 31 December	-	-	5,553	5,553

Notes to the financial statements for the financial year ended 31 December 2014

19 Reserves (Cont'd)

	The Company		The Group	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
Capital reserve				
At 1 January	-	-	139	69
Issue of warrants	449	-	449	-
Currency translation differences	-	-	(16)	70
At 31 December	449	-	572	139
Share option reserve				
At 1 January	5,975	12,814	5,975	12,814
Equity settled share-based transactions [Note (a)]	-	2,440	-	2,440
Share options lapsed	(5,975)	(9,279)	(5,975)	(9,279)
At 31 December	-	5,975	-	5,975
Fair value reserve				
At 1 January	5,809	-	5,809	-
Fair value gain on available-for-sale financial assets	-	5,809	-	5,809
Transfer to profit and loss	(4,976)	-	(4,976)	-
At 31 December	833	5,809	833	5,809
Contributed surplus				
At 1 January and 31 December	3,312	3,312	-	-
Hedging reserve				
At 1 January	-	-	(20,123)	-
Cash flow hedges	-	-	(16,996)	(20,123)
At 31 December	-	-	(37,119)	(20,123)
Exchange fluctuation reserve				
At 1 January	-	-	(7,176)	(15,520)
Currency translation differences	-	-	15,417	8,344
At 31 December	-	-	8,241	(7,176)
Retained profits				
At 1 January	44,283	50,234	74,764	115,951
Profit/(loss) for the year	1,498	(15,230)	(62,586)	(48,987)
Share option lapsed	5,975	9,279	5,975	9,279
Transfer to Non-distributable reserves	-	-	-	(1,479)
At 31 December	51,756	44,283	18,153	74,764
Total reserves	232,913	235,942	172,796	241,504

Notes:

- (i) In accordance with the accounting principles and financial regulations applicable to Sino-foreign joint venture enterprises, the subsidiaries in the PRC are required to transfer part of their profit after tax to the "Statutory Reserves Fund", the "Enterprise Expansion Fund" and the "Staff Bonus and Welfare Fund", which are non-distributable, before profit distributions to joint venture partners. The quantum of the transfers is subject to the approval of the board of Directors of these subsidiaries.

The annual transfer to the Statutory Reserves Fund should not be less than 10% of profit after tax, until it aggregates to 50% of the registered capital. However, foreign enterprises may choose not to appropriate profits to the Enterprise Expansion Fund.

The Statutory Reserves Fund can be used to make good previous years' losses while the Enterprise Expansion Fund can be used for acquisition of property, plant and equipment and financing daily funds required. The Staff Bonus and Welfare Fund is utilised for employees collective welfare benefits and is included in other payables under current liabilities in the statements of financial position.

Notes to the financial statements for the financial year ended 31 December 2014

19 Reserves (Cont'd)

Notes:

- (ii) This arose from the capitalisation of various reserves and retained profits in one of the Sino-foreign joint ventures of the Group. The purpose of the capitalisation is to increase the registered capital of the joint venture.
- (iii) This arose from the recognition of share based payments arising from the grant of unlisted options to certain Directors and employees of the Company and its subsidiaries (Note 30).
- (iv) The fair value reserve of the Group represents the changes in fair value of available-for-sale financial asset.
- (v) 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.
- (vi) The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge recognised in other comprehensive income and accumulated hedging reserves is reclassified to profit or loss when the hedged transaction impacts the profit or loss.

20 Land use rights obligation

The lease obligations pertain to the present value of the remaining unpaid land premium for a land use right in Sarawak, Malaysia. The unpaid land premium is to be paid over 4 annual instalments and is recognised as lease obligation in the statements of financial position.

21 Borrowings

	The Company		The Group	
	2014	2013	2014	2013
	A\$'000	A\$'000	A\$'000	A\$'000
Non-current				
Obligations under finance leases (Note 21.1)	-	-	4,349	91
Bank loans, secured (Note 21.2)	32,160	-	351,548	156,499
5% Convertible Note (Note 21.3)	19,264	18,442	19,264	18,442
Other loans (Note 21.4)	12,819	-	27,441	13,303
	64,243	18,442	402,602	188,335
Current				
Obligations under finance leases (Note 21.1)	-	-	4,329	74
Bank loans, secured (Note 21.2)	-	-	75,081	138,484
	-	-	79,410	138,558
	64,243	18,442	482,012	326,893

Notes to the financial statements for the financial year ended 31 December 2014

21 Borrowings (Cont'd)

21.1 Obligations under finance leases

	2014	2013
	A\$'000	A\$'000
The Group		
Minimum lease payments payable:		
Due not later than one year	4,891	79
Due later than one year and not later than five years	4,710	98
	9,601	177
Less: Finance charges allocated to future periods	(923)	(12)
Present value of minimum lease payments	8,678	165
Present value of minimum lease payments:		
Due not later than one year	4,329	74
Due later than one year and not later than five years	4,349	91
	8,678	165

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

21.2 Bank loans

	The Company		The Group	
	2014	2013	2014	2013
	A\$'000	A\$'000	A\$'000	A\$'000
Bank loans, secured [note (a)]	-	-	3,848	44,447
Bank loans, secured [note (b)]	-	-	2,828	73,211
Bank loans, secured [note (c)]	-	-	13,973	14,647
Bank loans, secured [note (d)]	-	-	53,109	43,823
Bank loans, secured [note (e)]	-	-	6,917	8,261
Bank loans, secured [note (f)]	-	-	283,595	110,594
Bank loans, secured [note (g)]	32,160	-	62,359	-
	32,160	-	426,629	294,983
Amount repayable not later than one year	-	-	75,081	138,484
Amount repayable after one year	32,160	-	351,548	156,499
Bank loans	32,160	-	426,629	294,983

Notes:

(a) The loans are secured by:

- a charge over certain bank deposits as disclosed in Note 16 (d);
- a security agreement over the Company's holding of 52,482,500 Northern Iron Limited ("NFE") shares listed on the ASX;
- the Company's holding of 100% shares of OMH (Mauritius) Corp, a company incorporated in Mauritius;
- OMH (Mauritius) Corp's holding of 2,592,593 shares (representing 26%) in Main Street 774 (Proprietary) Limited, a company incorporated under the laws of the Republic of South Africa; and
- irrevocable and unconditional corporate guarantees provided by the Company and a subsidiary.

The weighted average effective interest rate was 2.53% (2013 - 3.90%) per annum.

(b) The loans are secured by charges over certain bank deposits and bills receivables as disclosed in Note 16(d) and Note 15 respectively, and the weighted average effective interest rate of the bank loans was 4.24% (2013 - 3.38%) per annum.

Notes to the financial statements for the financial year ended 31 December 2014

21 Borrowings (Cont'd)

21.2 Bank loans (Cont'd)

Notes:

- (c) The loan is secured by a charge over leasehold land as disclosed in Note 5, and an irrevocable and unconditional corporate guarantee provided by the Company. The weighted average effective interest rate of the bank loan was 3.04% (2013 - 2.95%) per annum.
- (d) The loans are secured by charges over certain bank deposits as disclosed in Note 16(d), and the weighted average effective interest rate of the bank loans was 2.22% (2013 - 1.32%) per annum.
- (e) The loans are secured by charges over certain inventories as disclosed in Note 13, and the weighted average effective interest rate of the bank loans was 5.30% (2013 - 4.35%) per annum.
- (f) These loans are project finance loans for OM Sarawak ferroalloy projects and are secured by:
- the Company's holding of 80% shares of OM Materials (Sarawak) Sdn Bhd, a company incorporated in Malaysia;
 - charge over certain bank deposits as disclosed in Note 16(c);
 - charge over certain land use rights as disclosed in Note 5;
 - debenture;
 - borrower assignment;
 - assignment of insurances;
 - shareholder assignment;
 - assignment of reinsurances; and
 - corporate guarantee from OM Holdings Limited and Chaya Mata Sarawak Berhad.

The weighted average effective interest rates were 4.15% to 6.47% (2013 - 4.16% to 6.20%) per annum.

- (g) The loans are secured by:
- charge over certain bank deposits as disclosed in Note 16 (d);
 - holding of 52,482,500 Northern Iron Limited ("NFE") shares listed on the ASX;
 - certain subsidiaries and an associated company and corporate guarantees from the Company and a subsidiary

The weighted average effective interest rate was 12.45% (2013 - Nil) per annum.

21.3 5% Convertible Note

On 7 March 2012 the Company issued to Hanwa Co. Ltd 25,000,000 convertible notes at an aggregate principal amount of A\$19,945,953 (US\$21,447,261) with a nominal interest of 5.0%, due on 6 March 2016 and convertible in accordance with the terms and conditions of issue including an initial conversion price of A\$0.80 per share. As at the end of the reporting period, the host debt contract is recognised as a non-current liability amounting to A\$19,264,000 (2013 – A\$18,442,000), to be amortised over 3 years while the conversion option (Note 14) valued at A\$483,000 (2013 – A\$2,713,000) is recognised as current liability. During the year, interest expense of A\$2,088,000 (2013 – A\$1,871,000) was recognised in the profit or loss.

Notes to the financial statements for the financial year ended 31 December 2014

21 Borrowings (Cont'd)

21.4 Other loans

	The Company		The Group	
	2014	2013	2014	2013
	A\$'000	A\$'000	A\$'000	A\$'000
Shareholder loan, unsecured [note (a)]	-	-	3,642	3,133
Loan, secured [note (b)]	-	-	10,980	10,170
Loan, secured [note (c)]	12,819	-	12,819	-
	12,819	-	27,441	13,303

- (a) The loan is unsecured and interest bearing at LIBOR + 4% per annum. Until all the secured borrowings as disclosed in Note 21.2(f) have been irrevocably paid in full, neither shareholders shall demand or receive payment or any distribution in respect of these loans.
- (b) The loan is repayable on 31 December 2015. Interest is charged at LIBOR + 1% per annum. The loan is guaranteed by the Company.
- (c) The loan has similar securities as disclosed in Note 21.2 (g).

Included in the Company's and the Group's non-current borrowings are bank loans of A\$32,160,000 and A\$62,359,000 (Note 21.2) respectively and other loans of A\$12,189,000 (Note 21.4) with a financial institution in which certain loan covenants were not met as at 31 December 2014. Discussions on this non-compliance were held between the financing bank and the Directors and the management of the Group since October 2014, and the financing bank did not serve any formal notice of default or letter of demand on the Group. As such, the Directors and management of the Group are of the view that a waiver from the financing bank is in substance approved as at the end of the reporting period. The Group received the approved waiver letter from the financing bank after the year end.

21.5 Currency risk

Total borrowings are denominated in the following currencies:

	The Company		The Group	
	2014	2013	2014	2013
	A\$'000	A\$'000	A\$'000	A\$'000
Australian dollar	-	-	6,822	-
United States dollar	64,243	18,442	386,718	290,899
Renminbi	-	-	2,000	4,680
Malaysian Ringgit	-	-	86,472	31,314
	64,243	18,442	482,012	326,893

21.6 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	
	2014	2013	2014	2013
Obligations under finance leases	-	-	2.58% to 7.07%	4.86%
Bank loans	12.45%	-	2.22% to 12.45%	1.82% to 7.20%
5% convertible note	5.09%	7.60%	5.09%	7.60%

The carrying amounts of the Company's and Group's borrowings approximate their fair value.

Notes to the financial statements for the financial year ended 31 December 2014

22 Provisions

	2014	2013
	A\$'000	A\$'000
The Group		
(a) Rehabilitation		
At the beginning of year	5,007	5,092
Provision made for the year (Note 25)	763	409
Payments during the year	(26)	(494)
At end of year (i)	5,744	5,007

	2014	2013
	A\$'000	A\$'000
The Group		
(b) Employee long service leave		
At the beginning of year	717	266
Provision made for the year (Note 25)	99	451
At end of year (ii)	816	717
Total (i) + (ii)	6,560	5,724

- (a) According to the Mine Management and Environment Management Plans submitted to the Northern Territory Government in Australia, the Group is obligated for the rehabilitation/restoration of areas disturbed arising from mining activities conducted by OM (Manganese) Ltd, a wholly-owned subsidiary. Mine rehabilitation costs are provided for at the present value of future expected expenditure when the liability is incurred, unwind at effective interest rate of 6.13%. Although the ultimate cost to be incurred is uncertain, the Company has estimated its costs based on the rates outlined by the Northern Territory Department of Resources and Mineral Energy using current restoration standards and techniques.
- (b) Employees of a subsidiary are entitled, under the labour law of the country of its incorporation, to additional leave over and above their annual leave (known as long service leave) if they remain employed by the subsidiary beyond 10 years. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

23 Trade and other payables

	The Company		The Group	
	2014	2013	2014	2013
	A\$'000	A\$'000	A\$'000	A\$'000
Non-current				
Retention monies	-	-	36,621	14,247
Current				
Trade payables				
- Third party payables	-	-	50,323	52,903
- Bill payables	-	-	13,701	33,611
	-	-	64,024	86,514
Amount due to subsidiaries (non-trade)	48,162	33,508	-	-
Accruals	1,606	1,121	6,362	4,829
Other payables	144	144	74,324	38,403
Retention monies	-	-	4,180	4,361
Welfare expense payable	-	-	1,932	1,656
	49,912	34,773	150,822	135,763

Notes to the financial statements for the financial year ended 31 December 2014

23 Trade and other payables (Cont'd)

Included in the amount due to subsidiaries is an amount due to a wholly-owned subsidiary - OM Materials (S) Pte Ltd of A\$40,255,000 (2013 - A\$30,000,000) which bears interest of 3.70% to 12.00% (2013 - 3.93%) per annum. The amount due to subsidiaries represents advances which is non-trade, unsecured and repayable on demand.

Included in other payables are advances from customers of A\$2,237,000 (2013 - A\$6,027,000) and freight payable of A\$11,004,000 (2013 - A\$14,296,000).

Trade and other payables are denominated in the following currencies:

	The Company		The Group	
	2014	2013	2014	2013
	A\$'000	A\$'000	A\$'000	A\$'000
Australian dollar	34,145	32,513	23,233	35,422
Renminbi	-	-	9,678	12,706
United States dollar	15,694	-	64,348	72,249
Malaysian Ringgit	-	-	53,186	15,296
Others*	73	2,260	377	90
	49,912	34,773	150,822	135,763

*Others include Singapore dollar, Hong Kong dollar and South African Rand.

All trade payables are generally on 30 to 120 (2013 - 30 to 120) days' credit terms.

24 Other income

	2014	2013
	A\$'000	A\$'000
The Group		
Interest income from banks	300	608
Sundry income	2,762	621
Gain from sale of subsidiary's shares	523	8
	3,585	1,237

25 Loss before income tax

The Group	Note	2014	2013
		A\$'000	A\$'000
Loss before income tax has been arrived at after charging:			
Amortisation of land use rights*	5	651	626
Amortisation of mine development costs*	7	4,296	2,254
Cost of inventories recognised as expenses #		496,602	389,264
Depreciation of property, plant and equipment**	4	15,687	15,158
Reversal of rehabilitation cost*		(709)	(67)
Fair value gain on derivative financial instruments*		(2,230)	-
Impairment loss on:			
- available-for-sale financial assets*		3,988	23,022
- property, plant and equipment*		-	4,038
- other assets*		507	-
Equity-settled share-based payments *	30	-	813
Exchange loss*		1,224	-
Exploration and evaluation costs written off*	6	1,708	566
Finance costs:			
- loans		12,801	7,357
- others		4,490	2,030

Notes to the financial statements for the financial year ended 31 December 2014

25 Loss before income tax (Cont'd)

The Group	Note	2014 A\$'000	2013 A\$'000
Loss before income tax has been arrived at after charging:			
Loss on disposal of property, plant and equipment*		93	34
Operating lease charges in respect of land and buildings *		565	462
Provision for rehabilitation *	22	763	409
Provision for long service leave*	22	99	451
Employee benefits expenses	29	34,222	34,050
Write-down of inventories to net realisable value*		89	607

Cost of inventories included amounts of A\$27,327,000 and A\$2,267,000 (2013 - A\$25,379,000 and A\$2,536,000) related to staff costs and depreciation respectively.

* Included in other operating expenses.

26 Income tax expense/(benefit)

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

For the Singapore subsidiary, OM Materials (S) Pte Ltd ("OMS"), the Singapore Ministry of Trade and Industry approved the award of Global Trade Programme status to the subsidiary and therefore OMS was entitled to a concessionary rate of 10% for a period of 5 years with effect from 1 July 2004, subject to fulfilment of specific conditions. OMS was awarded the Global Trade Programme for a further five year period from 1 July 2009, which was then extended for another 5 year period from 1 July 2014, subject to fulfilment of specific conditions.

Taxation has been provided at the appropriate tax rates prevailing in Australia, Singapore, Malaysia, Hong Kong and the PRC in which the Group operates on the estimated assessable profits for the year. These rates generally range from 17% to 30% for the reporting period. However as noted above, OMS enjoyed concessionary tax rates of 10% during the period.

The Group	2014 A\$'000	2013 A\$'000
Current taxation		
- Singapore income tax	326	985
- PRC tax	48	2,626
- others	50	49
Deferred taxation (Note 10)	20,136	(1,747)
	20,560	1,913
(Over)/under provision in the prior financial years		
- current year income tax	2,269	3,082
- deferred taxation (Note 10)	(370)	347
Income tax	22,459	5,342
Other tax expense/(benefit)		
- Withholding tax	656	939
- Profits-based royalty expense for 2006-2010 - Northern Territory Royalty	-	3,172
- Profits-based royalty benefit for 2011-2013 - Northern Territory Royalty (Note10)	-	(8,563)
- Profits-based royalty expense for 2006-2010 - Northern Territory Royalty (Note 10)	2,297	-
	25,412	890

Notes to the financial statements for the financial year ended 31 December 2014

26 Income tax expense/(benefit) (Cont'd)

A reconciliation of the income tax expense applicable to the loss before income tax at the statutory income tax rates to the income tax expense for the reporting period, is as follows:

	2014	2013
	A\$'000	A\$'000
The Group		
Loss before income tax	(34,980)	(48,203)
Tax at applicable tax rates	(7,636)	(8,874)
Deferred tax assets on temporary difference not recognised	7,926	1,535
De-recognition of deferred tax assets	22,104	9,356
Tax effect of non-taxable revenue [#]	(5,578)	(1,678)
Tax effect of non-deductible expenses [*]	3,795	2,236
Tax effect of allowances given by tax jurisdiction	(23)	(634)
Tax rebate	(28)	(28)
Under provision in prior years	1,899	3,429
	22,459	5,342

[#]Non-taxable revenue relates mainly to unrealised exchange gain.

^{*}Non-deductible expenses relates mainly to unrealised exchange loss, overseas interest expenses and provision expenses.

27 Cash flow hedges

	2014	2013
	A\$'000	A\$'000
The Group		
Cash flow hedges:		
Loss arising during the year	(16,996)	(20,123)
Non-controlling interests [*]	(4,249)	(5,031)
	(21,245)	(25,154)

^{*} The Group has a 80% shareholding in OM Materials (Sarawak) Sdn. Bhd., a subsidiary in which hedging takes place.

28 Loss per share

The Group

The loss per share is calculated based on the consolidated losses attributable to owners of the parent divided by the weighted average number of shares on issue of 704,366,754 (2013 - 704,366,754) shares during the financial year.

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

	2014	2013
	'000	'000
The Group		
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	704,367	704,367
Effect of dilutive potential ordinary shares:		
Share options	-	-
Weighted average number of ordinary shares for the purposes of calculating diluted loss per share	704,367	704,367

Notes to the financial statements for the financial year ended 31 December 2014

28 Loss per share (Cont'd)

Loss figures are calculated as follows:

	2014 A\$'000	2013 A\$'000
The Group		
Loss for the purpose of calculating basic and diluted loss per share	(62,586)	(48,987)

29 Employee benefits expense

	2014 A\$'000	2013 A\$'000
The Group		
Directors' fees	440	470
Directors' remuneration other than fees		
- Directors of the Company	1,379	1,475
- Directors of the subsidiaries	1,578	2,035
- Defined contributions plans	138	125
Key management personnel (other than Directors)		
- Salaries, wages and other related costs	2,964	1,970
- Defined contributions plans	211	150
Equity-settled share-based payments		
- Directors of the Company and subsidiaries	-	2,440
	6,710	8,665
Other than key management personnel		
- Salaries, wages and other related costs	30,052	24,947
- Defined contributions plans	2,883	2,471
	39,645	36,083
Capitalised in construction-in-progress	(5,423)	(2,033)
	34,222	34,050

30 Employee share option plan

The Company

At the Annual General Meeting held on 25 May 2007, shareholders approved the introduction of the OM Holdings Limited Employee Share Option Plan, which provided for the grant of unlisted share options to subscribe for shares in the Company to Directors and employees of the Company and its subsidiaries. Renewal approval for the Employee Share Option Plan was also provided by shareholders at the Annual General Meeting held on 20 April 2011. Each option shall be issued for no consideration and allows the option holder to subscribe for one ordinary share in the Company.

There are no participating rights or entitlements inherent in the options and holders of the options will not be entitled to participate in new issues of capital which may be offered to shareholders during the currency of the option.

All other unlisted options including Director options and those options issued prior to the introduction of the OM Holdings Limited Employee Share Option Plan have been approved by shareholders including the terms and conditions upon which they have been issued.

Notes to the financial statements for the financial year ended 31 December 2014

30 Employee share option plan (Cont'd)

The Company (Cont'd)

During the reporting periods, certain Group employees (including Directors) have been granted share options. Details of the movements in the Company's share options granted were as follows:

	Options 2014 '000	Weighted Average Exercise Price 2014 A\$	Options 2013 '000	Weighted Average Exercise Price 2013 A\$
Outstanding at 1 January	6,000	2.08	15,000	2.13
Expired/lapsed	(6,000)	2.08	(9,000)	2.16
Outstanding at 31 December	-	-	6,000	2.08
Exercisable at 31 December	-	-	4,000	1.87

In 2008 the Board and where relevant shareholders of the Company approved the grant of 56,650,000 unlisted options to Directors and employees of the Company and its subsidiaries. In 2014, the vested amount of A\$Nil (2013 - A\$2,440,000) was expensed through the profit or loss, out of which A\$Nil (2013 - A\$1,627,000) was reversed from the profit or loss and capitalised as part of construction-in-progress.

The fair value of equity-settled share options granted during the year ended 31 December 2008 was estimated as at the date of grant using a binominal model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used during the reporting period:

	Share options granted in 2008
Underlying share price	A\$1.30 to A\$2.16
Option exercise price	A\$1.97
Expected volatility	62.87% to 97.25%
Expected option life	1.51 to 5.78
Risk free rate	4.18% to 5.58%
Expected dividend yield	2.51% to 4.14%
Fair value at measurement date	A\$1.24

The expected life of the options was based on historical data and was not necessarily indicative of the exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. Other than as stated, no other features of the options granted were incorporated into the measurement of fair value.

Option pricing models require the input of highly subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a realistic measure of fair value of the Company's share options at the date of the grant or thereafter.

Notes to the financial statements for the financial year ended 31 December 2014

31 Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following amounts are transactions with related parties based upon commercial arm's length terms and conditions:

	2014	2013
	A\$'000	A\$'000
The Group		
Sale of goods to an associate	-	1,190
Purchase of goods from an associate	682	43,740
Management fee charged to an associate	569	272
Payment made on behalf for an associate	61	153
Legal fees paid to a company of which a Director is a director and beneficial shareholder	-	58

32 Commitments

32.1 Capital commitments

The following table summarises the Group's capital commitments:

	2014	2013
	A\$'000	A\$'000
The Group		
Capital expenditure contracted but not provided for in the financial statements		
- capital injection to an associate for mine development	-	1,328
- capital expenditure	300	-
- acquisition of property, plant and equipment to be fully financed from Project Finance Loans [Note 21.2(f)]	29,553	223,892

32.2 Operating lease commitments in respect of office premises

At the end of the reporting period, the Group were committed to making the following rental payments in respect of non-cancellable operating leases of office premises with an original term of more than one year:

	2014	2013
	A\$'000	A\$'000
The Group		
Not later than one year	539	607
Later than one year and not later than five years	287	412
	826	1,019

The leases on the Group's office premises on which rentals are payable will expire earliest on the 14 January 2016 and latest on the 14 September 2017, subject to an option to renew. The current rents payable on the leases ranges from A\$3,800 to A\$27,500 per month respectively which are subject to revision on renewal.

32.3 Other operating commitments

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

	2014	2013
	A\$'000	A\$'000
The Group		
Not later than one year	202	202
Later than one year and not later than five years	-	-
	202	202

32 Commitments (Cont'd)

32.4 Mineral Tenements

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

	2014 A\$'000	2013 A\$'000
The Group		
Mineral tenements annual expenditure commitments	194	177

32.5 Environmental bonds

A subsidiary has environmental bonds to the value of A\$9,205,000 (2013 - A\$9,429,000) lodged with the Northern Territory Government (Department of Resources) to secure environment rehabilitation commitments. The A\$9,205,000 of bonds has been secured by A\$7,451,000 of bonds issued under financing facilities and A\$1,664,000 cash backed secured with the Northern Territory Department of Resources.

33(a) Contingent liabilities

Northern Territory Mineral Royalties

The Northern Territory *Mineral Royalty Act* ("MRA") is a profit based royalty regime that uses the net value of a mine's production to calculate royalties payable on the recovery of mineral commodities from a mine site. The determination of the net value of manganese produced from the Bootu Creek Manganese Mine is in dispute between a subsidiary and the Territory Revenue Office ("TRO") (the office responsible for administering the MRA). The central issue in the dispute relates to the calculation of the gross realisation by the subsidiary.

The TRO has issued mineral royalty Notices of Assessment for the years 2006 to 2011 totalling A\$41,624,806. The subsidiary has paid each of the mineral royalty Notices of Assessment issued by the Territory Revenue Office for the years 2006 to 2011. The subsidiary has not received any Notices of Assessment for the royalty years 2012 to 2014 and expects that no mineral royalties will be payable in relation to such years as a result of Negative Net Values.

33(b) Contingent assets

Northern Territory Mineral Royalties

Notwithstanding payment by the subsidiary of the mineral royalty Notices of Assessments (required by law) as described in Note 33(a) above, the subsidiary disagrees with the Territory Revenue Office mineral royalty notices of assessments from years 2006 to 2011 and on 9 December 2014 lodged an appeal in the Supreme Court of the Northern Territory to a determination of an objection in relation to the royalty assessments. At the reporting date, the final amount of the subsidiary's claim against the TRO cannot be determined. At this early stage of the proceedings the expectation is that the matter may be heard some time in the second half of 2015.

34 Operating segments

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

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

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

The reporting segment results exclude the finance income and costs, share of results of associate, income tax which are not directly attributable to the business activities of any operating segment, and are not included in arriving at the operating results of the operating segment.

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

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

[illegible]

Notes to the financial statements for the financial year ended 31 December 2014

34 Operating segment (Cont'd)

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

The Group	2014 A\$'000	2013 A\$'000 Restated
Reportable segment loss	(24,150)	(41,134)
Finance income	300	608
Share of results of associates	6,161	1,710
Finance costs	(17,291)	(9,387)
Loss before income tax	(34,980)	(48,203)

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

	Revenue from external customers		Non-current assets	
	2014 A\$'000	2013 A\$'000	2014 A\$'000	2013 A\$'000
Principal markets				
PRC	529,637	422,264	25,886	25,721
Australia	-	-	64,648	71,215
Mauritius	-	-	105,753	100,103
Malaysia	-	-	488,599	283,116
Others (including Bermuda and Madagascar)	3,103	1,398	4,971	3,076
	532,740	423,662	689,857	483,231

The geographical location of customers is based on the locations at which the goods were delivered. The geographical location of non-current assets is based on the physical location of the asset.

Revenue of approximately A\$71,295,000 (2013 - A\$30,861,000) was derived from a single external customer. This revenue is attributable to the Marketing and Trading segment (2013 - Smelting segment).

35 Financial risk management objectives and policies

The Company and the Group are exposed to financial risks arising from its operations and use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Company's and the Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Company's and the Group's financial performance.

Risk management is carried out by the Finance Division under policies approved by the Board of Directors. The Finance Division identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investing excess liquidity.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risk during the reporting period. The Group continues to use derivative instruments to manage certain market risks. Details of these are in Note 14. Market risk exposures are measured using sensitivity analysis indicated below.

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

35.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's exposure to credit risk arises primarily from trade receivables, cash and cash equivalents and other financial assets. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Company and the Group adopt the policy of dealing only with high credit quality counterparties.

The Company's and the Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management.

Exposure to credit risk

As the Company and the Group do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

The Company's and the Group's major classes of financial assets are bank deposits and trade receivables. Cash is held with reputable financial institutions. Further details of credit risks on trade and other receivables are disclosed in Note 15.

Guarantees

The Company provides corporate guarantees to its subsidiaries on their bank borrowings. The Company's maximum exposure to credit risk in respect of the intra-group corporate guarantees (Note 35.2) at the reporting date is equal to the facilities drawn down by the subsidiaries in the amounts of A\$601,870,000 (2013 – A\$169,688,000). At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intragroup corporate guarantee.

There is no impact on the corporate guarantee as the bank borrowings of the subsidiaries concerned are at prevailing market rates.

Undrawn credit facilities

The Group has undrawn credit facilities of approximately A\$306,030,000 (2013 – A\$212,190,000).

35.2 Liquidity risk

Liquidity risk is the risk that the Company or the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company's and the Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's and the Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

Notes to the financial statements for the financial year ended 31 December 2014

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

35.2 Liquidity risk (Cont'd)

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

	Less than 1 year A\$'000	Between 2 and 5 years A\$'000	Over 5 years A\$'000	Total A\$'000
The Group				
As at 31 December 2014				
Non-derivative financial liabilities				
Trade and other payables	148,585	36,621	-	185,206
Lease obligation	4,394	4,394	-	8,788
Borrowings	101,173	182,565	321,908	605,646
	254,152	223,580	321,908	799,640
Derivative financial liabilities				
5% Convertible note	483	-	-	483
Interest rate swaps	-	2,184	-	2,184
Cross currency swaps	-	15,625	-	15,625
Forward foreign exchange contracts	-	31,050	-	31,050
	483	48,859	-	49,342
As at 31 December 2013				
Non-derivative financial liabilities				
Trade and other payables	129,736	14,247	-	143,983
Lease obligation	1,707	8,537	-	10,244
Borrowings	175,913	62,611	146,522	385,046
	307,356	85,395	146,522	539,273
Derivative financial liabilities				
5% Convertible note	2,713	-	-	2,713
Interest rate swaps	-	2,256	-	2,256
Cross currency swaps	-	9,440	-	9,440
Forward foreign exchange contracts	-	15,714	-	15,714
	2,713	27,410	-	30,123
The Company				
As at 31 December 2014				
Non-derivative financial liabilities				
Trade and other payables	49,912	-	-	49,912
Borrowings	6,487	71,880	-	78,367
Intragroup financial guarantee	601,870	-	-	601,870
	658,269	71,880	-	730,149
Derivative financial liabilities				
5% Convertible note	483	-	-	483
As at 31 December 2013				
Non-derivative financial liabilities				
Trade and other payables	34,773	-	-	34,773
Borrowings	922	19,529	-	20,451
Intragroup financial guarantee	169,688	-	-	169,688
	205,383	19,529	-	224,912
Derivative financial liabilities				
5% Convertible note	2,713	-	-	2,713

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

35.2 Liquidity risk (Cont'd)

The Group has various lines of credit with major financial institutions for purposes of drawing upon short term borrowings, through the pledging of bills receivables or inventories. Further, management closely monitors the Group's capital structure to ensure that there are adequate funds to meet all its obligations in a timely and cost effective manner.

The Group incurred a net loss after tax of A\$60,392,000 and negative operating cash flows of A\$10,575,000 during the financial year ended 31 December 2014. Notwithstanding this, the Group has a strong cash position of A\$64,873,000 (2013 – A\$67,326,000), including cash collaterals of A\$26,122,000 (2013 – A\$31,274,000) and net current assets of A\$38,817,000 (2013 – A\$31,354,000) as at the year end.

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.

Based on the foregoing, the Directors are of the view that there is reasonable assurance that the Group will be able to meet its obligations as and when they fall due within the next twelve months.

35.3 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. The Group uses derivative financial instruments such as interest rate swap to protect against the volatility associated with the interest payments, as disclosed in Note 14.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if USD, RMB and MYR interest rates had been 75 (2013 - 75) basis points lower/higher with all other variables held constant, the Group's loss net of tax would have been lower/higher by the amounts shown below, arising mainly as a result of lower/higher interest expense on bank borrowings, cash collaterals and fixed deposits.

		The Group Profit or loss	
		2014 A\$'000	2013 A\$'000
United States dollars	- lower 75 basis points (2013 - 75 basis points)	2,181	1,580
	- higher 75 basis points (2013 - 75 basis points)	(2,181)	(1,580)
Renminbi	- lower 75 basis points (2013 - 75 basis points)	(62)	(70)
	- higher 75 basis points (2013 - 75 basis points)	62	70
Malaysian Ringgit	- lower 75 basis points (2013 - 75 basis points)	420	117
	- higher 75 basis points (2013 - 75 basis points)	(420)	(117)

35.4 Foreign currency risk

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

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

Notes to the financial statements for the financial year ended 31 December 2014

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

35.4 Foreign currency risk (Cont'd)

The Group uses derivative financial instruments such cross currency swap and interest rate swap to protect against the volatility associated with the interest payments, as disclosed in Note 14.

Sensitivity analysis for foreign currency risk

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

The Group		2014		2013	
		(Loss)/ profit net of tax A\$'000	Equity A\$'000	(Loss)/ profit net of tax A\$'000	Equity A\$'000
United States dollars	- strengthened 5% (2013 - 5%)	(21,578)	(23,952)	(3,746)	(3,784)
	- weakened 5% (2013 - 5%)	21,578	23,952	3,746	3,784
Renminbi	- strengthened 5% (2013 - 5%)	892	910	(15,204)	(16,572)
	- weakened 5% (2013 - 5%)	(892)	(910)	15,204	16,572
Malaysian Ringgit	- strengthened 5% (2013 - 5%)	(6,967)	(7,036)	(511)	(516)
	- weakened 5% (2013 - 5%)	6,967	7,036	511	516

35.5 Market price risk

Market price risk relates to the risk that the fair values or future cash flows of the Company's and the Group's financial instruments will fluctuate because of changes in market prices, other than changes in interest rates and foreign exchange rates.

The Company and the Group are exposed to market price risks arising from its investment in equity investments quoted on the Australian Securities Exchange in Australia that are classified as available-for-sale financial assets. Available-for-sale equity investments are held for strategic rather than trading purposes. The Company and the Group do not actively trade available-for-sale investments.

The policies to manage equity price risk have been followed by the Group during the reporting periods and are considered to be effective.

Market price sensitivity

At the end of each reporting period, if the market share price had been 10% higher/lower, with all the other variables held constant, the Company's and the Group's fair value reserve in equity would have been A\$273,000 (2013 - A\$1,169,000) higher/lower, arising as a result of increase/decrease in the fair value of the Group's and the Company's available-for-sale financial assets.

The Company's and the Group's sensitivity to the market price has not changed significantly from the prior year.

Notes to the financial statements for the financial year ended 31 December 2014

36 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 reviews and manages 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 does not adopt any formal dividend policy.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the 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	
	2014	2013	2014	2013
	A\$'000	A\$'000	A\$'000	A\$'000
Borrowings	64,243	18,442	482,012	326,893
Less: Cash and cash equivalents	(227)	(50)	(38,751)	(36,052)
	64,016	18,392	443,261	290,841
Total equity	267,254	270,283	239,659	302,282
Gearing ratio	0.24	0.07	1.85	0.96

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

Please refer to Note 21.4 on the compliance of covenants imposed by the bank.

37 Financial instrument

37.1 Accounting classifications of financial assets and financial liabilities

The Group	Note	Held for trading (fair value through profit and loss) A\$'000	Loans and receivables (carried at amortised cost) A\$'000	Available-for-sale (carried at fair value) A\$'000	Total A\$'000
31 December 2014					
Financial assets					
Available-for-sale financial assets	9	-	-	2,727	2,727
Trade and other receivables	15	-	39,905	-	39,905
Cash and bank balances	16	-	64,873	-	64,873
		-	104,778	2,727	107,505

Notes to the financial statements for the financial year ended 31 December 2014

37 Financial instrument

37.1 Accounting classifications of financial assets and financial liabilities

The Company	Note	Held for trading (fair value through profit and loss) A\$'000	Loans and receivables (carried at amortised cost) A\$'000	Available-for-sale (carried at fair value) A\$'000	Total A\$'000
31 December 2014					
Financial assets					
Available-for-sale financial assets	9	-	-	2,727	2,727
Trade and other receivables	15	-	126,417	-	126,417
Cash and bank balances	16	-	227	-	227
		-	126,644	2,727	129,371
The Group					
31 December 2014					
Financial liabilities					
Borrowings (excluding finance lease liabilities)	21	-	-	473,334	473,334
Derivative financial instruments	14	483	48,859	-	49,342
Trade and other payables	35.2	-	-	185,206	185,206
Land use rights obligation	20	-	-	6,717	6,717
		483	48,859	665,257	714,599
The Company					
31 December 2014					
Financial liabilities					
Borrowings	21	-	-	64,243	64,243
Derivative financial instruments	14	483	-	-	483
Trade and other payables	35.2	-	-	49,912	49,912
		483	-	114,155	114,638
The Group					
31 December 2013					
Financial assets					
Available-for-sale financial assets	9	-	-	11,691	11,691
Trade and other receivables	15	-	125,574	-	125,574
Cash and bank balances	16	-	67,326	-	67,326
		-	192,900	11,691	204,591
The Company					
31 December 2013					
Financial assets					
Available-for-sale financial assets	9	-	-	11,691	11,691
Trade and other receivables	15	-	125,154	-	125,154
Cash and bank balances	16	-	50	-	50
		-	125,204	11,691	136,895
The Group					
31 December 2013					
Financial liabilities					
Borrowings (excluding finance lease liabilities)	21	-	-	326,728	326,728
Derivative financial instruments	14	2,713	27,410	-	30,123
Trade and other payables	23	-	-	143,983	143,983
Land use rights obligation	20	-	-	8,629	8,629
		2,713	27,410	479,340	509,463

Notes to the financial statements for the financial year ended 31 December 2014

37 Financial instrument (Cont'd)

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

The Company	Note	Liabilities at fair value through profit and loss A\$'000	Derivatives used for hedging A\$'000	Other financial liabilities (carried at amortised cost) A\$'000	Total A\$'000
31 December 2013					
Financial liabilities					
Borrowings	21	-	-	18,442	18,442
Derivative financial instruments	14	2,713	-	-	2,713
Trade and other payables	23	-	-	34,773	34,773
		2,713	-	53,215	55,928

38 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.

38.1 Fair value measurement of financial instruments

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

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

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 December 2014 and 31 December 2013:

The Group	Note	Level 1 A\$'000	Level 2 A\$'000	Level 3 A\$'000	Total A\$'000
At 31 December 2014					
Financial assets					
Available-for-sale financial assets	(a)	2,727	-	-	2,727
Financial liabilities					
5% convertible note	(c)	-	483	-	483
<i>Derivatives used for hedging :</i>					
Interest rate swaps	(b)	-	2,184	-	2,184
Cross currency swaps	(b)	-	15,625	-	15,625
Forward foreign exchange contracts	(b)	-	31,050	-	31,050
		-	49,342	-	49,342
At 31 December 2013					
Financial assets					
Available-for-sale financial assets	(a)	11,691	-	-	11,691

Notes to the financial statements for the financial year ended 31 December 2014

38 Fair value measurement (Cont'd)

38.1 Fair value measurement of financial instruments (Cont'd)

The Group	Note	Level 1 A\$'000	Level 2 A\$'000	Level 3 A\$'000	Total A\$'000
Financial liabilities					
5% convertible note	(c)	-	2,713	-	2,713
<i>Derivatives used for hedging :</i>					
Interest rate swaps	(b)	-	2,256	-	2,256
Cross currency swaps	(b)	-	9,440	-	9,440
Forward foreign exchange contracts	(b)	-	15,714	-	15,714
		-	30,123	-	30,123
<hr/>					
The Company					
As at 31 December 2014					
Financial assets					
Available-for-sale financial assets	(a)	2,727	-	-	2,727
<hr/>					
Financial liabilities					
5% convertible note	(c)	-	483	-	483
<hr/>					
As at 31 December 2013					
Financial assets					
Available-for-sale financial assets	(a)	11,691	-	-	11,691
<hr/>					
Financial liabilities					
5% convertible note	(c)	-	2,713	-	2,713
<hr/>					

There were no transfers between Level 1 and Level 2 in 2014 or 2013.

- (a) The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Measurement of fair value of financial instruments

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the group financial controller and to the audit committee. Valuation processes and fair value changes are discussed among the audit committee and the valuation team at least every year, in line with the Group's reporting dates.

The valuation techniques used for instruments categorised in Level 2 are described below:

- (b) Derivatives
The fair values of interest rate swaps, cross currency swaps and forward exchange contracts (Level 2 fair values) are based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take into account the credit risk of the Group entity and counterparty when appropriate.

Notes to the financial statements for the financial year ended 31 December 2014

38 Fair value measurement (Cont'd)

38.1 Fair value measurement of financial instruments (Cont'd)

Measurement of fair value of financial instruments (Cont'd)

(c) 5% Convertible note

The fair value of the 5% convertible note is determined using valuation techniques based on discounted future cash flows using a 9% effective interest rate. The observable inputs used in the valuation techniques are based on quoted share prices.

The reconciliation of the carrying amount of financial instruments classified within Level 3 is as follows:

	2014	2013
The Company and the Group	A\$'000	A\$'000
Balance at 1 January	2,713	2,713
Total unrealised gains and losses recognised in profit or loss	(2,230)	-
Balance at 31 December	483	2,713

39 Comparative figures

Certain comparative information has been reclassified to conform with current year's presentation as follows:

	31 December 2013		
	As restated	Adjustments	As previously reported
The Group	A\$'000	A\$'000	A\$'000
<u>Consolidated statement of comprehensive income</u>			
Administrative expenses	(8,507)	(2,030)	(10,537)
Other operating expenses	(50,574)	(311)	(50,885)
Finance costs	(9,387)	2,341	(7,046)
<u>Consolidated statement of cash flows</u>			
Cash flows from operating activities	38,502	(1,687)	36,815
Includes:			
- Reversal of provision for rehabilitation	(67)	67	-
- Gain on disposal of subsidiary	(8)	8	-
- Interest expenses	9,387	(2,341)	7,046
- Decrease in long-term provision (for restoration)	(664)	579	(85)
Cash flows from investing activities	(210,737)	(335)	(211,072)
Includes:			
- Payments for mine development costs	-	(335)	(335)
Cash flows from financing activities	131,413	2,038	133,451
Includes:			
- Interest paid	(9,076)	2,030	(7,046)
- Net proceeds from disposal of a subsidiary	-	8	8

40 Other matters

GWA (North) Pty Ltd Wagon Derailment

On 15 June 2012 a subsidiary received correspondence from GWA (North) Pty Ltd (“GWAN”) regarding a train derailment event which occurred on 7 June 2012. GWAN have issued demands to the subsidiary for the payment of A\$5,470,352. The subsidiary has formally denied liability and put the owner of the wagons, CFCL Australia Pty Ltd (“CFCL”) with whom the subsidiary has a rental and maintenance agreement in relation to the wagons, on notice that the subsidiary reserves its legal rights against CFCL Australia Pty Ltd.

On 17 March 2014, the subsidiary’s insurers – QBE Insurance – agreed to indemnify the subsidiary for any liability it may have to GWAN in respect of the claim and have instructed the lawyers to assume conduct of the claim on the subsidiary’s behalf. The position of the claim remains unchanged.

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

Pursuant to the execution of the Power Purchase Agreement (“PPA”) between a subsidiary and Syarikat SESCO Berhad (“SSB”), the Company issued the following guarantees as conditions precedent to the PPA:

The Company issued sponsor guarantee to SSB for its 80% interest of the subsidiaries’ obligations under the PPA. The sponsor guarantees include but are not limited to termination payments, late payment interest and guaranteed obligations under the PPA. Cahya Mata Sarawak Berhad (“CMSB”) has correspondingly provided the sponsor guarantees for its 20% interest held in the subsidiaries.

The sponsor guarantee mentioned above does not fall into the category of financial guarantees as they do not relate to debt instruments as the purpose of these guarantees is essentially to enable SSB to provide the power supply to the subsidiaries on the condition that these guarantees are provided by the ultimate holding company in the event that there are any unpaid claims on the interconnection fees owed to SSB during the term of the PPA. There are no bank loans involved in these guarantees. As such, there is no need for the guarantees to be fair valued.

Project Support guarantee issued under the terms of the Facilities Agreement and the Project Support Agreement

OM Materials (Sarawak) Sdn Bhd, a subsidiary of the Company entered into a project finance Facilities Agreement (“FA”) on 28 March 2013 for a limited recourse senior project finance debt facilities totaling USD215 million and MYR310 million for the total cost of the Project’s Phase 1 ferrosilicon production facility and another MYR126 million credit line for the issuance of performance and payment guarantees to the power provider SSB, as part of its obligations under the Power Purchase Agreement.

Concurrently, the Company also executed a Project Support Agreement (“PSA”) with OM Materials (Sarawak) Sdn Bhd (as Borrower), OM Materials (S) Pte. Ltd. (a wholly-owned subsidiary of the Company) and Samalaju Industries Sdn. Bhd and Cahya Mata Sarawak Berhad (as Obligors). The PSA governs the rights and obligations of the Obligors. These obligations and liabilities of the Company and the CMSB Group are several and pro-rata to their respective 80% and 20% shareholding in OM Materials (Sarawak) Sdn. Bhd.

The PSA will lapse and the Project will become non-recourse 18 months after the satisfaction of pre-agreed project completion tests typical for a project financing facility of this nature.

41 Events after end of reporting period

Partial disposal of investment in a subsidiary

On 25 March 2015, a subsidiary of the Company executed a share sale agreement to transfer 5% equity interest in the Sarawak smelter project to their joint venture partner for a total consideration of US\$18.45 million. It is expected that the transfer will be completed by the end of March 2015. On completion of the transfer, the subsidiary's effective interest in the Sarawak smelter project will be 75% and the joint venture partner's effective interest will be 25%.

Sale of 40 acres of land in Malaysia

On 6 March 2015, a subsidiary of the Company entered into another option agreement with a separate party to sell another 40 acres of land at A\$13,800,000. 10% of the option fee for the purchase of the land had been received. The sale and purchase agreement is expected to be signed in early April 2015.