

# OM HOLDINGS LIMITED

(ARBN 081 028 337)



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

24 April 2020

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

Dear Sir/Madam

## **2019 ANNUAL REPORT**

Please find attached a copy of the 2019 Annual Report for OM Holdings Limited.

Yours faithfully

**OM HOLDINGS LIMITED**



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

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**OM HOLDINGS LIMITED**

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

**A N N U A L   R E P O R T   2 0 1 9**

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## WHO WE ARE

OM Holdings Limited is a global integrated manganese and silicon company. We are engaged in the business of mining and trading raw ores, as well as the smelting and marketing of processed ferroalloys. With an established history of over 20 years in the industry, we are listed on the ASX and capture value across the entire process chain through operations in Australia, China, Japan, Malaysia, Singapore, and South Africa. Our latest project is a greenfield smelter complex in Sarawak, which successfully commenced production in 2014.

Today, the Group is one of the world's leading suppliers of manganese ores and ferroalloys, and seeks to be the main ferroalloy supply partner to major steel mills and other industries. Through our global trading network, we distribute products from our Asia-Pacific base to customers around the world.

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## OUR PURPOSE

Our purpose is to create sustainable value for our shareholders and stakeholders through developing and acquiring cost competitive resource assets, managing them in a safe and optimised manner, and realizing their full potential by marketing effectively.

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## OUR VALUES

We aim to fulfil our purpose by adhering to the following values:

- Sustainability
- Accountability
- Teamwork
- Integrity
- Diligence
- Respect

## Dear Shareholders,

In 2019 we faced a challenging global operating environment, however we managed to complete the year with a solid net profit after tax of A\$56.1 million. Prices declined as the commodity cycle ran its course, resulting in a 32% revenue decline to A\$1.03 billion for FY2019. In line with our stated policy, we focused on further paying down debt, with US\$34.8 million repaid against the project financing facility aligned to our smelting plant in Sarawak, and redeemed US\$4.2 million of convertible notes. This was all sourced from the Group's positive operating cash flows. This brings our total borrowings to equity ratio to 0.93, the lowest it has been in 6 years.

It is with deep regret that one of our employees, Mr Craig Butler was fatally injured during the year in an accident at our Bootu Creek mine. Mr Butler was a valued member of our operating team who was held in high regard, and to his family, friends, and work colleagues we continue to extend our sincerest condolences. Any fatality is unacceptable and the safety of our employees and contractors continues to remain a priority across all our operations.

2019 also proved to be an exceptionally dry year in Australia, with rainfall at the Bootu Creek mine totalling only 172.4mm for the year, less than half of what was recorded in 2018. This resulted in limited water supply for our processing plants which in turn decreased productivity. In spite of these challenges, we made use of the mining downtime to process and ship lower grade material, producing 570,090 tonnes of ore and shipping 612,537 tonnes of ore in 2019. This was a marginally better performance than what we had forecasted in our third quarterly update.

Notwithstanding the disruption in ore supply, our Sarawak smelting operations continued to operate at full capacity (producing 2% more compared to 2018), and the temporary suspension of mining activity at the Bootu Creek mine did not affect the economics of smelting. During this time, our Sarawak smelter was supplied by alternative sources and adjustments were made to production processes and blends, effectively quarantining the business impact to mining which resumed in late 2019.

This time last year we predicted that market cycles would run their course as the global dynamics of supply caught up with demand. The seaborne trade of manganese ore in the first half of 2019 expanded by 3.4 million tonnes, or 18.4%, largely due to an increase in exports from Ghana. The price of 44% manganese ore as reported by FastMarkets MB weakened continuously from US\$6.96 per dmtu at the end of 2018 to US\$4.20 per dmtu at the end of 2019, touching a low of US\$3.68 per dmtu in early November 2019. At the time of writing, the outbreak of the COVID-19 pandemic has caused disruptions

to supply chains around the world, notably affecting the ability of several South African mines to export manganese ore, providing a temporary level of support to ore prices.

2019 also saw Chinese smelters switching to ferrosilicon and older Chinese plants coming back into the market, given the sustained and elevated prices of 2018. This natural supply response led to a price decline and Platts reported the price of ferrosilicon to Japan declining from US\$1,260 per tonne in December 2018 to US\$1,038 at the end of December 2019, a price last seen in early 2017. Given the early effects of the COVID-19 outbreak affecting Chinese supply chains, we have, as a precaution, put two furnaces at OM Sarawak on maintenance in February 2020 as we monitor the medium term impact of the pandemic.

In the longer-term, we see solid fundamentals for growth in the region, especially in South East Asia where our Malaysian smelter plant is located. New investments in steel-making in the region have materialised in the last two years, following urbanisation and continued infrastructure development. Indonesia in particular consumes less than half the steel its neighbours do on a per capita basis, and has announced plans to increase spending on infrastructure, as well as its planned relocation of its capital to Kalimantan which is expected to create a brief surge in steel demand.

As announced in October 2019, we are pleased to advise that we will be pursuing the opportunity of a secondary listing of ordinary shares on Bursa Malaysia, the main bourse in Malaysia. Solid interest in the domestic market in our smelter project and SCORE (the Sarawak Corridor Of Renewable Energy) is evident from local coverage and investor visits. The Board believes this will broaden our shareholder base and improve trading liquidity. Relevant approvals are being sought as this will be the first listing of its kind involving shares possibly being traded on the ASX and Bursa Malaysia, and we look forward to updating shareholders in the coming months. It is also meaningful to note that a long-time shareholder, Stratford Sun, who was sold to Chinese owners in 2017, has this year progressively exited its position as a substantial shareholder, reducing its shareholding position from 8% to 2%.

As we have done in 2019, we will be continuing to reduce our overall debt as a matter of priority as the cost of financing impacts upon our assets, especially the smelting division. In 2019, notwithstanding temporary disruptions and market headwinds, we achieved a solid EBITDA of A\$154.5 million in FY2019, with a net cash generation from operating activities of A\$98.7 million. This was a decline from the record figure of 2018 but is a strong

sign of our assets' ability to generate cash even during more challenging market circumstances. With an earnings per share of A\$0.0769, I am pleased to report that we have declared a final dividend of A\$0.01 per share (for a total of A\$0.02 per share in FY 2019), in appreciation of shareholders who have stood by us during this period. However, as the scale, duration, and longer-term effects of the COVID-19 pandemic cannot yet be clearly assessed, A\$0.005 per share of the final dividend has since been deferred and will be subject to review by the Board in August 2020.

Given the current COVID-19 operating environment, our priority is the safety and wellbeing of our employees, their families and the communities in which we operate. We have established at each of our key business units site-specific infectious disease management plans which aim to minimise the risk of infection and ensure the preparedness in the event of an infection. Our investment in the Tshipi Borwa mine in South Africa was earlier subjected to a national lockdown. However, at the time of writing, the mine has since received approvals to partially restart operations after taking the necessary safety precautions. With this exception, we have otherwise maintained operational continuity across all production assets, including their relevant supply chains. The pace at which the Chinese economy normalises relative to other countries will determine how markets evolve in 2020. However given continued uncertainty in relation to the full impacts and duration of the pandemic, we will continue to provide further updates as required.

We remain focused and committed to our long-term sustainable profitability of all our business operations, and given the uncertainties in the global environment post-COVID-19, our overriding objectives at this point in time are to keep our people safe and healthy, and to keep our operations running in a stable and sustainable manner. We also look forward to the final commissioning phase of both our ultra-fines processing facility at the Bootu Creek mine and our sinter plant at OM Sarawak, two cost saving initiatives that were delayed last year as a result of uncontrollable conditions.

I would like to thank my fellow Directors, our management team, employees, contractors and stakeholders who made last year's results possible and who are helping to realise every step of this vision. The work that we do would not be possible without your ongoing support for which we are appreciative.



**LOW NGEE TONG**  
Executive Chairman

## DIRECTORS



**Low Ngee Tong**  
Executive Chairman

Mr Low is a qualified Mechanical Engineer, having graduated from the National University of Singapore. He has over 38 years of experience in the steel, ferro alloy and building materials industries in Asia. That experience was gained with Chiyoda Limited, a global Japanese civil engineering group, Intraco Limited, Intraco Resources Pte Limited, and C Itoh Limited, a significant Japanese metals trading house. Mr Low has demonstrated a significant network for marketing in China and internationally. He was the Chief Executive Officer of OMH since its incorporation and subsequent listing in 1998. In October 2008, Mr Low became the Executive Chairman of OMH. Mr Low's business relationships and reputation with several large multinational corporations in Asia have enabled OMH to successfully establish its profitable operations based in Singapore and extending to China, Malaysia, South Africa and Australia.

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**Zainul Abidin Rasheed**  
Independent Deputy Chairman

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

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

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

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



**Julie Anne Wolseley**  
Non-Executive Director & Joint Company Secretary

Ms Wolseley holds a Bachelor of Commerce degree and is a Chartered Accountant. She is the Principal of a corporate advisory company and has over 28 years of experience as Company Secretary to a number of ASX-listed companies operating primarily in the resources sector. Previously Ms Wolseley was an Audit Manager both in Australia and overseas for an international accounting firm. Her expertise includes corporate secretarial, management accounting, financial and management reporting in the mining industry, IPOs, capital raisings, cash flow modelling and corporate governance. Ms Wolseley is also a board member of Aquinas College, an independent school for boys in Perth, Western Australia. Ms Wolseley is a member of the Company's Audit and Remuneration Committees.



## Tan Peng Chin

Independent Non-Executive Director



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

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

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

## Thomas Teo Liang Huat

Independent Non-Executive Director

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



## Peter C Church OAM (FAICD)

Independent Non-Executive Director

Mr Church is an Australian commercial lawyer who resides in Australia and Singapore. Mr Church has had a career spanning more than 40 years encompassing significant experience throughout South East Asia and India, including providing legal and corporate services on numerous regional projects. Mr Church was a senior partner with the leading Australian and regional law firm now known as Herbert Smith Freehills, and was its Asian Regional Managing Partner at the time he retired from the firm.

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

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

Mr Church joined the Board on 12 December 2011.

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



## KEY MANAGEMENT

NAME	POSITION
Heng Siow Kwee	Group HR Director, Managing Director, OMS
Betty Tan	Group Financial Controller, OMH
Eugene Tan	Senior Financial controller, OMH
Fanie Van Jaarsveld	Managing Director, OMM
Goh Ping Choon	General Manager, OMS
Chen Xiao Dong	Chairman, OMQ, Managing Director, OM Sarawak
Dai Han Ping	General Manager, Production, OM Sarawak
Lisa Chee	General Manager, HR, OM Sarawak
Choi Pik Choing	Deputy General Manager, Accounts & Finance, OM Sarawak
Liu Xianfeng	Deputy General Manager, Costing, OM Sarawak
Don Heng	Managing Director, OM Malaysia, Logistic
Mustapha Bin Ismuni	Managing Director, OM Resources Malaysia
Pu Guo Liang	General Manager, OMA

# CORPORATE DIRECTORY

## Directors

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

## Company Secretaries

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

## ADDRESS OF COMPANY AND REGISTRIES

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

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

### The address of the Bermuda Registered Office:

Clarendon House  
2 Church Street, Hamilton HM 11  
Bermuda

### The address of the Company's

#### Principal Share Registry in Bermuda:

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

### The address of the Company's

#### Branch Share Registry in Australia:

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

## Name of Bankers

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

## Name and Address of Auditors

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

## Name and Address of Appointed Australian

### Agent and Australian Registered Office:

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

## Name of Bermuda Resident Representative

Conyers Corporate Services (Bermuda) Limited

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

**ASX Code** : OMH

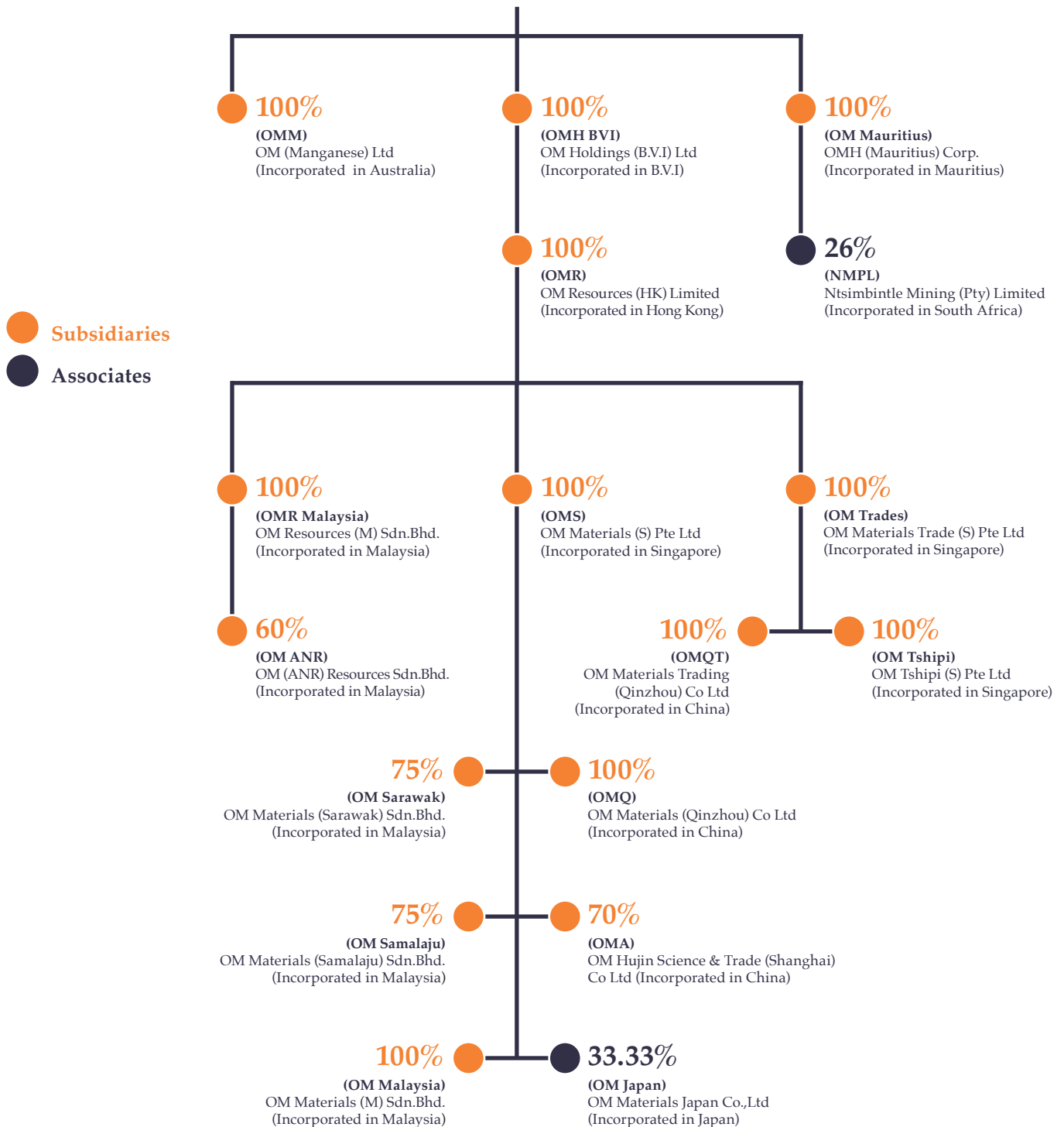


# CORPORATE STRUCTURE



## OM HOLDINGS LIMITED

(Incorporated in Bermuda)  
Listed on ASX on 19 March 1998

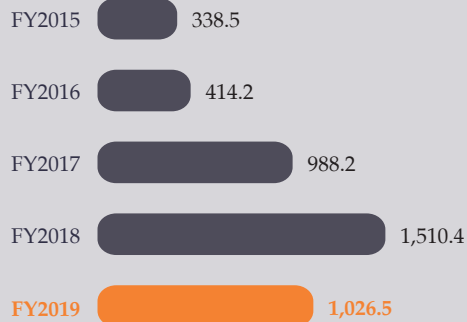


as at 31 December 2019

# FINANCIAL HIGHLIGHTS

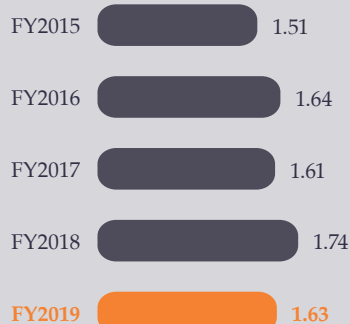
## Revenue (A\$'million)

FY2018 1,510.4  
**FY2019 1,026.5**



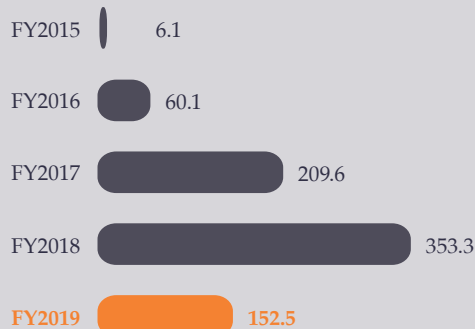
## Total Assets Per Share (A\$)

FY2018 1.74  
**FY2019 1.63**



## Gross Profit (A\$'million)

FY2018 353.3  
**FY2019 152.5**



## 5 YEAR'S GROUP FINANCIAL HIGHLIGHTS

Financial years ended 31 December	2019 A\$'million	2018 A\$'million	2017 A\$'million	2016 A\$'million	2015 A\$'million
Revenue	1,026.5	1,510.4	988.2	414.2	338.5
Profit/(loss) before income tax	58.9	236.9	72.6	(8.1)	(131.6)
Profit/(loss) attributable to owners of the Company	56.6	161.7	92.7	7.9	(122.1)
Total assets	1,202.7	1,278.2	1,177.1	1,196.2	1,103.8
Shareholders' funds	424.9	388.6	228.0	139.7	87.2
Net tangible assets	424.9	388.6	228.0	139.7	87.2
	A\$	A\$	A\$	A\$	A\$
Total assets per share	1.63	1.74	1.61	1.64	1.51
	A\$ cents	A\$ cents	A\$ cents	A\$ cents	A\$ cents
Net asset backing per share	68.94	61.24	39.34	27.68	16.36
Basic profit/(loss) per share	7.69	22.05	12.67	1.08	(16.69)
	2019	2018	2017	2016	2015
Gross profit (A\$ million)	152.5	353.3	209.6	60.1	6.1
Gross profit margin (%)	14.9	23.4	21.2	14.5	1.8
SALES BY INTERNATIONAL REGIONS					
Region	2019	2018	2017	2016	2015
	%	%	%	%	%
Europe	7.7	9.8	12.2	3.6	10.7
Middle East	3.9	5.5	6.1	1.6	-
Asia Pacific	83.6	82.1	77.0	93.2	86.7
Africa	0.2	0.1	0.7	0.2	-
Others	4.6	2.5	4.0	1.4	2.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

# GROUP OVERVIEW

## KEY OPERATING ENTITIES OF OM HOLDINGS GROUP

OMH is the investment holding company of the Group. The main operating entities within the Group are outlined below.



**OM Materials (Qinzhou) Trading Co Ltd (“OMQT”)** – OMQT is the distribution arm of OMS in China. This company supports the operations of OMS and distributes and trades materials in China.



**OM Materials Qinzhou Co Ltd (“OMQ”)** – OMQ owns and operates a manganese alloy smelter in Qinzhou, Guangxi province, China. The smelter is located approximately 1km from the Qinzhou port, providing OMQ a competitive advantage with respect to ease of access to seaborne manganese ore. OMQ also provides the Group with intangible benefits such as market intelligence and insight into smelter economics in China.

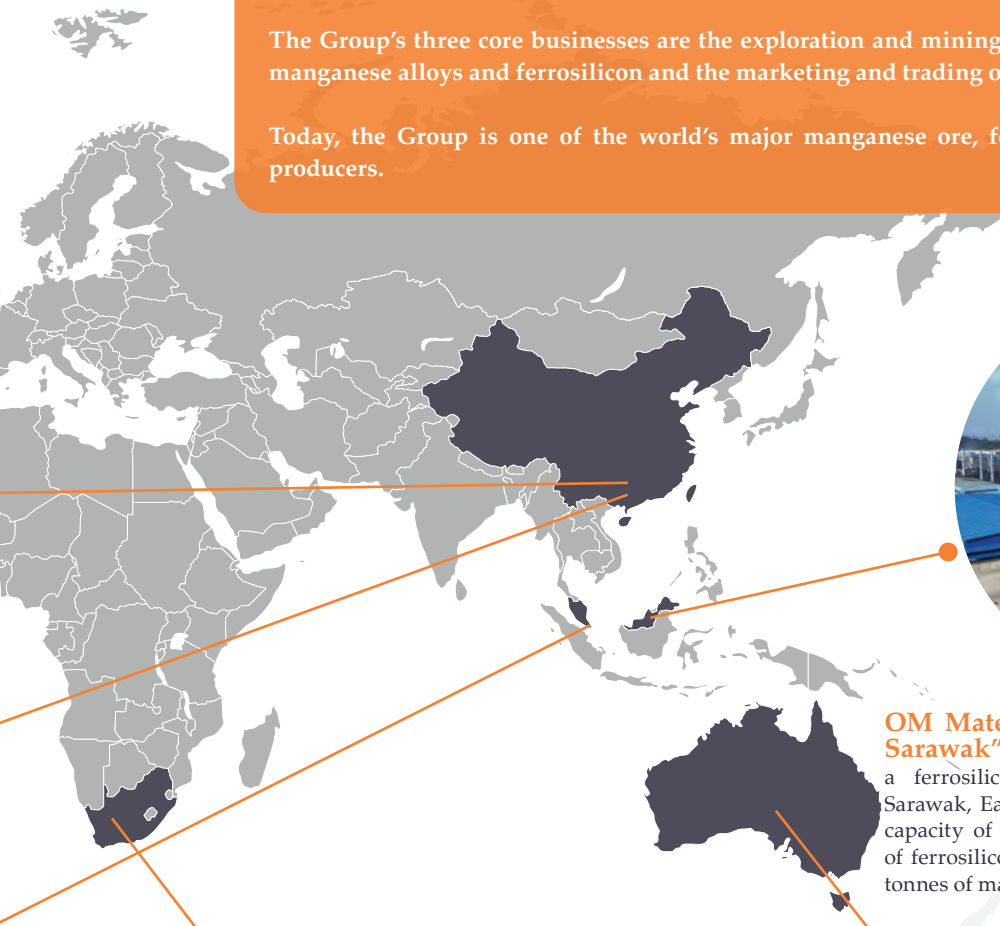


**OM Materials (S) Pte Ltd (“OMS”)** – OMS, based in Singapore, is the strategic trading hub of the Group. It handles the logistics, marketing, product flow and distribution of the Group’s activities. Core businesses of OMS include equity ore sales from Bootu Creek, marketing of OM Sarawak’s alloy production, as well as distribution of third party ores to the Group’s global network of customers.

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

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

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



**OM Materials (Sarawak) Sdn Bhd (“OM Sarawak”)** – OM Sarawak owns and operates a ferrosilicon and manganese alloy smelter in Sarawak, East Malaysia, with an annual production capacity of approximately 200,000 to 210,000 tonnes of ferrosilicon, and approximately 250,000 to 300,000 tonnes of manganese alloy.



**OMH (Mauritius) Corp (“OM Mauritius”)** – OM Mauritius has a 13% effective interest in the Tshipi Borwa Manganese mine located in the world-class Kalahari Manganese field located in the Northern Cape of South Africa. The Tshipi Borwa Manganese mine currently has a production rate of approximately 3.3 to 3.6 million tonnes per annum and the Group also markets its 13% effective interest rate of the mine’s annual production.



**OM (Manganese) Ltd (“OMM”)** – OMM owns and operates the Bootu Creek manganese mine in the Northern Territory of Australia. The Bootu Creek mine is located approximately 110km north of Tennant Creek. Mining operations commenced in November 2005 and the first batch of ore was processed in April 2006. In 2019, the mine’s mining operations were temporarily suspended for about 4 months. In-pit mining operations resumed in December 2019.

# PROCESSING AND SMELTING OPERATIONAL REVIEW SAMALAJU SMELTING COMPLEX

## HIGHLIGHTS

Ferrosilicon annual production

**230,735** tonnes

Manganese alloy annual production

**248,163** tonnes

Ferrosilicon sold and exported

**219,828** tonnes

Manganese alloy sold and exported

**240,280** tonnes

Nominated power capacity increased to

**430** MW from 350 MW

Physical construction of expansion projects completed. Successful cold commissioning of sinter plant in Q4 2019.



## OVERVIEW

OM Materials (Sarawak) Sdn Bhd (“OM Sarawak”) and OM Materials (Samalaju) Sdn Bhd (“OM Samalaju”), both 75:25 joint venture between OMH and Cahya Mata Sarawak Berhad (“CMSB”), a conglomerate listed on the Main Market of Bursa Malaysia, is the owner of the Ferroalloy Smelting Project in Sarawak, Malaysia (the “Plant”). The Plant consists of 8 main workshops with a total of 16 units of 25.5 MVA furnaces, of which 10 furnaces are allocated for the production of ferrosilicon and 6 units have been modified to produce manganese alloy. The Plant has a design production capacity of 200,000 to 210,000 tonnes of ferrosilicon and 250,000 to 300,000 tonnes of manganese alloy per annum. To date, production of ferrosilicon, silicomanganese and high carbon ferromanganese have exceeded their respective furnace design capacities during the year.

## PLANT CONSTRUCTION & DEVELOPMENT

As of 31 December 2019, physical construction of the Phase II-A expansion projects which included sheltered warehouses, a sinter plant and laboratory were completed, with the handover phase currently underway. Cold commissioning of the sinter plant was completed in late 2019 and hot commissioning is expected to be completed within the first half of FY2020. These capital expenditure initiatives will create further savings in internal logistics, drive efficiencies, and further enhance the Plant’s operational capabilities.



# PROCESSING AND SMELTING OPERATIONAL REVIEW SAMALAJU SMELTING COMPLEX



## OPERATIONS

In 2019, 16 furnaces were in operation with 10 furnaces producing ferrosilicon and 6 furnaces producing manganese alloy. One manganese alloy furnace was shut down in November 2019 for repair and maintenance works.

Record annual production of 230,735 tonnes of ferrosilicon and 248,163 tonnes of manganese alloy, which comprised silicomanganese and high carbon ferromanganese, were achieved during the year 2019. Ferrosilicon production increased by approximately 4.6% compared to year 2018. For manganese alloy production, there was an increase of 2.4% or 5,822 tonnes as compared to the previous year.

During the year, the global economic growth continued to be impacted by the trade tensions between the United States and China. The Group's export volumes for ferrosilicon and manganese alloy remained healthy but dropped marginally to 219,828 tonnes and 240,280 tonnes in 2019 from 225,749 tonnes and 241,166 tonnes respectively in 2018.

In the quarter ended 30 September 2019, OM Sarawak also successfully secured an increase in its annual nominated power capacity from 350 MW to 430 MW. The additional power capacity will take effect from FY2022. This increase will underpin the Plant's power requirements to support its expansion plans over the next few years.

As at 31st December 2019, 1,240 local workers were employed, representing approximately 59% of the total workforce. OM Sarawak is committed to increasing its local workforce through continuous upskilling and training programs in its smelting operations. Trainings were conducted in-house by experienced operators and smelting engineers from China. In addition, emphasis was placed on recruiting local talents through strong collaboration with local universities and active participation in career fairs.

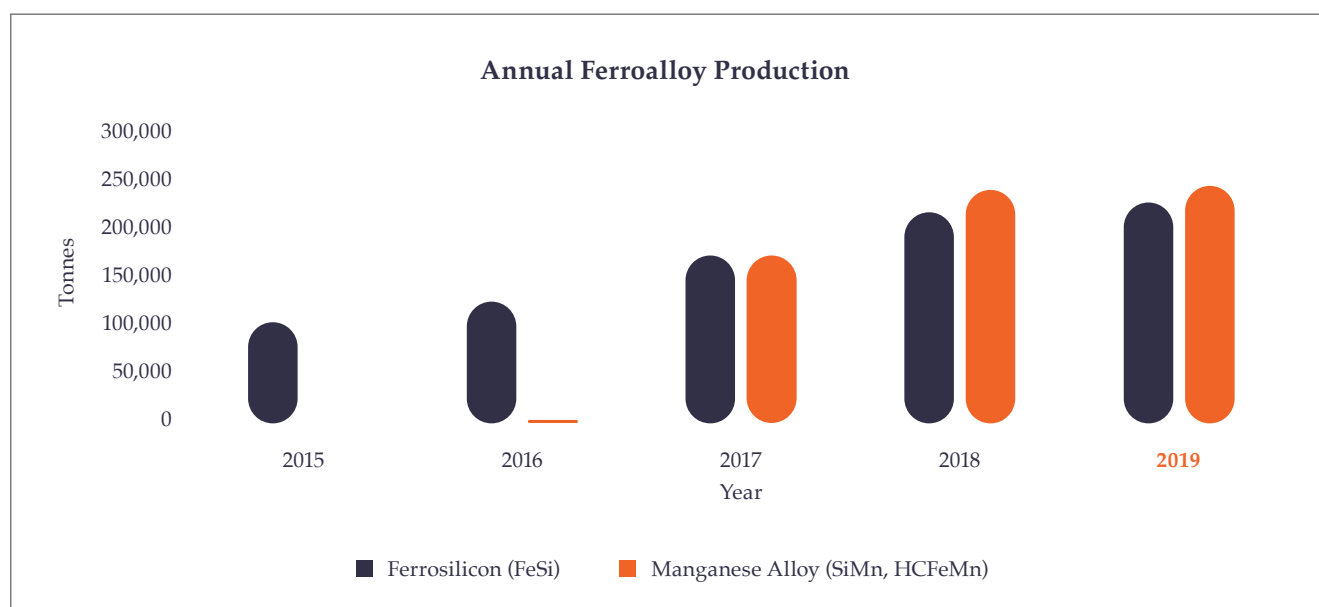


# PROCESSING AND SMELTING OPERATIONAL REVIEW SAMALAJU SMELTING COMPLEX

In 2020, OM Sarawak will focus on optimizing sinter ore production and producing higher value added products. With the completion of the Phase II-A expansion projects, the next phase of expansion projects will focus on increasing manganese smelting capacity and producing metallic silicon, a higher value added product with diverse industrial applications.

Table 1: Production & Sales

Product (tonnes)	Years ended 31 December				
	2019	2018	2017	2016	2015
<b>Production</b>					
Ferrosilicon (FeSi)	230,735	220,515	174,540	126,261	104,554
Manganese Alloy (SiMn, HCFeMn)	248,163	242,341	173,911	876	-
<b>Sales</b>					
Ferrosilicon (FeSi)	219,828	225,749	182,316	129,025	73,388
Manganese Alloy (SiMn, HCFeMn)	240,280	241,166	159,533	222	-



## HIGHLIGHTS

Tonnage of ores and alloys transacted in 2019

# 1,731,291

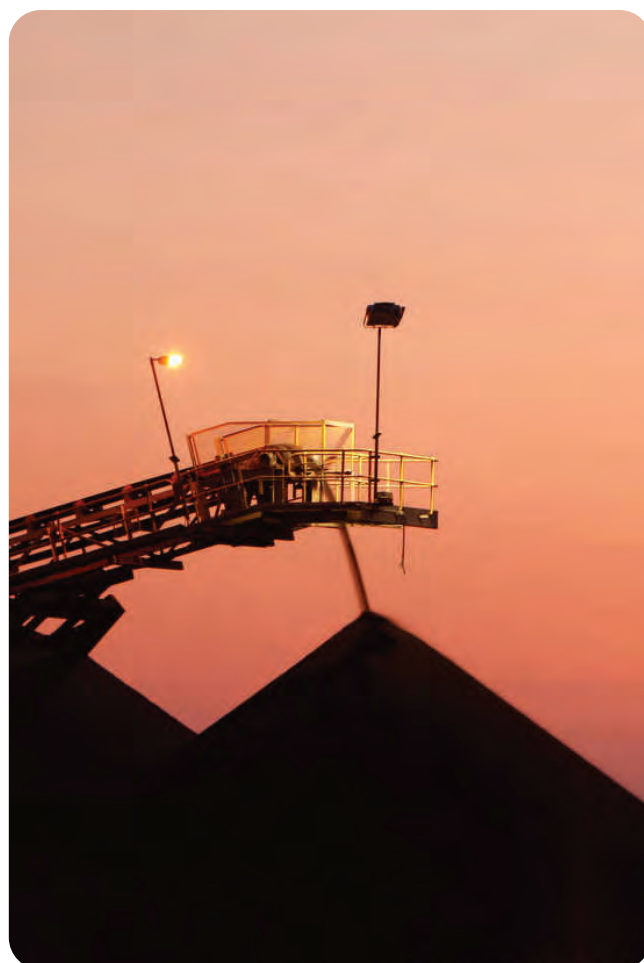
 tonnes

## OVERVIEW AND UPDATE IN 2019

2019 was a challenging year for steel production where major economies lowered steel production operating rates, in turn affecting the global demand for ferroalloys. China's steel production growth slowed down from 10% in 2018 to 7% in 2019. Excluding China, world steel production experienced a 2% contraction since 2018.

According to World Steel, Asia accounted for 72% of global steel production in 2019, with emerging South East Asian countries leading the growth. With weaker steel prices combined with lower steel production rates in developed countries, the Group continued to leverage on its proximity to growing South East Asian steel markets. Growth of basic infrastructure is anticipated in the long run with rapid urbanization growth forecast in this region.

The manganese ore market experienced a continuous downward trend on ore pricing during the year. Despite a strong demand for high grade manganese ore in China, sustained and elevated exports of manganese ore led to higher port inventories in China, depressing ore prices globally. The temporary disruption of ore supply at the Bootu Creek mine resulted in lower tonnages of ore traded in 2019. This is expected to normalize in 2020 following the resumption of mining activities in late December 2019.



## 2019 SALES BY GEOGRAPHICAL SEGMENT

Comparison sales to International Regions:

Region	2019	2018	2017	2016	2015
	%	%	%	%	%
Asia Pacific	83.6	82.1	77.0	93.2	86.7
Europe	7.7	9.8	12.2	3.6	10.7
Middle East	3.9	5.5	6.1	1.6	-
Africa	0.2	0.1	0.7	0.2	-
Others	4.6	2.5	4.0	1.4	2.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

# MINING OPERATIONAL REVIEW

## BOOTU CREEK MINE

### HIGHLIGHTS

Annual production of manganese ore

**570,090** tonnes with  
an average grade of **33.71 % Mn**

Sales of manganese ore

**621,546** tonnes with  
an average grade of **33.86 % Mn**

Mineral resource

**10.03** million tonnes  
at **16.51% Mn**

### OVERVIEW

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

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

The main mineral lease (ML24031) is in the Bootu Creek area on pastoral leases, where the mining and processing operations are based and where the currently defined Mineral Resources (excluding Renner West deposit, located on EL28041) and Ore Reserves have been identified.

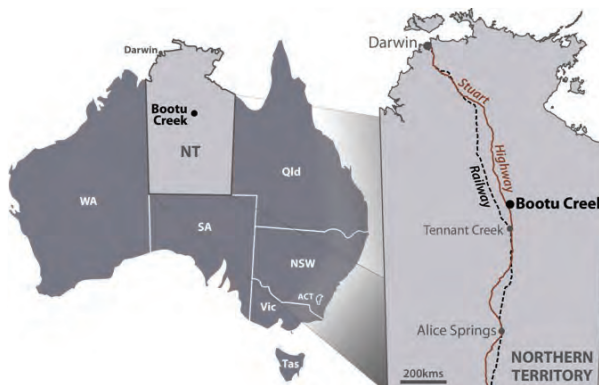


Figure 1. Bootu Creek Manganese Mine Site Location

A preliminary feasibility study including metallurgical test work and mine assessment of the Renner West Inferred Resource is planned for 2020 with a view to upgrade the deposit to Ore Reserve status. The Renner Springs Project area is located approximately 70km northwest of the Bootu Creek mine site covering an extensive dolomite-siltstone sequence which hosts several shallow dipping and flat lying manganese occurrences.

The Bootu Creek Project area contains several manganese deposits located along the western and eastern limbs of the Bootu syncline. The individual mineralised horizons are generally strata-bound in character and can persist over strike lengths of up to 3km. The Mineral Resources defined to date at the project are long shallow, gently dipping deposits amenable to open-pit mining.

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

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



# MINING OPERATIONAL REVIEW

## BOOTU CREEK MINE

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

The processing of manganese ore is described diagrammatically below:

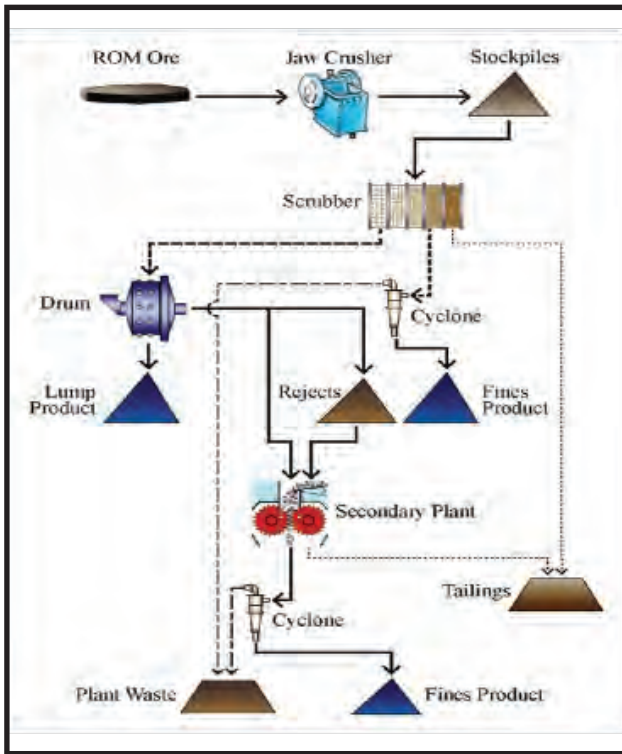


Figure 2. Bootu Creek Manganese Processing Plant Schematic

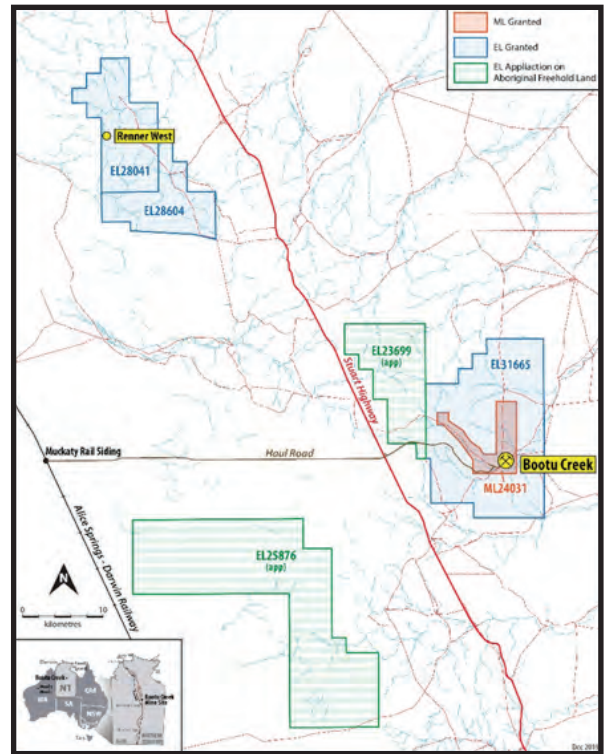


Figure 3. Bootu Creek location and Tenement plan

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

Manganese product is stockpiled at the rail head at the Port of Darwin prior to being transported to the port ship loader and loaded onto vessels for shipping to overseas markets. OMM achieved production of 570,090 tonnes at an average grade of 33.71% Mn for the year ended 31 December 2019. The mining strategy was centered around two fleets focused on the East limb deposits of Chugga Far North and on the West limb deposits of Masai 2, Tourag and Yaka 4.

A fatal accident occurred at the Bootu Creek Mine on 24 August 2019 and an employee was fatally injured. Mining operations immediately ceased and approval to recommence was granted on 23 December 2019. Safety and risk mitigation practices and procedures are in place for all operations.

For 2020, mining will continue on the West limb in Masai 2, 3 and 4 deposits, with planned cutbacks on the East limb in Shekuma and Chugga Far North deposits later in the year. With mining on the West limb continuing with planned cutbacks on the East limb, the mining operational requirement will increase to three digger fleets and 12 haul trucks for a period of 6 months. This will ensure a sustainable ore supply to the ROM as well as the building up of significant ROM stocks, de-risking the wet season weather impacts on the Bootu Mine operation.

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

During the 2019 financial year, a total of 612,537 tonnes of manganese product was exported through the Port of Darwin, with an additional 9,009 tonnes sold domestically.

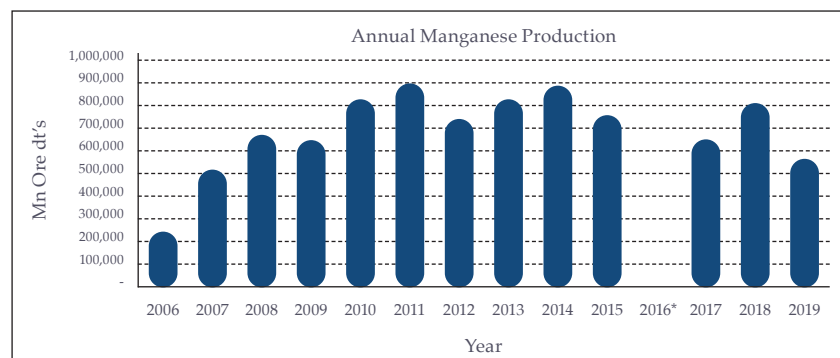


# MINING OPERATIONAL REVIEW

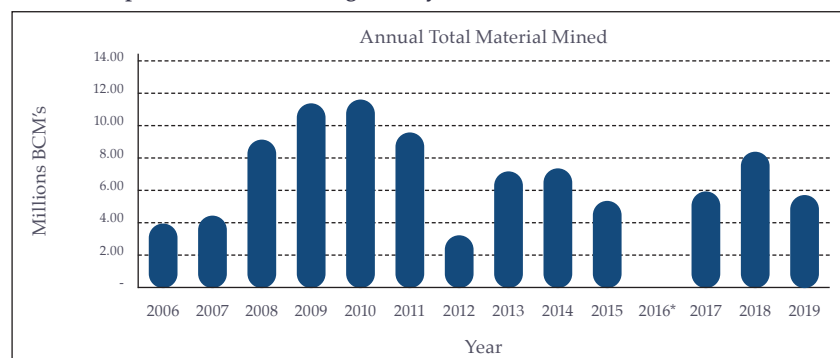
## BOOTU CREEK MINE

		Years ended 31 December						
		Unit	2019	2018	2017	2016	2015	2014
<b>Mining</b>								
Total Material Mined	bcms		5,748,339	8,426,107	5,970,784	-	5,417,733	7,398,605
Ore Mined - Tonnes	dt's		1,034,190	1,819,012	1,587,630	-	1,918,140	2,043,786
Ore Mined - Mn Grade	%		20.48	21.94	21.32	-	22.51	22.46
<b>Production</b>								
Lump - Tonnes	dt's		438,509	622,279	465,235	-	549,575	637,774
Lump - Mn Grade	%		32.83	35.50	35.60	-	35.22	35.32
Fines/SPP - Tonnes	dt's		131,581	191,761	190,914	-	211,295	252,564
Fines/SPP - Mn Grade	%		36.62	36.64	36.50	-	36.99	37.15
<b>Total Production - Tonnes</b>	dt's		<b>570,090</b>	<b>814,040</b>	<b>656,149</b>	-	<b>760,870</b>	<b>890,338</b>
<b>Total Production - Mn Grade</b>	%		<b>33.71</b>	<b>35.77</b>	<b>35.87</b>	-	<b>35.71</b>	<b>35.84</b>
<b>Sales</b>								
Lump - Tonnes	dt's		452,774	593,778	462,234	119,470	475,503	686,069
Lump - Mn Grade	%		32.91	35.66	35.61	35.75	35.16	35.51
Fines/SPP - Tonnes	dt's		168,772	203,238	184,385	68,674	163,548	277,083
Fines/SPP - Mn Grade	%		36.40	36.62	36.60	37.22	37.08	37.28
<b>Total Sales - Tonnes</b>	dt's		<b>621,546</b>	<b>797,015</b>	<b>646,619</b>	<b>188,144</b>	<b>639,051</b>	<b>963,153</b>
<b>Total Sales - Mn Grade</b>	%		<b>33.86</b>	<b>35.90</b>	<b>35.89</b>	<b>36.29</b>	<b>35.65</b>	<b>36.02</b>

Table 1. Bootu Creek Operations – Production



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



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



### Bootu Creek Manganese Mine Ultra Fines Processing Facility (UFP)

Metallurgical test work has been completed on a laboratory scale as well as on site pilot plant tests, indicating the amenability of reprocessing Bootu Tailings and Heavy Media Separation (HMS) plant reject material. This can be achieved via a stand-alone ultra-fines circuit to produce a saleable 37% Mn product. The plant with a production capacity of 250,000 tonnes per annum was commissioned in Q1 2020.



Figure 4. Ultra Fines Processing Facility

# MINING OPERATIONAL REVIEW BOOTU CREEK MINE

## Bootu Creek Mineral Resource Reserve and Ore Reserve at 31 December 2019

The 31 December 2018 Ore Reserve of 4.38 million tonnes was depleted in 2019 by the processing of 1.03 million tonnes of mined ore and 0.74 million tonnes of SPP and ROM stocks, leaving a residual of 2.61 million tonnes. This compared with the 31 December 2019 Ore Reserve of 2.83 million tonnes (excluding recently added UFP stocks). The newly added lower grade UFP stocks of 6.10 million tonnes will feed the new UFP plant and increase the overall 31 December 2019 Ore Reserve to 8.93 million tonnes.

The In-situ 31 December 2019 Mineral Resource of 3.83 million tonnes (including SPP stocks) includes the newly added optimized pit shells for Masai 4 (0.23 million tonnes), Foldnose (0.28 million tonnes) and Zulu South (0.23 million tonnes). The recently added UFP feed stocks increase the overall Mineral Resource to 10.03 million tonnes.

	31 December 2019		31 December 2018		Change
	Million Tonnes	% Mn	Million Tonnes	% Mn	Million Tonnes
Mineral Resource	10.03	16.51	4.78	22.89	+5.25
Ore Reserve	8.93	15.29	4.38	21.31	+4.55

Table 2. Comparison of Mineral Resource and Ore Reserve for 31 Dec 2019 with 31 Dec 2018

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

## Bootu Creek Mineral Resource as at 31 December 2019

Undiluted	Measured		Indicated		Inferred		Combined*	
	Mt	%Mn	Mt	%Mn	Mt	%Mn	Mt	%Mn
Deposit:								
CFN			0.73	23.00			0.73	23.00
Masai	0.43	23.00	0.69	23.46			1.12	23.29
Shekuma	0.10	22.69	0.42	25.03			0.52	24.58
Tourag	0.34	22.67	0.33	22.72			0.67	22.69
Foldnose			0.28	20.65			0.28	20.65
Zulu South			0.23	20.91			0.23	20.91
Renner West			0.28	22.26			0.28	22.26
<b>Insitu Resource*</b>	<b>0.87</b>	<b>22.84</b>	<b>2.96</b>	<b>22.91</b>	<b>0.00</b>	<b>0.00</b>	<b>3.83</b>	<b>22.90</b>
ROM Stocks	0.00	0.00					0.00	0.00
SPP Stocks	0.10	18.55					0.10	18.55
UFP Tailings			3.10	10.99			3.10	10.99
UFP Rejects			3.00	13.97			3.00	13.97
<b>Total Resource*</b>	<b>0.97</b>	<b>22.38</b>	<b>9.06</b>	<b>15.88</b>	<b>0.00</b>	<b>0.00</b>	<b>10.03</b>	<b>16.51</b>

\*Rounding gives rise to unit discrepancies in this table

Table 3. Bootu Creek Mineral Resource as at 31 December 2019

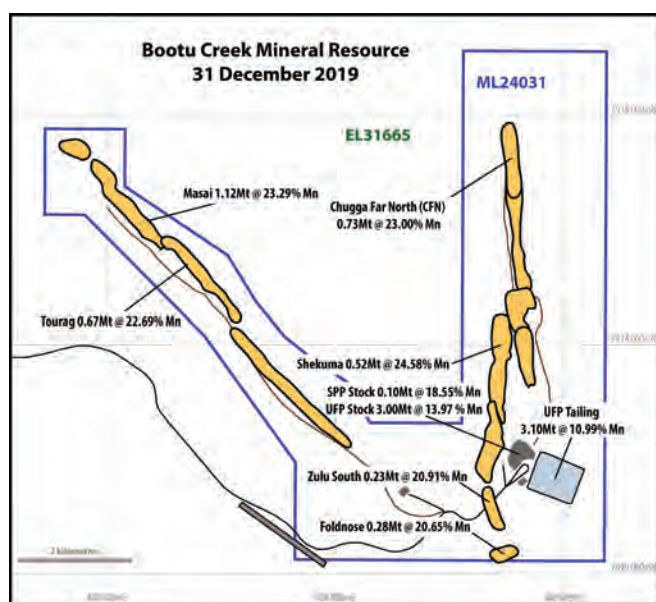


Figure 5. Location Plan for the Bootu Creek Mineral Resource as at 31 December 2019

The Mineral Resources are based on a 15% Mn cut-off grade and on an FOB Darwin Price of A\$6.62/dmtu (US\$4.50/dmtu) at a foreign exchange rate of 0.68 (AUD: USD). Recently optimized pit shells for Masai 4, Foldnose and Zulu South have been added to the Mineral Resource inventory. Renner West Mineral Resource was upgraded to an Indicated Mineral Resource following encouraging metallurgical test work on core from three recent diamond drill holes.

Feed stock for the recently constructed UFP Facility includes tailings from Tailings Storage Facilities TSF1, TSF2 and TSF 3 based on metallurgical test work from 2015 core sampling, and from surveyed reject stockpiles located adjacent to the UFP facility and in nearby pits.



# MINING OPERATIONAL REVIEW

## BOOTU CREEK MINE

Bootu Creek Ore Reserve as at 31 December 2019

Diluted	Proved		Probable		Combined*	
	Mt	%Mn	Mt	%Mn	Mt	%Mn
Deposit:						
CFN			0.73	21.27	0.73	21.27
Masai	0.38	21.14	0.43	21.31	0.81	21.23
Shekuma	0.10	20.99	0.42	23.15	0.52	22.74
Tourag	0.34	20.97	0.33	21.02	0.67	20.99
<b>Insitu Reserve*</b>	<b>0.82</b>	<b>21.05</b>	<b>1.91</b>	<b>21.65</b>	<b>2.73</b>	<b>21.47</b>
ROM Stocks	0.00	0.00			0.00	0.00
SPP Stocks	0.10	18.55			0.10	18.55
UFP Tailings			3.10	10.99	3.10	10.99
UFP Rejects			3.00	13.97	3.00	13.97
<b>Total Resource*</b>	<b>0.92</b>	<b>20.77</b>	<b>8.01</b>	<b>14.66</b>	<b>8.93</b>	<b>15.29</b>

\*Rounding gives rise to unit discrepancies in this table

Table 4. Bootu Creek Ore Reserve as at 31 December 2019

The 1.55 million tonnes reduction in the 31 December 2019 insitu Ore Reserve (plus SPP Stocks), since 31 December 2018, compares favorably to the 1.78 million tonnes of processed mine ore, SPP and ROM stocks in 2019. The 2.73 million tonnes of the 31 December 2019 insitu Ore Reserve comprises the Life of Mine (LOM) pit designs, including the added Masai 4 Pit design of 0.23 million tonnes. SPP Stocks were reduced to 0.10 million tonnes.

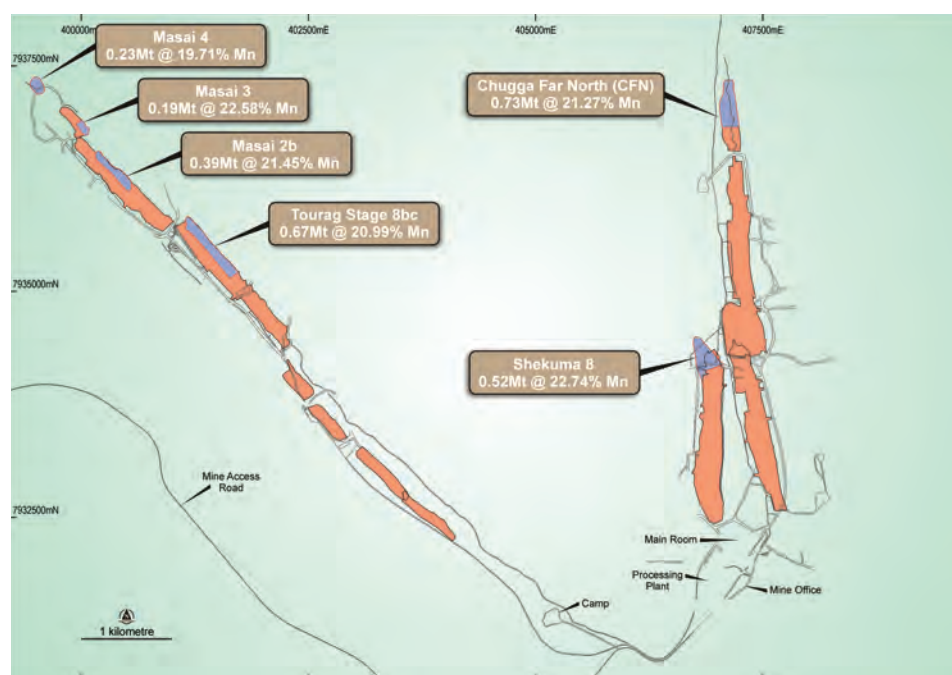


Figure 6. Location Plan for the Bootu Creek Ore Reserve as at 31 December 2019

The FOB Darwin price of A\$6.62/dmtu used in the 31 December 2019 Ore Reserve was reduced from the A\$7.00/dmtu applied in the 31 December 2018 Ore Reserve. Revised mining, processing and logistic costs were based on the Bootu Creek 2020 Budget.

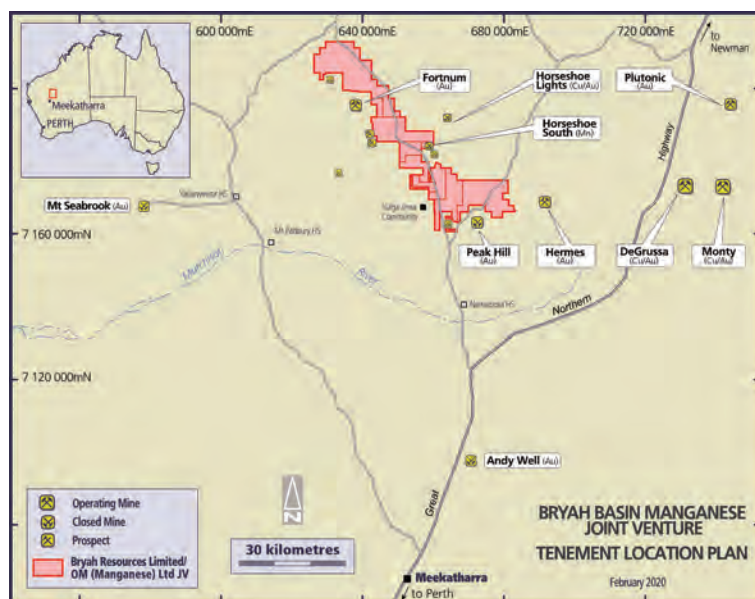
### 2019 EXPLORATION PROGRAM

Exploration in 2019 was limited to a 6-hole (349 metres) Reverse Circulation (RC) drill program on EL28604 and a 3-hole (71.6 metres) Diamond Drill Hole program on EL28041.

The RC program drill tested a recently discovered outcrop, referred to as Carruthers North prospect. Best intersections were 7 metres at 27.67% Mn from surface and 2 metres at 37.41% Mn from 38 metres in RSRC0321, and 5 metres at 24.22% Mn from surface in RSRC0323 (Table 2 on page 30). Follow up drilling in 2020 will test the strike length and down dip extent of the mineralisation.

The Diamond Drill Hole program was designed to provide core for metallurgical test work within the Renner West deposit. Better intersections included 4.8 metres at 27.63% Mn from 4.0 metres in RSDD001, 2.7 metres at 28.2% Mn from 4.6 metres and 3.2 metres at 33.65% Mn from 18.1 metres in RSDD002, and 4.2 metres at 26.81% Mn from 2.6 metres and 4.3 metres at 33.98% Mn from 6.8 metres in RSDD003 (Table 1 on page 30). Heavy Liquid Separation (HLS) metallurgical test work on core samples is continuing.

## MINING OPERATIONAL REVIEW BOOTU CREEK MINE



**EXPLORATION – BRYAH BASIN  
(OMM – 10%, BRYAH RESOURCES  
LIMITED – 90%)**

In April 2019 OMM entered into a Farm-In and Joint Venture Agreement with Bryah Resources Limited in respect to the manganese rights to explore approximately 660 km<sup>2</sup> of exploration tenements in the Bryah Basin, located approximately 100-150 kilometres north of the town of Meekatharra in central Western Australia. The agreement includes the historic Horseshoe South Manganese mine which was the largest manganese mine in the region.

Figure 7. Bryah Basin Manganese Tenement Location Plan

Under the terms of the agreement OMM paid Bryah Resources Limited A\$500,000 in two cash instalments and funded an additional A\$500,000 in exploration to earn its initial 10% Joint Venture interest by the end of August 2019.

The exploration work involved two programs of shallow Reverse Circulation drilling to test targets at the Horseshoe South Manganese mine and the Black Hill, Brumby Creek, Devils Hill, Black Caviar and Black Cat prospects. In total 205 holes were drilled for 5,143 metres.

The results of the exploration drilling were sufficiently encouraging for OMM to proceed with Stage 2 of the Joint Venture whereby OMM can elect to fund up to A\$2.0 million in manganese exploration by 30 June 2022 to earn an additional 41% Joint Venture interest. Bryah Resources Limited is currently the project manager for the Joint Venture and follow-up drilling is expected to commence in H1 2020.

The information in this report which relates to Reporting of Exploration Results, Mineral Resources and Ore Reserves estimation is based on information compiled and checked by Mr Craig Reddell, an employee of OM (Manganese) Limited. Mr Reddell is a Member of the Australian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr Reddell consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

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

## HIGHLIGHTS

Tshipi exports totalled

**3,432,058** tonnes  
during calendar year 2019

## OVERVIEW

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

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

The Tshipi Borwa mine is an open pit manganese mine which commenced production in October 2012. In 2019 a total of 3,432,058 tonnes of manganese ore were exported.

## TSHIPI PROJECT LOCATION

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

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

Tshipi's strategy is to mine and process the lower 15m of the mineralised zone, commonly known as the bottom cut, as it bears a higher grade ore. A portion of the upper 15m mineralised zone, referred to as the top cut, is planned to be stockpiled for possible use later. Mining of Tshipi Borwa is a relatively simple truck and shovel open cast operation. Once exposed the manganese ore is drilled, blasted and loaded onto trucks and hauled to the main ROM stockpile.

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

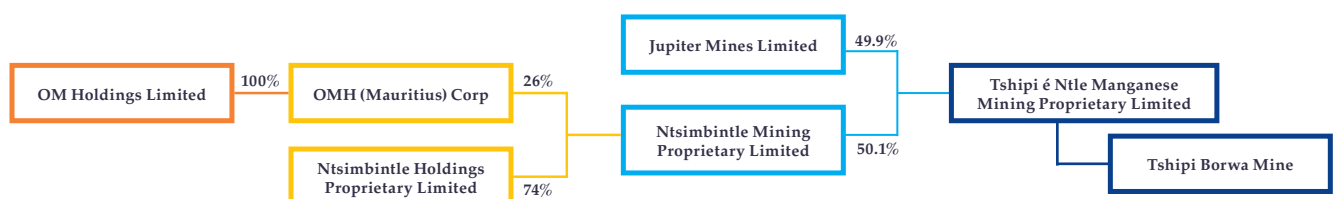
These products are stockpiled before loading through a state-of-the art load-out station onto railway trains or road trucks.

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

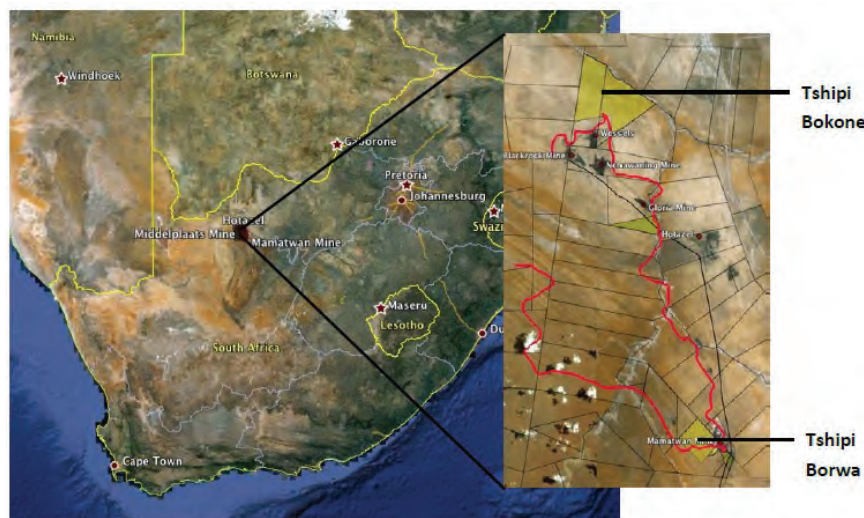
Tshipi's product is then exported through (i) the Port Elizabeth bulk terminal; (ii) the Port Elizabeth multi-purpose terminal; or (iii) the Saldanha multi-purpose terminal (from 2019 onwards).

Tshipi has recently conducted and completed a concept study on the expansion of the Tshipi Borwa Manganese Mine and a comprehensive feasibility study is expected to commence shortly. The feasibility study will seek to examine the economics of an increase from the current 3.3 to 3.6 million tonnes per annum production level to a production profile of 4.5 million tonnes per annum. Such an uplift to the production capability will be supported by the Tshipi Borwa's existing ore reserves.

## Tshipi Ownership Structure



*Tshipi Project Location*



# ASX LISTING RULES 5.8.1 & 5.9.1 SUMMARY INFORMATION

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

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

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

Resources at Bootu Creek ("BC") are predominantly sampled by vertical 5.5" face sampling Reverse Circulation (RC) drilling (91% of total drilled), HQ3 diamond (DD) drilling (2%) and open percussion (PC) drilling (7%), based on a nominal 50 m x 25 m spaced grid. Hole depths range from 12 m to 156 m and collar locations are picked up by Mine Surveyors using MGA94 co-ordinates. The 31 December 2019 BC resource delineation dataset for Bootu Creek (trimmed to remaining resource models) comprised 682 drill holes for 45,192 metres and the Renner West (RW) dataset had 145 drill holes for 6,284 metres. Tailings in TSF1, TSF2 and TSF 3 at Bootu Creek were sampled by 49 core holes for 455 metres, drilled utilising a track mounted Power Probe earth core drill. The 9 diamond holes drilled in 2019, drilled within current resource models, were to assess geotechnical parameters and metallurgical characteristics.

Sampling of RC holes is done on 1 metre downhole intervals and rotary split to produce approximately 3 kg samples. Intervals selected for analysis are generally limited to visible manganese mineralisation and adjacent host rock. Mineralised diamond core is quarter sawn to obtain 1 metre or geological intervals, with half core retained for density determination and metallurgical test work. Earth core samples were at 1.2 metre downhole intervals and split lengthways for assay and metallurgical samples. All drill samples are crushed, dried and pulverised (total prep) to produce a sub sample for XRF analysis. Field quality control procedures involve the use of field duplicates, certified BC standards (at an insertion rate of approx. 1:130) and use of a number of commercial laboratories for analysis.

The sample preparation of RC and earth core samples involve oven drying and full pulverisation before splitting off an XRF assay sub-sample. Diamond core assay samples are quarter sawn, jaw crushed and follow the same sample preparation technique. A pulp sub-sample is collected for analysis by XRF for the following elements: Mn, Fe, Al<sub>2</sub>O<sub>3</sub>, SiO<sub>2</sub>, P, Pb, S, TiO<sub>2</sub>, MgO, K<sub>2</sub>O, BaO, CaO, Cu, Zn and Co<sub>3</sub>O<sub>4</sub>. LOI (loss on ignition) is assessed by thermo-gravimetric determination. Laboratory QAQC involves the use of internal laboratory standards using certified reference material, blanks, splits and replicates as part of the in-house procedures.

OM (Manganese) Ltd ("OMM") developed 6 reference standards in 2007 and 2010 for a range of manganese grade values, using blends of Mn, Fe and quartz material. These were sent to 10 commercial laboratories with returned values in the +2% range against the mean value. BC standards are submitted with each assay batch and results monitored to maintain an independent check on laboratory assays. There is a high degree of confidence in the geological interpretation of the Bootu Creek manganese deposits gained through extensive close spaced drill testing, a relatively planar strata-bound geological setting and several years of active mining at this mature mining operation. Ore mineralogy was determined by XRD analysis and optical petrology on selected drill core, RC chip and lump product (gravity concentrate) samples.

Resource models were digitised and wire-framed from updated interpreted geological and assay drill cross sections prepared by OMM. These wireframes were used to select resource drill intersections and composite data was extracted for Mn, Fe, SiO<sub>2</sub>, Al<sub>2</sub>O<sub>3</sub>, BaO and P based on one metre sample increments. The nugget effect from variography represented only 20% - 30% of the total variability, suggesting low inherent random behaviour for the manganese mineralisation, and did not warrant grade capping.

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

Current bulk density regression formulae are based on 366 waxed (or waxed equivalent) HQ3 core samples selected from 52 metallurgical composites distributed through all deposits included in the Ore Reserve. The bulk density measurements were determined in 2009 by Amdel (Perth) using the wet and dry methodology. Six density regressions were determined for Chugga/Gogo, Shekuma, Xhosa, Masai/Tourag, Yaka and Zulu deposits. Renner West, Foldnose and Zulu South use the Yaka (most conservative) regression option. Bulk density of Tailings is estimated at 1.60 kg/m<sup>3</sup> and Rejects at 1.73 kg/m<sup>3</sup> on a dry tonnes' basis, both assessed on historical site data.

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

Metallurgical assumptions are based on test work conducted on 93 composites selected from 79 diamond holes drilled into all deposits included in Ore Reserves. The test work consists largely of individual particle pyknometry (IPP) on lump ore and Heavy Liquid Separation (HLS) test work on fines (<1 mm). The heavy media treatment plant reconciliation factors, product yield and recovery are reviewed annually. The Inferred Mineral Resource at Renner West was upgraded to an Indicated Mineral Resource following encouraging in-house HLS metallurgical test work conducted on 3 diamond core holes drilled in late 2019.



# ASX LISTING RULES 5.8.1 & 5.9.1 SUMMARY INFORMATION

More recent HLS and screened assay analysis, washability and process simulation test work (conducted by Nagrom) on earth core sampling of the Tailing Storage Facilities TSF 1, TSF2 and TSF 3 has been utilised to justify the newly constructed Ultra Fines Plant (UFP) (TFP). The TRP Rejects Mineral Resource is based surveyed stockpiles and the same metallurgical test work as used to assess the TRF Tailings.

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

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

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

All current and planned mining is by open pit mining methods. Open pit slope angles, determined by an Independent Geotechnical Consultant, are at an overall angle, including berms, of 45o to 50o for hanging wall and end walls, and with footwall batter angles not exceeding the local bedding planes.

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

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

Grade dilution is reviewed each year by reconciliation of the previous year's mined production. The Ore Reserve grade is quoted as a 'diluted' grade and is currently set at 92.5% (unchanged from that used in Dec 2018) of the contributing 'undiluted' Mineral Resource block grade. Mining recovery factors are also reviewed each year from reconciliation of the previous year's mined ore production. The Diluted Tonnage is currently estimated at 100% of the contributing 'undiluted' Mineral Resource block tonnes, for an overall average Metal Recovery Factor of 92.5% (1.00 \* 0.925). Dilution is generally derived from adjacent subgrade mineralisation and does contribute to overall metal recovery.

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

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

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

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

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

Factors effecting revenue include contained dmtu (dry metric tonne units) of manganese and discounts applied for lower than benchmark manganese content or higher than benchmark iron content. Manganese products are sold on an FOB basis from the Port of Darwin. Manganese Price is based on the current and projected price assumption. With adjustments for selling and shipping costs, and product grade discounts, the assumed FOB Darwin price used in the 31 December 2019 Ore Reserve was US\$4.50/dmtu for a 35.5% Mn product grade.

Based on the projected exchange rate of 0.68 (AUD: USD), as at 31 December 2019, the FOB Darwin price assumed for Bootu Creek product was estimated at A\$6.62/dmtu. There are no saleable by-products and NPV ranges and sensitivity to variations are not included in the Ore Reserve estimation process.

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

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

# ASX LISTING RULES 5.8.1 & 5.9.1 SUMMARY INFORMATION

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

Criteria	Explanation
<b>Sampling Techniques - Nature and quantity of sampling</b>	<ul style="list-style-type: none"> <li>• Mineral Resources at Bootu Creek ("BC") were sampled by 91% Reverse Circulation (RC) and 2% diamond (DD) with 7% open percussion (PC) drilling on a nominal 50m x 25m spaced grid.</li> <li>• The 31 December 2019 BC Bootu Creek resource dataset (trimmed to remaining resource models) comprised a total of 682 drill holes for 45,192 metres. The Renner West dataset had 145 drill holes for 6,284 metres.</li> <li>• Collar locations are picked up by Mine Surveyors using MGA94 co-ordinates or by handheld GPS at the Renner Springs project.</li> <li>• RC holes are sampled at 1 metre intervals, rotary split to produce 2-3 kg samples. Sample intervals selected for analysis are generally limited to visible manganese mineralisation and adjacent host rock. Diamond core is submitted for assay as half or quarter core intervals selected by geology and intensity of mineralisation.</li> <li>• All drill samples are crushed, dried and pulverised (total prep) to produce a sub sample for XRF analysis. Mineralised diamond core is quarter sawn to obtain 1 metre or geological intervals for XRF analysis, with half core retained for density determination and metallurgical test work.</li> <li>• Sampling is carried out under OM (Manganese) Ltd ("OMM") protocols to ensure the representivity of drill samples.</li> <li>• Tailings sampling in TSF1, TSF2 and TSF3 at Bootu Creek were undertaken by drilling 49 earth core holes varying in depth from 7 to 12 metres.</li> </ul>
Drilling Technique	<ul style="list-style-type: none"> <li>• RC drilling with 4.5" drill rods and a 5.5" face sampling drill bit.</li> <li>• Diamond core generally drilled using a HQ3 core barrel.</li> <li>• Drilling is predominately vertical, and diamond core drilled prior to 2019 was not oriented.</li> <li>• Holes range from 12 to 156 metres in depth.</li> <li>• Tailings sample holes were drilled utilised a track mounted Power Probe earth core drill.</li> </ul>
Drill Sample Recovery	<ul style="list-style-type: none"> <li>• RC drill sample recovery is visually estimated and recorded in geology drill log. Diamond core recovery is measured and recorded.</li> <li>• RC rods and the sample cyclone are cleared as frequently as required to maintain satisfactory drill sample recovery and representivity.</li> <li>• DD holes use HQ3 size triple tube core barrels to maximise sample recovery.</li> <li>• The mineralisation style and consistency of mineralised intervals are considered to preclude any issue of sample bias due to recovery.</li> <li>• Tailings drill core samples were recovered from 1.2 metre length sample casings.</li> </ul>
Logging	<ul style="list-style-type: none"> <li>• RC chip and diamond drill core samples are geologically logged to the level of detail required to support the Mineral Resource estimate. Logging records lithology, mineralogy, weathering, mineralisation, alteration, colour and other features of the samples.</li> <li>• Geotechnical information is collected from the BC operations open pits.</li> <li>• All diamond drill core and tailings earth core are photographed and logged.</li> <li>• The total length of all exploration and resource delineation drilling is logged.</li> </ul>
Sub-sampling	<ul style="list-style-type: none"> <li>• Diamond core assay samples are quarter sawn, oven dried, jaw crushed and fully pulverised before splitting off an XRF assay sub-sample.</li> <li>• RC samples are rotary split to produce a sample of an approximately 3 kg in weight. High volume, high pressure air is used when RC drilling to ensure the sample return is kept as dry as possible.</li> <li>• RC samples submitted for assay are oven dried, jaw crushed and fully pulverised before splitting off an XRF assay sub-sample.</li> <li>• QC procedures involve the use of field duplicates, certified BC standards (insertion rate of approx. 1:130) and commercial laboratories standards.</li> <li>• Appropriate industry standard sample preparation techniques and quality control procedures (ISO4296/2) are utilised by the onsite laboratory and offsite commercial laboratories to maximise sample representivity.</li> <li>• Drill sample field duplicates are taken to ensure sampling is representative of the in-situ sample material collected.</li> <li>• Sample sizes are appropriate for the grain size of the material being sampled based on the mineralisation style, intersection thickness and percent assay ranges for the primary elements.</li> <li>• Tailings earth core samples were cut in half lengthways for assay, with the remaining half retained for metallurgical test work.</li> </ul>



# ASX LISTING RULES 5.8.1 & 5.9.1 SUMMARY INFORMATION

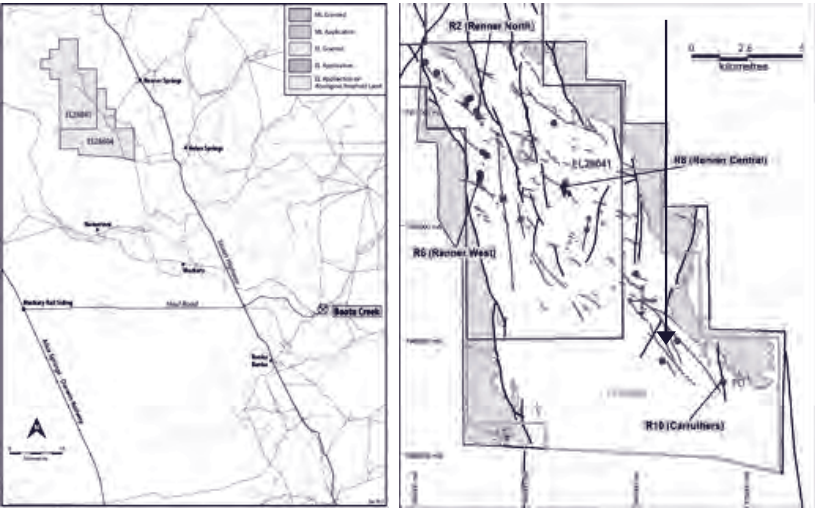
Criteria	Explanation
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> <li>The analytical techniques use an XRF multi element suite for assaying Mn, Fe, Al<sub>2</sub>O<sub>3</sub>, SiO<sub>2</sub>, P, Pb, S, TiO<sub>2</sub>, MgO, K<sub>2</sub>O, BaO, CaO, Cu, Zn and Co<sub>3</sub>O<sub>4</sub>. LOI (loss on ignition) is assessed by thermo-gravimetric determination technique.</li> <li>No geophysical tools were used to determine any element concentrations used in any of the resource estimates.</li> <li>Laboratory QAQC involves the use of internal laboratory standards using certified reference material, blanks, splits and replicates.</li> <li>BC independently developed 6 reference standards in 2007 and 2010 for a range of grade values, using blends of Mn, Fe and quartz material. These were sent to 10 commercial laboratories with returned values in the +/-2% range against the expected value. The BC standards are submitted with each assay batch and monitored to maintain an independent check on laboratory assays.</li> </ul>
Verification of sampling and assaying	<ul style="list-style-type: none"> <li>Significant drill intersections are verified by alternative company personnel, generally the Geology Manager for OMM.</li> <li>Twined holes were used in initial exploration/pre-feasibility phase but are not considered necessary in the current mature mining phase.</li> <li>Data entry, verification and storage protocols are in place and were managed by a dedicated GIS/Database Manager and recently by the Geology Manager.</li> <li>No adjustments of primary assay data (high grade cuts, etc.) are considered necessary.</li> </ul>
Location of data points	<ul style="list-style-type: none"> <li>Drill collars used for Mineral Resource delineation are surveyed using the mine based DGPS survey equipment.</li> <li>All locations are picked up and quoted in MGA94 grid format.</li> <li>Mine lease topography is based on ortho-rectified aerial photography (2013) to produce a DTM based on a 5 metre x 5 metre centred grid with +/- 0.5 metre RL accuracy.</li> </ul>
Data spacing and distribution	<ul style="list-style-type: none"> <li>Data spacing is generally based on a 50 metre x 25 metre drill grid within the Mineral Resource boundaries.</li> <li>The data spacing and distribution is close enough to establish the degree of geological and grade continuity appropriate for the Mineral Resource classification being quoted and for the Ore Reserve estimate.</li> <li>Sample support is consistent with 1 metre RC composite sample length applied and utilised for Mineral Resource estimate.</li> </ul>
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> <li>The manganese deposits at Bootu Creek are shallow dipping (average dip 30o–40o), strata-bound and relatively planar.</li> <li>Drill orientation is predominately vertical and any interaction with local faults or fold structures is not considered to introduce bias to the sampling results.</li> </ul>
Sample Security	<ul style="list-style-type: none"> <li>Sample security is not considered a significant risk.</li> <li>Most exploration samples are processed by the on-site laboratory and results are validated against the drill hole geology logs.</li> </ul>
Audit or reviews	<ul style="list-style-type: none"> <li>No recent audits or reviews of sampling techniques, other than ongoing internal review, have been conducted. The database was last reviewed by Optiro for the 31 December 2012 Mineral Resource estimate.</li> <li>Minor infill delineation drilling conducted since that audit (within the remaining resource models) included 5 RC holes in CFN, 6 RC holes in Shekuma and 11 RC holes in Masai 5.</li> <li>6 new diamond core holes drilled in 2019 were for geotechnical assessment of proposed Shekuma and CFN pits.</li> <li>3 new diamond core holes drilled in 2019 were for metallurgical test work at the Renner West deposit.</li> </ul>

## Section 2 Reporting of Exploration Results

Criteria	Explanation
Mineral tenement and land tenure status	<ul style="list-style-type: none"> <li>The relevant tenements for 2019 exploration are EL28041 and EL28604, collectively referred to as the Renner Springs project.</li> <li>The tenements were granted in 2010 and 2011 respectively and are 100% owned by OMM with no security of tenure issues at the time of reporting.</li> </ul>
Exploration done by other parties	<ul style="list-style-type: none"> <li>Keys Resources NL were the last to explore the Renner Springs area, intersecting 9m @ 36.7% Mn in percussion hole W38. (Ferenczi, 2001).</li> </ul>
Geology	<ul style="list-style-type: none"> <li>The Renner Springs project is predominately located within the Namerinni Group in the Ashburton Province of the Tennant Creek Inlier. The favourable manganese bearing horizon is hosted principally by the Shillinglaw Formation.</li> <li>The Renner Springs manganese horizons are generally shallow dipping and present with a breccia/conglomerate texture in low outcrops.</li> <li>The Bootu Creek manganese deposits are strata-bound, located at the contact between the underlying dolomite-siltstone Attack Creek Formation and the overlying ridge forming sandstone of the Bootu Formations in the Tomkinson Group, within the Ashburton Province of the Palaeozoic.</li> </ul>

# ASX LISTING RULES 5.8.1 & 5.9.1 SUMMARY INFORMATION

## Section 2 Reporting of Exploration Results

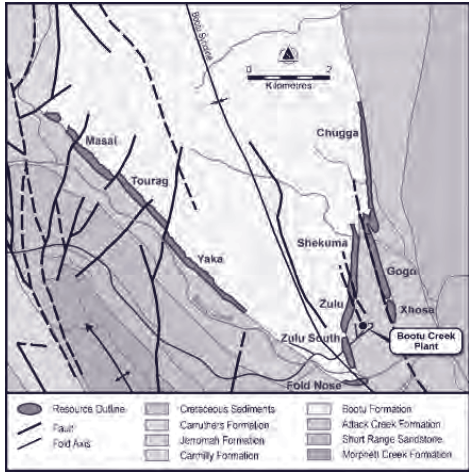
Criteria	Explanation
Drill hole Information	<ul style="list-style-type: none"> <li>3 diamond core holes were drilled at the Renner West deposit and 6 RC holes were drilled at the recently discovered Carruthers North prospect.</li> <li>Refer to the accompanying Table 1 and 2 on page 30 for details of sample locations and assay results.</li> </ul>
Data aggregation methods	<ul style="list-style-type: none"> <li>Reported assays are length weighted with no top-cuts applied.</li> <li>No metal equivalents are used for reporting exploration results.</li> </ul>
Relationship between mineralisation width and intercept length	<ul style="list-style-type: none"> <li>The diamond drill program was undertaken to provide core for metallurgical test work at the Renner West Mineral Resource.</li> <li>The RC drill program was a first pass test of a low laying manganese outcrop, recently discovered while ground checking a gradient array IP anomaly.</li> <li>The intersections are quoted as drill intersection lengths, as the dip of the mineralisation is yet to be confirmed.</li> </ul>
Diagrams	<ul style="list-style-type: none"> <li>The Renner West Mineral Resource is located at R6 in figure below.</li> <li>The Carruthers North prospect is located midway between prospects R8 and R10 shown in the figure below.</li> </ul> 
Balanced reporting	<ul style="list-style-type: none"> <li>All results are reported when publishing exploration reports.</li> </ul>
Further work	<ul style="list-style-type: none"> <li>Follow up RC drilling is planned for the Carruthers North prospect in 2020.</li> </ul>

## Section 3 Estimation and Reporting of Mineral Resources

Criteria	Explanation
Database integrity	<ul style="list-style-type: none"> <li>Location data was imported from DGPS export files.</li> <li>Assay data was imported from the original laboratory issued csv files.</li> <li>All exploration drill data was moved to an Access database in 2017 and all new drill hole data is uploaded to that database utilising customised mine site software.</li> <li>Geology logs are validated for errors on import, locations checked, and assay data quality is ensured by use of lab and field standards. Further internal validation for duplication, overlaps, etc is carried out using Surpac software prior to any resource estimation.</li> </ul>
Site visits	<ul style="list-style-type: none"> <li>The Mineral Resource is located within an active mine camp and is visited regularly by OMM Competent Persons.</li> </ul>

# ASX LISTING RULES 5.8.1 & 5.9.1 SUMMARY INFORMATION

## Section 3 Estimation and Reporting of Mineral Resources

Criteria	Explanation
Geological Interpretation	<ul style="list-style-type: none"> <li>• There is a high degree of confidence in the geological interpretation of the Bootu Creek manganese deposits gained through extensive close spaced drill testing, a relatively planar strata-bound geological setting and over 13 years of active mining at this mature mining operation.</li> <li>• Ore mineralogy was determined by XRD analysis and optical petrology on selected drill core, RC chip and mineral product (gravity concentrate) samples.</li> <li>• The geological controls at BC are well understood from ongoing mining activity and form the basis for the resource interpretations.</li> <li>• Factors affecting continuity of grade and geology include local high and low angle faulting, local internal and adjacent high Fe associated with faulting, and the intensity and depth of supergene alteration from weathering.</li> <li>• The geological interpretation is refined on an ongoing basis following the review of close spaced grade control sampling and in pit observation and mapping of second order fault structures not modelled in the original broader spaced resource delineation drilling.</li> <li>• This figure is inserted for reference to geological setting and deposit locations at Bootu Creek.</li> </ul> 
Dimensions	<ul style="list-style-type: none"> <li>• The Bootu Creek manganese resource models have a combined strike length of 16km, with individual models ranging from 0.7km to 2.9km</li> <li>• Bootu Creek resource models are generally limited in vertical depth by economic constraints (imposed by strip ratios and cost of mining), by faulting or by the depth of weathering and supergene alteration, rather than a depth termination of the mineralisation.</li> <li>• Individual resource model depth extents range from 50 metres to 120 metres below surface. All mining is by open pit.</li> <li>• Bootu Creek resource model widths (true width) range from the minimum width of 3 metres to a maximum of around 15 metres.</li> <li>• The Renner West manganese deposit extends over a strike length of 450 metres and to a depth of around 25 metres below surface.</li> </ul>
Estimation and modelling techniques	<ul style="list-style-type: none"> <li>• Estimation and modelling undertaken by independent resource consultants Optiro Pty Ltd, and since updated by OMM technical staff.</li> <li>• Resource models are digitised and wire-framed from interpreted geological and assay drill cross sections prepared by OMM. These wireframes are used to select resource intersections and composite data is extracted for Mn, Fe, SiO<sub>2</sub>, Al<sub>2</sub>O<sub>3</sub>, BaO and P based on one metre sample increments.</li> <li>• 'Supervisor' geostatistical software was used for continuity analysis to determine variograms for grade estimation. Optiro found that the 10% Mn population generated more robust variograms with lower nugget effects that were applied to the resource composite data during estimation.</li> <li>• The nugget effect from variography was found to represent only 20-30% of the total variability, suggesting a low inherent random behaviour for the manganese mineralisation and no grade capping is warranted.</li> <li>• Block models are estimated using Ordinary Kriging (OK), using Surpac resource estimation software, and coded with attributes for material type, resource classification, model domain and for OMM survey pit pickups.</li> <li>• Block Model Parent Cells are 25 metres (Y) by 10 metres (X) by 5 metres (Z) and compare favourably with maximum drill spacing of 50 metres x 25 metres or 40 metres x 20 metres and with along strike search radius varying from 130 metres in the shorter or faulted models through to 290 metres for the highly continuous Chugga-Gogo.</li> <li>• The number of samples is set at a minimum of 15 and a maximum of 32 for passes 1 &amp; 2. The pass 3 minimum was set to 2 samples to fill model extents.</li> <li>• Search ranges varied from 130 metres up to 290 metres in deposits of up to 2.9 km strike length. The search ellipsoids are flattened disc shapes in the plane of the mineralisation with varying anisotropic ratios designed to model shallowly plunging manganese trends within the domains.</li> <li>• Geological interpretation prepared by OMM has been used to construct digital wireframes and control assay extraction from the database but are not otherwise used to control the resource estimate.</li> <li>• The only assumed correlation between variables is that used for the density regression calculated against manganese grade. There is a noted inverse relationship between manganese vs silica and Al<sub>2</sub>O<sub>3</sub>. There is a variable relationship between manganese and iron and correlations between other elements were poor.</li> <li>• No selective mining units were assumed in the estimates.</li> </ul>

# ASX LISTING RULES 5.8.1 & 5.9.1 SUMMARY INFORMATION

Criteria	Explanation
	<ul style="list-style-type: none"> <li>Graphical 3D validation of block grades versus composite samples, used to compare modelled grade trends against the spatial distribution of the samples, demonstrated that estimated low and high grades were consistent with the composite samples. Density was also checked to confirm interpolated block values honour the regression formulas.</li> <li>Validation swathe plots by Optiro show that the block model estimated grades honoured local grades. All volumetric checks are within 1% of wireframes.</li> <li>The significant elements specific to product quality are assayed and modelled with the only potential issue being high Fe content in product, which is managed in the mine plan.</li> <li>Mineral Resource estimates are depleted for mining up to 31 December 2019 and reported above a cut-off grade of 15% Mn.</li> </ul>
Moisture	<ul style="list-style-type: none"> <li>All tonnage is estimated on a dry tonnes' basis.</li> </ul>
Cut-off parameters	<ul style="list-style-type: none"> <li>The current 15% Mn cut-off grade has been affirmed after several years of processing Bootu Creek ore. Manganese product derived from the DMS (gravity) plant is not linear in relation to head grade and product yield and/or product grade decreases rapidly below the current cut-off grade.</li> </ul>
Mining factors or assumptions	<ul style="list-style-type: none"> <li>The Mineral Resource estimates were optimised by OMM technical staff utilising Whittle mining software to limit economic open pit extents based on long term revenue, mining, processing and logistic parameters set by OMM.</li> <li>All mining is, or is proposed, by open pit mining methods.</li> <li>Parameters for determining economic extraction are based on data derived from the current mining and processing operations at Bootu Creek.</li> </ul>
Metallurgical factors and assumptions	<ul style="list-style-type: none"> <li>Metallurgical assumptions are based on test work conducted on 93 composites selected from 79 diamond holes drilled into all deposits included in Ore Reserves. The test work consists largely of individual particle pyknometry (IPP) on lump ore and Heavy Liquid Separation (HLS) on fines.</li> <li>More recent HLS and screened assay analysis, washability and process simulation test work (conducted by Nagrom) on earth core sampling of the Tailing Storage Facilities TSF 1, TSF2 and TSF 3 has been utilised to justify the newly constructed Ultra Fines Plant (UFP).</li> <li>The UFP Rejects Mineral Resource is based on surveyed stockpiles and the same metallurgical test work as used to assess the UFP Tailings.</li> <li>Plant factors including product yield and recovery are reviewed annually.</li> <li>Product yield assumptions for resource optimisation are now based on statistical analysis of the resource delineation drill sample grade distribution, on a pit by pit basis, with due attention to the extent of weathering.</li> <li>Average grade is no longer considered a reliable indicator of product yield.</li> </ul>
Environmental factors or assumptions	<ul style="list-style-type: none"> <li>Bootu Creek in an operating mine site and processing plant with Mine Management Plans submitted and approved for waste rock and tailings storage by the Northern Territory Department of Primary Industry and Resources.</li> <li>No significant sulphides are present in the ore or mine waste.</li> </ul>
Bulk Density	<ul style="list-style-type: none"> <li>Current bulk density regression formulae are based on 366 waxed (or waxed equivalent) HQ3 core samples selected from 52 metallurgical composites distributed through all deposits included in the Ore Reserve.</li> <li>The bulk density measurements were determined in 2009 by Amdel (Perth) using the wet and dry methodology. Six individual density regressions were determined for Chugga/Gogo, Shekuma, Xhosa, Masai/Tourag, Yaka and Zulu deposits. Renner West, Foldnose and Zulu South use the Yaka (most conservative) regression option.</li> </ul>
Classification	<ul style="list-style-type: none"> <li>Measured Mineral Resource – this classification is restricted to well drilled resource blocks located within 15 metres (vertical) of a mined pit floor, reflecting a high level of geological and grade confidence.</li> <li>Indicated Mineral Resource – classified based on established grade and geological continuity defined by the tabular nature of the Bootu Creek mineralised zones, the regular drill spacing of 50 metres x 25 metres or better, estimation parameters such as kriging efficiency and the demonstrated mining history in most of the deposits .</li> <li>The Mineral Resource estimate appropriately reflects the view of the Competent Persons.</li> <li>All OMM Mineral Resources are economically constrained on an annual basis by optimised pit shells using updated OMM cost, revenue and physical parameters (see Mining Factors and Assumptions).</li> </ul>
Audits and reviews	<ul style="list-style-type: none"> <li>Independent resource consultant Optiro Pty Ltd conducted a Client Review of wireframes, block models, classification criteria, volumetric comparison, composite versus block model grades and XYZ plots on the Mineral Resource estimate for 31 December 2013.</li> <li>No new resource delineation drilling, with the exception of 23 RC infill holes drilled in 2017 and 2018, have been added since that Mineral Resource estimate and the only changes applied in the current Mineral Resource estimate process are to account for updated pit optimisation parameters, product yield estimation, mine depletion and/or pit backfill and to update geological interpretation based on minor faults observed during mining activity.</li> </ul>
Discussion of relative accuracy/confidence	<ul style="list-style-type: none"> <li>The relative accuracy of the Mineral Resource estimate is reflected in the reporting of the Mineral Resource as per the guidelines of the 2012 JORC Code.</li> <li>The statement relates to global estimates of tonnes and grades.</li> <li>Annual reconciliation compares mine production with pre-mining Mineral Resource estimates, and to update mining factors and assumptions.</li> </ul>



# ASX LISTING RULES 5.8.1 & 5.9.1 SUMMARY INFORMATION

## Section 4 Estimation and Reporting of Ore Reserves

Criteria	Explanation
Mineral Resource estimate for conversion to Ore Reserves	<ul style="list-style-type: none"> <li>31 December 2019 Mineral Resource models were optimised using Whittle mining software to limit economic open pit extents utilising OMM updated mining, processing and logistics costs and physical parameters, and revenue assumptions.</li> <li>Open pit designs further constrained the above optimised Mineral Resource models with constraints such as minimum cut back width, practical waste rock storage, pit access and ramp location options.</li> <li>Mineral Resources quoted are reported as inclusive of Ore Reserves.</li> </ul>
Site visits	<ul style="list-style-type: none"> <li>The Ore Reserve is located within an active mine camp and is visited regularly by the Competent Persons.</li> </ul>
Study status	<ul style="list-style-type: none"> <li>Bootu Creek manganese mine commenced production in 2006 and is an ongoing, mature manganese mining operation.</li> <li>Conversion of Mineral Resources to Ore Reserves is based on parameters derived from analysis of current operating practices, technical studies, and ongoing mine and processing performance.</li> </ul>
Cut-off parameters	<ul style="list-style-type: none"> <li>The current 15% Mn cut-off grade has been affirmed after several years of mining and processing Bootu Creek ore. Manganese product derived from the DMS (Dense Media Separation) plant feed is not linear in relation to the plant head grade and product yield either decreases rapidly or fails to produce an acceptable product grade below the 15% Mn cut-off grade.</li> </ul>
Mining factors or assumptions	<ul style="list-style-type: none"> <li>The Mineral Resource estimates were optimised utilising Whittle mining software to limit economic open pit extents based on long term revenue, mining, processing and logistic parameters set by OMM.</li> <li>All current and planned mining is by open pit mining methods.</li> <li>Geotechnical parameters including batter angles and berm widths and intervals were recommended by independent mining consultants Coffey Mining Pty Ltd and more recently by Absolute Geotechnics Pty Ltd following ongoing review of BC mining operations.</li> <li>Open pit slope angles, determined by an Independent Geotechnical Consultant are at an overall slope angle, including berms, of 45o to 55o for hanging wall and end walls, and with footwall batter angles not exceeding the local bedding planes.</li> <li>Diluted Grade is reviewed each year by reconciliation of the previous year's mine production. The Ore Reserve grade is quoted as a 'diluted' grade and is currently set at 92.5% of the contributing 'undiluted' Mineral Resource block grades.</li> <li>Mine Recovery is also reviewed each year by reconciliation of the previous year's mine production. The Mine Tonnage Factor is currently estimated at 100% (inclusive of dilution) of the contributing 'undiluted' Mineral Resource block tonnes.</li> <li>Minimum mining unit is effectively 2.5 metres vertically by 5 metres across and 5 metres along strike. The minimum drill intersection length applied in the Mineral Resource and Ore Reserve estimate is 3 metres and is close to true width.</li> <li>Inferred Mineral Resources have not been utilised nor included in Ore Reserves.</li> <li>Bootu Creek is a mature manganese mining and processing operation with all necessary mining infrastructures in place.</li> </ul>
Metallurgical factors or assumptions	<ul style="list-style-type: none"> <li>The HMS treatment plant has been in operation since 2006 and has since been modified to maximise tonnes processed, product yield and manganese recovery.</li> <li>The heavy media plant is well-tested technology and well suited to the manganese ores being processed.</li> <li>Metallurgical test work was conducted on 93 composites selected from 79 diamond holes drilled into all deposits included in Ore Reserves. The test work consists of individual particle pyknometry (IPP) on lump ore and Heavy Liquid Separation (HLS) test work on fines.</li> <li>More recent HLS and screened assay analysis, washability and process simulation test work (conducted by Nagrom) on earth core sampling of the Tailing Storage Facilities TSF 1, TSF2 and TSF 3 has been utilised to justify the newly constructed Ultra Fines Plant (UFP).</li> <li>The only significant deleterious element is Fe and that is managed by blending ore sources or product stockpiles.</li> <li>Plant reconciliation factors are reviewed annually and factors including product yield and manganese recovery are updated annually.</li> <li>Yield assumptions for HMS plant feed are estimated on an individual pit basis, based on a statistical analysis of the resource delineation drill sample grade distribution constrained by each pit design and the intensity of weathering, to estimate likely product yield and grade from that source. Average grade is no longer considered a reliable indicator of product yield.</li> <li>Manganese oxide mineralogy is not relevant for the Ore Reserve estimate.</li> </ul>
Environmental	<ul style="list-style-type: none"> <li>There are no significant environmental impacts arising from mining or processing. Waste rock and processing tails are stored on site and are not acid generating. The only additive used in ore processing is ferrosilicon.</li> <li>Bootu Creek in an operating mine site and processing plant with Waste Management Plans submitted for waste rock and tailings storage and approved by the Northern Territory Department of Primary Industry and Resources.</li> </ul>

## ASX LISTING RULES 5.8.1 & 5.9.1 SUMMARY INFORMATION

Criteria	Explanation
Infrastructure	<ul style="list-style-type: none"> <li>• Bootu Creek mine site is a mature manganese mining and processing operation with all mining, processing, rail and port infrastructure in place and operational.</li> </ul>
Costs	<ul style="list-style-type: none"> <li>• All major capital projects are completed and operational.</li> <li>• Operating costs and sustaining capital are derived from analysis of the 2019 Bootu Creek mining and processing operations and the 2020 budget.</li> <li>• Deleterious elements are managed within specified maximum limits and no specific pricing allowance is used. Price discounts are applied for a specified range of lower grade manganese products.</li> <li>• Commodity prices are discussed in Revenue factors.</li> <li>• Exchange rates are discussed in Revenue factors.</li> <li>• Road and rail transportation charges are based on current contracted terms and rates.</li> <li>• Refining charges are not relevant and product specification penalties are rare and have not been applied.</li> <li>• Royalties are payable to the original project vendor and the Northern Land Council (on behalf of Traditional Owners). The Northern Territory government royalty is on a net value basis (considered as a "tax") and as such is not included in the optimisation process.</li> <li>• Royalty charges are allowed for in project costing and applied in the pit optimisation process.</li> </ul>
Revenue factors	<ul style="list-style-type: none"> <li>• Manganese products are sold on an FOB basis from the Port of Darwin.</li> <li>• Factors effecting revenue include contained dmtu (dry metric tonne units) of manganese, and discounts for lower than benchmark manganese content or higher than specified iron content.</li> <li>• Commodity price assumptions are based on 3-year forecast for Mn - CIF China GEMCO 44% with adjustments for selling and shipping costs, and for discounts specific to BC product grade and size specifications to derive an FOB Darwin price of US\$4.50/dmtu for a 35.5% Mn product grade.</li> <li>• Exchange rate (AUD: USD) assumption is based on an exchange rate of 0.68 (Dec 2019), for a forecast FOB Darwin price of A\$6.62/dmtu.</li> <li>• There are no saleable by-products.</li> </ul>
Market assessment	<ul style="list-style-type: none"> <li>• Demand, supply, stock and future volume assumptions for manganese are considered in the 3 year price forecast.</li> <li>• Customer and competitor factors are considered in the 3-year manganese price forecast.</li> <li>• Customer specification, testing and acceptance rely on an inbound assay.</li> <li>• Occasional minor penalties may apply but are not included in the Ore Reserve estimate.</li> </ul>
Economic	<ul style="list-style-type: none"> <li>• NPV ranges and sensitivity to variations are not included in the Ore Reserve estimation process.</li> </ul>
Social	<ul style="list-style-type: none"> <li>• All necessary agreements and authorities are in place with Traditional Owners for mining and royalties (via the Northern Land Council) and for heritage clearance and sacred sites (via the Aboriginal Areas Protection Authority).</li> </ul>
Other	<ul style="list-style-type: none"> <li>• The only significant naturally occurring risk is delays incurred from cyclone related flooding of the mine site or railway line to Darwin.</li> <li>• All material legal agreements and marketing arrangements are in place.</li> <li>• All government approvals (including the Mine Management Plan and Mineral Lease), licences, clearances and bonds necessary to operate the Bootu Creek mine site and processing plant are in place.</li> </ul>
Classification	<ul style="list-style-type: none"> <li>• Proven Ore Reserves are restricted to in-situ Measured Resources contained within mine designs based on pit optimisation at the current budget cost and revenue assumptions, plus surface Ore Stocks.</li> <li>• Probable Ore Reserves are restricted to Indicated Resources contained within mine designs based on pit optimisation at the current budget cost and revenue assumptions.</li> <li>• The Ore Reserve classification appropriately reflects the Competent Person's view of the deposit.</li> <li>• No Probable Ore Reserves are derived from Measured Resources.</li> </ul>
Audits and reviews	<ul style="list-style-type: none"> <li>• There has been no independent audit of the 31 December 2019 Ore Reserve estimates.</li> </ul>
Discussion of relative accuracy/confidence	<ul style="list-style-type: none"> <li>• Annual reconciliation of mined Ore Reserve blocks is used to compare mine production with the mined Ore Reserve estimates and were used to update the mining recovery and dilution factors applied to the 31 December 2019 Ore Reserve estimation process.</li> </ul>



# ASX LISTING RULES 5.8.1 & 5.9.1 SUMMARY INFORMATION

**Table 1.**  
**Drilling Results - Renner West (using a cut-off grade of 15% Mn)**

Hole ID	Easting mE	Northing mN	RL (m) approx.	Azimuth & Dip	Hole Depth (m)	Interval From (m)	Interval To (m)	Interval Width (m)	Mn %	Fe %
RSDD001	358071	7971873	279	-90	26.9	2.90	3.30	0.40	22.39	1.74
						4.00	8.80	4.80	27.63	4.76
						10.00	11.00	1.00	30.15	1.51
						20.40	21.20	0.80	20.75	20.88
RSDD002	358022	7971998	278	-90	27.6	4.60	7.30	2.70	28.20	11.88
						10.20	11.20	1.00	42.10	2.00
						15.50	15.60	0.10	49.17	0.76
						18.10	21.30	3.20	33.65	3.11
RSDD003	358008	7972120	275.5	-90	17.1	0.00	2.20	2.20	19.79	4.18
						2.60	6.80	4.20	26.81	4.81
						6.80	11.10	4.30	33.98	3.60
						12.60	13.40	0.80	39.54	0.96

**Table 2.**  
**Drilling Results - Carruthers North Prospect (using a cut-off grade of 15% Mn)**

Hole ID	Easting mE	Northing mN	RL (m) approx.	Azimuth & Dip	Hole Depth (m)	Interval From (m)	Interval To (m)	Interval Width (m)	Mn %	Fe %
RSRC0321	366096	7965923	275	-90	61	0	7	7	27.67	5.5
						15	16	1	25.16	21.4
						38	40	2	37.41	5.5
RSRC0322	366112	7965924	275	-90	56				nsv	
RSRC0323	366089	7965979	275	-90	67	0	5	5	24.22	7.4
RSRC0324	366106	7965983	275	-90	55	14	15	1	18.75	9.1
RSRC0325	366083	7966016	275	-90	61				nsv	
RSRC0326	366120	7965955	275	-90	49	6	7	1	26.84	13.4

# DIRECTORS' STATEMENT

for the financial year ended 31 December 2019

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of OM Holdings Limited ("the Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2019 and the statement of financial position of the Company as at 31 December 2019.

In the opinion of the Directors,

- (a) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

## Names of Directors

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

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

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

## Arrangements to enable Directors to acquire shares or debentures

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

# DIRECTORS' STATEMENT

for the financial year ended 31 December 2019

## Directors' interests in shares

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

	Holdings registered in the name of director or nominee		Holdings in which director is deemed to have an interest	
	As at <u>1.1.2019</u>	As at <u>31.12.2019</u>	As at <u>1.1.2019</u>	As at <u>31.12.2019</u>
The Company -				
	<u>Number of ordinary shares fully paid</u>			
Low Ngee Tong	67,138,500	<b>67,855,828</b>	-	-
Julie Anne Wolseley	5,562,002	<b>5,562,002</b>	-	-
Tan Peng Chin	<sup>(1)</sup> 1,860,000	<sup>(1)</sup> <b>2,020,000</b>	-	-
Peter Church OAM	-	-	<sup>(2)</sup> 69,290	<sup>(2)</sup> <b>94,262</b>

Note:

<sup>(1)</sup> 720,000 (2018 - 560,000) shares are held by DBS Vickers Securities (Singapore) Pte Ltd on behalf of Mr Tan Peng Chin.

<sup>(2)</sup> These shares are held directly by a company named Murmeli Pty Limited Superannuation Fund in which the Director has a relevant interest.

## Shares Options

No options were granted during the financial year to take up unissued shares of the Company.

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

There were no unissued shares of subsidiaries under option at 31 December 2019.

## Audit Committee

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

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

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

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

# DIRECTORS' STATEMENT

for the financial year ended 31 December 2019

## Audit Committee (Cont'd)

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

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

## Independent auditor

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

On behalf of the Directors



LOW NGEE TONG  
Executive Chairman

Dated: 27 March 2020

# INDEPENDENT AUDITOR'S REPORT

to the members of OM Holdings Limited

## Report on the Audit of the Financial Statements

### Opinion

We have audited the accompanying financial statements of OM Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Company and the Group as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the International Financial Reporting Standards (IFRSs) so as to give a true and fair view of the financial position of the Company and the consolidated financial position of the Group as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### Basis for Opinion

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

### Key Audit Matters

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

#### Key audit matter:

#### Risk:

#### Our response and work performed:

Impairment of non-financial assets

The Group's non-financial assets comprise property, plant and equipment, land use rights, exploration and evaluation costs, mine development costs and right-of-use assets amounting to A\$739.8 million as at 31 December 2019. Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is based on certain key assumptions, such as cash flow projections covering a five-year period and the perpetual growth rate and discount rate per cash generating unit (CGU). A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. These assumptions which are determined by management are judgmental.

In determining appropriate CGU level, the Group has considered whether there are: active markets for intermediate products; external users of the processing assets; mining or smelting operations through the use of shared infrastructure; stand-alone mines or smelting plants operated on a portfolio basis. Significant judgement is required by management to determine whether multiple assets should be grouped to form CGU.

Due to the uncertain global economic environment, there are higher inherent risks relating to the impairment of the Group's non-financial assets.

Our audit procedures included among others, assessing appropriateness of cash-generating units identified by management, evaluating management's assessment for impairment indications, reviewing the valuation model and assumptions used, and challenging management's assumptions in our evaluation of the model.

We evaluated whether there had been significant changes in the external and internal factors considered by the Group in assessing whether indicators of impairment exist. In the assessment of impairment, the Group takes into account the indicative open market prices of the finished products from independent experts and publication reports, and uses inputs, such as market growth rate, weighted average cost of capital and other factors, typical of similar mining and smelting industries. Senior management has applied its knowledge of the business in its regular review of these estimates. We also focused on the adequacy of disclosures about key assumptions and sensitivities. The disclosures about the Group's property, plant and equipment, land use rights, exploration and evaluation costs, mine development costs and right-of-use assets are included in Notes 4, 5, 6, 7 and 9 to the financial statements respectively.



# INDEPENDENT AUDITOR'S REPORT

to the members of OM Holdings Limited

## Key Audit Matters (Cont'd)

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

## Other Information

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

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

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

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

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

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

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT

to the members of OM Holdings Limited

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

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

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

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

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

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

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



Foo Kon Tan LLP  
Public Accountants and  
Chartered Accountants

Singapore,  
27 March 2020

# STATEMENTS OF FINANCIAL POSITION

as at 31 December 2019

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

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2019

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

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2019

	Share capital A\$'000	Treasury shares A\$'000	Share premium A\$'000	Non-distributable reserve A\$'000	Capital reserve A\$'000	Hedging reserve A\$'000	Exchange fluctuation reserve A\$'000	Retained profits A\$'000	Total attributable to equity holders of the parent A\$'000	Non-controlling interests A\$'000	Total equity A\$'000
At 1 January 2019	36,931	(2,330)	178,363	8,868	15,444	(6,540)	29,769	128,112	388,617	62,508	451,125
Profit/(Loss) for the year	-	-	-	-	-	-	-	56,641	56,641	(569)	56,072
Other comprehensive income/(loss) for the year	-	-	-	-	-	689	412	-	1,101	(197)	904
Total comprehensive income/(loss) for the year	-	-	-	-	-	689	412	56,641	57,742	(766)	56,976
Dividends paid	-	-	-	-	-	-	-	(22,101)	(22,101)	(1,228)	(23,329)
Capital injection from non-controlling interest shareholder	-	-	-	-	-	-	-	-	-	22,476	22,476
Write off of warrants	-	-	-	-	620	-	-	-	620	-	620
Transactions with owners	-	-	-	-	620	-	-	(22,101)	(21,481)	21,248	(233)
At 31 December 2019	36,931	(2,330)	178,363	8,868	16,064	(5,851)	30,181	162,652	424,878	82,990	507,868
At 1 January 2018	36,671	(2,330)	176,563	5,552	16,513	(6,886)	10,073	(8,190)	227,966	59,782	287,748
Profit for the year	-	-	-	-	-	-	-	161,722	161,722	22,935	184,657
Other comprehensive income for the year	-	-	-	-	-	346	19,693	-	20,039	4,831	24,870
Total comprehensive income for the year	-	-	-	-	-	346	19,693	161,722	181,761	27,766	209,527
Dividends paid	-	-	-	-	-	-	-	(22,101)	(22,101)	-	(22,101)
Issue of ordinary shares, net of issue costs	260	-	1,800	-	-	-	-	-	2,060	-	2,060
Acquisition of irredeemable convertible preference shares in subsidiary from non-controlling interest shareholder	-	-	-	-	-	-	-	-	-	(25,040)	(25,040)
Buy-back of warrants	-	-	-	-	(1,069)	-	-	-	(1,069)	-	(1,069)
Transfer	-	-	-	3,316	-	-	3	(3,319)	-	-	-
Transactions with owners	260	-	1,800	3,316	(1,069)	-	3	(25,420)	(21,110)	(25,040)	(46,150)
At 31 December 2018	36,931	(2,330)	178,363	8,868	15,444	(6,540)	29,769	128,112	388,617	62,508	451,125

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



# CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2019

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

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2019

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

## Note A Reconciliation of liabilities arising from financing activities

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 1 General information

The financial statements of the Company and of the Group for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on the date of the Directors' Statement.

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

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

## 2(a) Basis of preparation

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

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

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

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

### Significant accounting estimates and judgements

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

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

### Significant judgements in applying accounting policies

#### Income taxes (Note 28)

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

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

#### Determination of functional currency

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

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

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

#### Allowance for expected credit losses (ECL) of trade and other receivables (Note 14) (Cont'd)

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

#### Deferred tax assets (Note 10)

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

#### Determination of cash-generating units (CGU)

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

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

#### Impairment of non-financial assets

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

#### Mine development costs (Note 7)

The fair value of the mine development costs was determined based on property highest and best use, using the income approach. If the fair value of the mine development costs increases/decreases by 10% from management's determination, the Group's profit for the year will decrease/increase by approximately A\$2,336,000 (2018 - A\$2,399,000).

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

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

#### Net realisable value of inventories (Note 13)

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated cost necessary to make the sale. These estimates are based on the current market conditions and historical experiences of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions. Management reassesses the estimations at the end of each reporting date. The carrying amount of the inventories as at 31 December 2019 is A\$228,275,000 (2018 - A\$267,042,000).

#### Estimation of the incremental borrowing rate ("IBR")

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

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

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

Reference	Description	Effective date (Annual periods beginning on or after)
IFRS 16	<i>Leases</i>	1 January 2019
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>	1 January 2019

### IFRS 16 Leases

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

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

#### (a) Definition of a lease

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

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

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

#### (b) Lessee accounting

##### (i) Former operating leases

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

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

### IFRS 16 Leases (Cont'd)

#### (b) Lessee accounting (Cont'd)

##### (i) Former operating leases (Cont'd)

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

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

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

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

##### (ii) Former finance leases

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

##### (iii) Land use rights

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

#### (c) Lessor accounting

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

#### (d) Deferred tax effects on adoption of IFRS 16

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

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

### IFRS 16 Leases (Cont'd)

#### (e) Financial impact of initial application of IFRS 16

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

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

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

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

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

### IFRIC 23 Uncertainty of Income Tax Treatments

This Interpretation provides guidance on how to determine an entity's taxable profits (or tax losses), tax bases, unused tax losses, unused tax credits and tax rates where there is uncertainty over income tax to be accounted for under IAS 12. The Interpretation is effective for annual reporting periods beginning on or after 1 January 2019. Management has reassessed all deferred and current income tax assets and liabilities and there is no material impact on the consolidation financial statements of the Group.

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 2(c) IFRS not yet effective

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

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to IFRS 3	<i>Definition of a Business</i>	1 January 2020
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>	1 January 2020
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-Current</i>	1 January 2022

### Amendments to IFRS 3 Definition of a Business

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

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

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

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

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

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

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

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

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

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

## 2(d) Summary of significant accounting policies

### Consolidation

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

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

### Subsidiaries

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

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

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

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

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

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

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

### Transactions with Non-controlling interest

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

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

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

### Changes in ownership interests in subsidiaries resulting in loss of control

When the Group loses control over a subsidiary, it:

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

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

### Subsidiaries (Cont'd)

#### Business combinations

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

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

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

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

### Associates

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

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

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

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

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

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

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

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

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

### Intangible assets

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

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

### Goodwill

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

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

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

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

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

### Exploration and evaluation costs

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

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

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

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

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

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

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

### Mine development costs

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

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

### Intangible assets (Cont'd)

#### Mine development costs (Cont'd)

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

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

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

### Property, plant and equipment

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

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

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

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

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

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

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

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

### Investment property

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

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

### Investment property (Cont'd)

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

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

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

### Inventories

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

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

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

### Financial instruments

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

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

### Financial assets

#### Classification

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

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

#### Recognition and derecognition

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

#### Measurement

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

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

### Financial assets (Cont'd)

#### Measurement (Cont'd)

##### Debt instruments

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

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

##### Equity instruments

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

##### Impairment

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

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

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

##### *Significant increase in credit risk*

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

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

### Financial assets (Cont'd)

#### Impairment (Cont'd)

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

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

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

##### *Definition of default*

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

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

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

##### *Measurement of expected credit losses*

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

##### *Write-off policy*

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

### Determination of fair value of financial assets

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

### Financial liabilities

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

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

#### Borrowings

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



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

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

### Financial liabilities (Cont'd)

#### Borrowings (Cont'd)

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

Borrowings which are due to be settled within 12 months after the end of the reporting period are included in current borrowings in the statements of financial position even though the original terms were for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of the reporting period. Borrowings to be settled within the Company's and the Group's normal operating cycle are classified as current. Other borrowings due to be settled more than twelve months after the end of reporting period are included in non-current borrowings in the statements of financial position.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the related asset. Otherwise, borrowing costs are recognised as expenses when incurred. Borrowing costs consist of interest and other financing charges that the Company and the Group incur in connection with the borrowing of funds.

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

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

#### Trade and bill payables/accruals and other payables

Trade and bill payables/accruals and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

#### 5% Convertible Note

Convertible notes are initially recorded at fair value. The fair value of the liability portion is determined using a market interest rate for an equivalent non-convertible bond; this amount is then recorded as a non-current liability on an amortised cost basis until extinguished on conversion, redemption or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option, which is recognised and included as a current liability as the convertible note is issued in a currency that is not the functional currency of the issuer and hence, cannot be classified as equity. As the economic characteristics and risks of the redemption option are closely related to the host contract, the redemption option is not accounted for separately from the host contract.

#### Financial guarantees

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

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

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

#### **Derivative financial instruments and hedging activities**

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

There are 3 types of hedges as follows:

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

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

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

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

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

### Cash flow hedges

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

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

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

### Derivative financial instruments not designated as hedging instrument

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

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

### Cash and cash equivalents

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

### Share capital and treasury shares

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

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

### Share premium

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

### Government grants

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

### Provisions and contingent liabilities

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

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

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

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

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

### Leases (from 1 January 2019)

#### (i) The Group as lessee

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

#### *(a) Lease liability*

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

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

### Leases (from 1 January 2019) (Cont'd)

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

##### (a) Lease liability (Cont'd)

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

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

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

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

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

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

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

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

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

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

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

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

#### (ii) The Group as lessor

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

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

### Leases (before 1 January 2019)

#### (i) The Group as lessee

##### (a) Operating lease

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

##### (b) Finance lease

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

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

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

#### (ii) The Group as lessor

##### (a) Operating lease

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

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

### Income taxes

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

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

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

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

Deferred income tax is measured:

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

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

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

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

### Royalties and Special Mining Taxes

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

### Employee benefits

#### Defined contribution plan

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

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

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

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

#### Employee leave entitlements

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

#### Key management personnel

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

### Related parties

A related party is defined as follows:

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

### Impairment of non-financial assets

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

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

With the exception of goodwill,

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

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

### Revenue recognition

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

#### Sale of goods

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

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

### Revenue recognition (Cont'd)

#### Interest income

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

#### Dividend income

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

### Contract liabilities

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

### Capitalised contract costs

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

### Functional currencies

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

### Conversion of foreign currencies

#### Transactions and balances

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

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

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

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

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

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

#### Group entities

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 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 a review of the Group's major products and services.

The Group has identified the following reportable segments:

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

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

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

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

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

## 3 Principal activities and revenue

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 3 Principal activities and revenue (Cont'd)

Disaggregation of the Group's total revenue

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



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 4 Property, plant and equipment

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

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

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

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

Key assumptions used for value-in-use calculations:

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

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

<sup>2</sup> Weighted average growth rate used to extrapolate cash flows beyond the budget period.

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

## 5 Land use rights

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

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

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

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

## 6 Exploration and evaluation costs

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 7 Mine development costs

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

## 8 Investment property

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 8 Investment property (Cont'd)

Fair value hierarchy – Recurring fair value measurements

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

### Valuation techniques used to derive fair values

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

## 9 Right-of-use assets

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

Leasehold buildings are located in Malaysia, Singapore and Australia.

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 10 Deferred taxation

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 10 Deferred taxation (Cont'd)

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

The Group	Excess of net book value over tax written down value of qualifying property, plant and equipment, and mine development costs A\$'000	Fair value gains A\$'000	Provisions A\$'000	Others A\$'000	Total A\$'000
At 1 January 2018	(967)	-	(11,523)	(1,165)	(13,655)
(Charged)/Credited to profit or loss (Note 28)	(5,368)	(452)	10,071	358	4,609
Exchange difference on translation	-	-	(142)	-	(142)
At 31 December 2018	<b>(6,335)</b>	<b>(452)</b>	<b>(1,594)</b>	<b>(807)</b>	<b>(9,188)</b>
(Charged)/Credited to profit or loss (Note 28)	<b>(65,691)</b>	<b>452</b>	<b>(1,356)</b>	<b>4</b>	<b>(66,591)</b>
Exchange difference on translation	<b>424</b>	-	-	<b>(9)</b>	<b>415</b>
<b>At 31 December 2019</b>	<b>(71,602)</b>	-	<b>(2,950)</b>	<b>(812)</b>	<b>(75,364)</b>

### Unrecognised deferred tax assets

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 11 Subsidiaries

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

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

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

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

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

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

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

Key assumptions used for value-in-use calculations:

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

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

<sup>2</sup> Weighted average growth rate used to extrapolate cash flows beyond the budget period.

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 11 Subsidiaries (Cont'd)

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/ operation</u>	<u>Proportion of ownership interest and voting rights held by the Group</u>		<u>Principal activities</u>
		<u>2019</u> %	<u>2018</u> %	
<u>Held by the Company</u> OM (Manganese) Ltd. <sup>(1)</sup>	Australia	100	100	Operation of manganese mine
<u>Held by OM Resources (HK) Limited</u> OM Materials (S) Pte. Ltd. <sup>(2)</sup>	Singapore	100	100	Investment holding and trading of metals and ferroalloy products
<u>Held by OM Materials (S) Pte. Ltd.</u> OM Materials (Sarawak) Sdn. Bhd. <sup>(3)</sup>	Malaysia	75	75	Sales and processing of ferroalloys and ores
OM Materials (Qinzhou) Co. Ltd. <sup>(4)</sup>	PRC	100	100	Sales and processing of ferroalloys and ores
<u>Held by OM Materials Trade (S) Pte. Ltd.</u> OM Materials Trading (Qinzhou) Co. Ltd. <sup>(4)</sup>	PRC	100	100	Sales and processing of ferroalloys and ores
OM Tshipi (S) Pte. Ltd. <sup>(5)</sup>	Singapore	100	100	Sales and processing of ferroalloys and ores

Note:

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

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

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

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

<sup>(5)</sup> in the process of winding up

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 11 Subsidiaries (Cont'd)

### Acquisition of subsidiary

In 2018, the Group paid additional cash consideration of A\$2,550,000 (US\$1,800,000), giving rise to goodwill of A\$2,550,000 (Note 27) which was charged to the profit or loss.

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 12 Interests in associates

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

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

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

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

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

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

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

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

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

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

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

<sup>(1)</sup> Inclusive of equity-accounted results of Tshipi Mining.



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 12 Interests in associates (Cont'd)

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

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

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

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

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

## 13 Inventories

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 14 Trade and other receivables

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

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

Trade and other receivables are denominated in the following currencies:

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

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

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

### Neither past due nor impaired

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

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

### Past due but not impaired

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

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

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

## 15 Capitalised contract costs

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

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

## 16 Cash and bank balances

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 16 Cash and bank balances (Cont'd)

Cash and bank balances are denominated in the following currencies:

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

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

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

## 17 Share capital

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

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

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

## 18 Treasury shares

The Company and The Group	No. of ordinary shares		Amount	
	2019 '000	2018 '000	2019 A\$'000	2018 A\$'000
At beginning and end of year	1,933	1,933	2,330	2,330

Treasury shares relate to ordinary shares of the Company that are held by the Company. The Company acquired Nil shares (2018 - Nil shares) in the Company through on-market purchase on the Australia Securities Exchange.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 19 Reserves

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



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 19 Reserves (Cont'd)

Notes:

- (i) The share premium comprises the value of shares that have been issued at a premium, meaning the price paid was in excess of the share's quotient value. The amount received in excess of the quotient value was transferred to the share premium reserve.
- (ii) In accordance with the accounting principles and financial regulations applicable to Sino-foreign joint venture enterprises, the subsidiaries in the PRC are required to transfer part of their profits after tax to the "Statutory Reserves Fund", the "Enterprise Expansion Fund" and the "Staff Bonus and Welfare Fund", which are non-distributable, before profit distributions to joint venture partners. The quantum of the transfers is subject to the approval of the board of directors of these subsidiaries.

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

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

- (iii) The capital reserve arose from the capitalisation of various reserves and retained profits in one of the Sino-foreign joint ventures of the Group. The purpose of the capitalisation is to increase the registered capital of the joint venture.

The Company wrote off an amount of A\$620,000 (equivalent to US\$500,000) as a result of the expiry of the 26,000,000 unlisted warrants on 25 March 2019.

- (iv) The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued for acquisition of the subsidiaries and the aggregate net asset value of the subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus can be distributable to shareholders under certain circumstances. At the Group level, the contributed surplus is eliminated against the cost of investment in subsidiaries.
- (v) The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge recognised in other comprehensive income and accumulated hedging reserves is reclassified to the profit or loss when the forecast transaction is ultimately recognised in the profit or loss.
- (vi) The translation reserve comprises all foreign exchange differences arising on the translation of the financial statements of foreign subsidiaries and associates stated in a currency different from the Group's presentation currency.
- (vii) Retained earnings comprise the distributable reserves recognised in the preceding year less any dividend declared. The total of such profits brought forward and the profit derived during the period constitute the total distributable reserves, that is the maximum amount available for distribution to the shareholders.
- (viii)

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 20 Borrowings

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

### 20.1 Obligations under finance leases

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 20 Borrowings (Cont'd)

### 20.2 Bank loans

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

Notes:

- (a) These loans are secured by charges over certain bank deposits as disclosed in Note 16.
- (b) These loans are secured by:
- shares of OM Materials (Sarawak) Sdn Bhd, a company incorporated in Malaysia;
  - charge over certain bank accounts;
  - charge over land use rights;
  - debenture;
  - borrower assignment;
  - assignment of insurances;
  - shareholder assignment;
  - assignment of reinsurances; and
  - corporate guarantee from OM Holdings Limited and Chaya Mata Sarawak Berhad (holds 25% ownership interest in OM Materials (Sarawak) Sdn Bhd).

### 20.3 5% Convertible Note

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

On 7 March 2012, the Company issued to Hanwa Co. Ltd 25,000,000 convertible notes at an aggregate principal amount of A\$19,945,953 (US\$21,447,261) with a nominal interest of 5% per annum, due on 6 March 2016 and convertible in accordance with the terms and conditions of issue including an initial conversion price of A\$0.80 per share. On 4 March 2016, the Company executed an amendment and restatement agreement with Hanwa Co. Ltd to extend the Convertible Note terms for a further 4 years to 6 March 2020, which has been assessed and accounted for as a non-substantial modification of the original financial liability. The conversion option has not been recognised as a derivative financial instrument because the fair value was assessed to be insignificant.

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 20 Borrowings (Cont'd)

### 20.4 Other loans

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

Notes:

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

### 20.5 Currency risk

Total borrowings are denominated in the following currencies:

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

### 20.6 Effective interest rates

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 20 Borrowings (Cont'd)

### 20.7 Carrying amounts and fair values

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

	The Company		The Group	
	Carrying amounts A\$'000	Fair values A\$'000	Carrying amounts A\$'000	Fair values A\$'000
<b>2019</b>				
Obligations under finance leases	-	-	-	-
Bank loans, secured	-	-	357,049	334,608
5% convertible note	15,029	15,024	15,029	15,024
Other loans	-	-	15,199	15,199
<b>2018</b>				
Obligations under finance leases	-	-	439	439
Bank loans, secured	-	-	400,562	392,268
5% convertible note	14,441	14,437	14,441	14,437
Other loans	-	-	23,510	23,510

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

## 21 Lease liabilities

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 21 Lease liabilities (Cont'd)

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

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

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

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

Lease liabilities are denominated in the following currencies:

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

## 22 Trade and other payables

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 22 Trade and other payables (Cont'd)

Trade and other payables are denominated in the following currencies:

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

All trade payables are generally on 30 to 120 (2018 - 30 to 120) days' credit terms.

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

	The Company		The Group	
	Carrying amounts A\$'000	Fair values A\$'000	Carrying amounts A\$'000	Fair values A\$'000
<b>2019</b>				
Trade payables - third party	-	-	53,537	53,537
Other payables	-	-	3,617	3,617
Retention monies	-	-	3,076	3,076
<b>2018</b>				
Trade payables - third party	-	-	101,419	101,419
Other payables	-	-	11,439	11,439
Retention monies	-	-	21	21

## 23 Provisions

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

According to the Mine Management and Environmental Management Plans submitted to the Northern Territory Government in Australia, the Group is obligated for the rehabilitation and restoration of areas disturbed arising from mining activities conducted by a wholly-owned subsidiary, OM (Manganese) Ltd. Mine rehabilitation costs are provided for at the present value of future expected expenditure when the liability is incurred. Although the ultimate cost to be incurred is uncertain, the Group has estimated its costs based on the rates outlined by the Northern Territory Department of Primary Industry and Resources using current restoration standards and techniques.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 24 Deferred capital grant

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

A government grant was awarded for the construction of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached. The movement in the deferred capital grant is due to amortisation costs of A\$814,000 (2018 - A\$760,000) (Note 27) and foreign currency translation differences.

## 25 Contract liabilities

	2019 A\$'000	2018 A\$'000
The Group		
<b>Transportation of goods sold under CFR and CIF Incoterms</b>	<b>4,859</b>	<b>3,011</b>

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

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

	2019 A\$'000	2018 A\$'000
The Group		
<b>Aggregate amount of transaction price allocated to contracts that are partially or fully unsatisfied at end of the year</b>	<b>4,859</b>	<b>3,011</b>

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

## 26 Other income

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 27 Profit before income tax

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

<sup>(1)</sup> These are included under “Other operating expenses” in the Consolidated Statement of Comprehensive Income.

<sup>(2)</sup> This is included under “Cost of sales” in the Consolidated Statement of Comprehensive Income.

## 28 Income tax

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

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

In November 2017, OM Materials (Sarawak) Sdn. Bhd. (“OM Sarawak”) was awarded Pioneer Status by the Malaysian Investment Development Authority (“MIDA”), which entitles OM Sarawak exemption from tax for a period of 5 years effective 1 December 2017 to 30 November 2021 on 100% of statutory income derived from the production of ferro-silicon, silicon manganese and high carbon ferromanganese. OM Sarawak is permitted to apply for an additional 5 years exemption no later than 31 October 2021 subject to the satisfaction of MIDA on pre-agreed criterion of this nature.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 28 Income tax (Cont'd)

Taxation has been provided at the appropriate tax rates prevailing in Australia, Singapore, Malaysia, Hong Kong and PRC in which the Group operates on the estimated assessable profits for the year. These rates generally range from 17% to 30% for the reporting period.

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

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

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

- (1) Non-taxable revenue relates mainly to unrealised exchange gains.  
(2) Non-deductible expenses relate mainly to depreciation and amortisation of non-qualifying assets, overseas accrued interest expenses and provision of expenses.

## 29 Cash flow hedges

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 30 Profit per share

The Group

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

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

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

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

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

Profit figures were calculated as follows:

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

## 31 Employee benefits expense

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 32 Related party transactions

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

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

## 33 Leases

### (i) The Group as lessee

#### *(a) Properties*

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

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

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

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

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

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

### (ii) The Group as lessor

#### *Investment property*

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 34 Commitments

### 34.1 Capital commitments

The following table summarises the Group's capital commitments:

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

### 34.2 Operating lease commitments

(A) *Where the Group is the lessee*

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

In 2018, the future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, were as follows:

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

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

(B) *Where the Group is the lessor*

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

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

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

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

### 34.3 Other operating commitments

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 34 Commitments (Cont'd)

### 34.4 Mineral Tenements

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

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

### 34.5 Environmental bonds

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

## 35 Other matters

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

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

The sponsor guarantees disclosed above do not fall into the category of financial guarantees as they do not relate to debt instruments. The purpose of these guarantees is essentially to enable SSB to provide the power supply to the subsidiary on the condition that these guarantees are provided by the Company in the event that there are any unpaid claims arising from the PPA owed to SSB. There are no bank loans involved in these guarantees. As such, there is no need for the guarantees to be fair valued.

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

OM Materials (Sarawak) Sdn Bhd, a subsidiary of the Company entered into a project finance Facilities Agreement (“FA”) for a limited recourse senior project finance debt facility.

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

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

## 36 Operating segments

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## Operating segments (Cont'd)

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 36 Operating segments (Cont'd)

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

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

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

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

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

## 37 Financial risk management objectives and policies

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

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

There has been no change to the Company's and the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

### 37.1 Credit risk

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

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

### 37.1 Credit risk (Cont'd)

#### Exposure to credit risk

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

The Company's and the Group's major classes of financial assets are bank deposits and trade receivables. Cash is held with reputable financial institutions. Further details of credit risks on trade and other receivables are disclosed in Note 14.

#### *Guarantees*

The Company provides corporate guarantees to its subsidiaries on their bank borrowings. The Company's maximum exposure to credit risk in respect of the intra-group corporate guarantees (Note 37.2) at the reporting date is equal to the facilities drawn down by the subsidiaries in the amounts of A\$565,000,000 (2018 - A\$505,000,000). At the reporting date, the Company does not consider it probable that a claim will be made against the Company under these intragroup corporate guarantees.

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

#### *Undrawn credit facilities*

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

### 37.2 Liquidity risk

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

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

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

	Less than 1 year A\$'000	Between 2 and 5 years A\$'000	Over 5 years A\$'000	Total A\$'000	Total carrying amount A\$'000
<b>The Group</b>					
<b>As at 31 December 2019</b>					
Trade and other payables	113,168	60,580	-	173,748	173,398
Borrowings	112,132	444,908	3,067	560,107	473,918
Lease liabilities	6,296	1,165	-	7,461	7,092
	<b>231,596</b>	<b>506,653</b>	<b>3,067</b>	<b>741,316</b>	<b>654,408</b>
<b>As at 31 December 2018</b>					
Trade and other payables	164,288	114,339	-	278,627	277,167
Borrowings	106,004	346,193	245,626	697,823	511,834
	<b>270,292</b>	<b>460,532</b>	<b>245,626</b>	<b>976,450</b>	<b>789,001</b>
<b>The Company</b>					
<b>As at 31 December 2019</b>					
Trade and other payables	54,003	-	-	54,003	54,003
Borrowings	-	16,092	-	16,092	15,029
Intragroup financial guarantees	565,000	-	-	565,000	565,000
	<b>619,003</b>	<b>16,092</b>	<b>-</b>	<b>635,095</b>	<b>634,032</b>
<b>As at 31 December 2018</b>					
Trade and other payables	40,247	-	-	40,247	40,247
Borrowings	7,021	14,570	-	21,591	20,440
Intragroup financial guarantees	505,000	-	-	505,000	505,000
	<b>552,268</b>	<b>14,570</b>	<b>-</b>	<b>566,838</b>	<b>565,867</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

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

### 37.2 Liquidity risk (Cont'd)

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

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

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

### 37.3 Interest rate risk

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

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

#### Sensitivity analysis for interest rate risk

At the end of the reporting period, if USD, RMB and MYR interest rates had been 75 (2018 - 75) basis points lower/higher with all other variables held constant, the Company's and the Group's profit net of tax would have been higher/lower by the amounts shown below, arising mainly as a result of lower/higher interest expense on bank borrowings, cash collaterals and fixed deposits.

		The Company Profit or Loss		The Group Profit or Loss	
		2019 A\$'000	2018 A\$'000	2019 A\$'000	2018 A\$'000
United States Dollar	- lower 75 basis points (2018 - 75 basis points)	113	153	2,006	2,051
	- higher 75 basis points (2018 - 75 basis points)	(113)	(153)	(2,006)	(2,051)
Renminbi	- lower 75 basis points (2018 - 75 basis points)	-	-	(72)	(52)
	- higher 75 basis points (2018 - 75 basis points)	-	-	72	52
Malaysian Ringgit	- lower 75 basis points (2018 - 75 basis points)	-	-	511	544
	- higher 75 basis points (2018 - 75 basis points)	-	-	(511)	(544)

### 37.4 Foreign currency risk

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

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



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

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

### 37.4 Foreign currency risk (Cont'd)

#### Sensitivity analysis for foreign currency risk

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

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

### 37.5 Market price risk

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 38 Capital risk management

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

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

The Company and the Group actively and regularly review and manage its capital structure to ensure optimal capital structure and shareholders' returns, taking into consideration the future capital requirements of the Company and the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Company and the Group currently do not adopt any formal dividend policy.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company and the Group, is reasonable.

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 39 Financial instruments

### Accounting classifications of financial assets and financial liabilities

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2019

## 40 Fair value measurement

### Definition of fair value

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

### Fair value hierarchy

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

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

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

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

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

## 41 Events occurring after the reporting period

### Final dividends

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

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

### COVID-19

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

# CORPORATE GOVERNANCE

OM Holdings Limited (the “**Company**”) is committed to implementing and maintaining high standards of corporate governance. In determining what those high standards should involve, the Company has had regard to ASX Corporate Governance Council’s *Corporate Governance Principles and Recommendations 3rd Edition*. The ASX Listing Rules require the Company to report on the extent to which it has followed those principles and recommendations during its 2019 financial year.

This statement outlines the main corporate governance practices in place during the 2019 financial year, all of which comply with the ASX Corporate Governance Council recommendations unless stated otherwise.

The Company will address the ASX Corporate Governance Council’s *Corporate Governance Principles and Recommendations 4th Edition* in an appropriate manner when it comes into effect for the first financial year commencing after 1 January 2020.

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

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

## 1. BOARD OF DIRECTORS

### 1.1 Role of the Board and Management

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

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

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

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

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

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

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

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

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

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

# CORPORATE GOVERNANCE

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

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

## 1.2 Composition of the Board

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

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

In addition to the Directors' experience outlined in the Annual Report, the below table sets out the skills, attributes and experience of the Directors serving on the Board as at 31 December 2019.

Domain Area	Board Skills and Experience		From 1 January 2019 to 31 December 2019 (out of 6 Directors)
<b>Legal and Governance</b>	Experience in a large organisation with a strong focus on and adherence to high governance standards		6
	Listed entity board and/or sub-committee experience		6
	Experience in corporate legal affairs and/or regulatory/governmental departments		6
	Relevant legal tertiary degree or professional qualification		2
	Constructively challenge and contribute to Board discussions and communicate effectively with management and other Directors. Build consensus, negotiate and obtain stakeholder support for Board decisions.		6
<b>Executive Management</b>	Experience as Director, CEO, CFO or other office holder or similar in medium to large entities		6
<b>Strategy</b>	Identifying and critically assessing strategic opportunities and threats to the OMH group and developing and implementing successful strategies in context to an organisations policies and business objectives		6
<b>Mining, Production, Manufacturing Resources, Commodity Expertise</b>	Mining, production, manufacturing or resources industry executive management	Senior executive, advisory or board experience in a large mining, production, manufacturing or resources organisation	4
	Technical skills	Senior executive responsibility for exploration or production or processing or long-term board experience in a large mining and resources organisation with exploration, production or processing as a key part of its business	1
	Health, Safety Environment and Community	Executive or board sub-committee experience in a mining and resources organisation with responsibility for health and workplace safety, and/or environmental and social responsibility	3
	Capital projects, engineering and construction	Senior executive experience with capital projects and/or engineering in a mining or resources environment; tertiary or professional engineering qualification. Includes contract negotiations, project management and projects with long term investment horizons	4
	Senior executive expertise in commodities, mining, trading or resources sector		3
<b>Human Resources /Organisational Development &amp; Culture</b>	Senior executive management in people management and remuneration policy development or board remuneration and nomination sub-committee experience		4
<b>Finance, Commerce and Accounting</b>	Financial accounting and reporting, internal financial and risk controls, corporate finance and, restructuring corporate transactions (eg: joint ventures, listings etc).		5
	Board audit sub-committee experience		5
	Relevant tertiary degree or professional qualification		2
<b>Risk Management</b>	Senior executive experience in risk management		4
	Board risk sub-committee experience		4



# CORPORATE GOVERNANCE

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

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

As the OMH Group's activities increase in size, nature and scope, the size of the Board will be reviewed and the optimum number of Directors required for the Board to properly perform its responsibilities and functions will continue to be re-assessed. The Remuneration Committee is responsible for conducting the appropriate checks prior to the appointment of a person as a director of the Company or prior to putting forward to shareholders a new candidate for election as a director. These processes are governed by the Group's Remuneration Committee Charter. Checks undertaken may include checks as to the person's character, experience, education, criminal record and bankruptcy history. Material information relevant to a decision on whether to elect or re-elect a director is provided to shareholders in all Notices of Meeting which contain director election or re-election resolutions.

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

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

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

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

## 1.3 Responsibilities of the Board

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

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

1. Leadership of the OMH Group - overseeing the OMH Group and establishing codes, policies and protocols that reflect the values of the OMH Group and guide the conduct of the Board, management and employees;
2. Strategy Formulation - working with senior management to set and review the overall strategy and goals for the OMH Group and ensuring that there are policies in place to govern the operations of the OMH Group;
3. Overseeing Planning Activities - overseeing the development of the OMH Group's strategic plans (including operating, capital, exploration and development programmes and initiatives) and approving such plans as well as the annual budget;
4. Shareholder Liaison - ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company;

# CORPORATE GOVERNANCE

5. Monitoring, Compliance and Risk Management - overseeing the OMH Group's risk management, compliance, control and accountability systems and monitoring and directing the operational and financial performance of the OMH Group;
6. OMH Group Finances - approving expenditure in excess of that which falls outside the approved authority matrix, approving expenditure materially outside the annual budget and approving and monitoring acquisitions, divestments and financial and other reporting;
7. Human Resources - appointing, and where appropriate, removing the Chief Executive Officer as well as reviewing the performance of the Chief Executive Officer and monitoring the performance of senior management in their implementation of the OMH Group's strategy;
8. Ensuring the Health, Safety and Well-Being of Employees - in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the OMH Group's work health and safety systems to ensure the well-being of all employees; and
9. Delegation of Authority - delegating appropriate powers to the Chief Executive Officer to ensure effective day-to-day management of the OMH Group and establishing and determining the powers and functions of the various Committees of the Board.

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

## 1.4 Board Policies

### 1.4.1 Conflict of Interest

Directors must:

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

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

### 1.4.2 Commitments

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

### 1.4.3 Confidentiality

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

### 1.4.4 Independent Professional Advice

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

### 1.4.5 Board Access to Information

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

### 1.4.6 Related Party Transactions

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

## 1.5 Board Meetings

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

Typically, at Board Meetings the agenda will include:

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

All Directors and Committees of OMH have access to the Company Secretary for advice and services.

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

# CORPORATE GOVERNANCE

The number of meetings of the Directors held in the period each Director held office during the 2019 financial year and the number of meetings attended by each Director were:

Director	Board of Directors' Meetings	
	Held	Attended
Low Ngee Tong	4	4
Julie Wolseley	4	4
Tan Peng Chin	4	3
Thomas Teo	4	4
Zainul Abidin Rasheed	4	3
Peter Church	4	4

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

## 2. BOARD COMMITTEES

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

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

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

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

### 2.1 Audit Committee

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

During the financial year ended 31 December 2019, the Audit Committee held two meetings and all committee members were in attendance.

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

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

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

Key activities undertaken by the Audit Committee include:

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

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

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

### 2.2 Remuneration Committee

The Remuneration Committee reviews and makes recommendations to the Board on remuneration policies applicable to executive officers and Directors of the OMH Group. The Remuneration Committee comprises three Non-Executive Independent Directors, Mr Tan Peng

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Chin (chairman of the Remuneration Committee), Mr Zainul Abidin Rasheed and Mr Thomas Teo Liang Huat. Ms Julie Wolseley a Non-Executive Director is also a member of the Remuneration Committee.

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

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

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

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

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

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. The annual aggregate maximum amount of remuneration paid to Non-Executive Directors was last approved by shareholders on 30 May 2019 and is currently A\$1,300,000.

During the year ended 31 December 2019, the Remuneration Committee held one meeting and all committee members were in attendance.

## Nomination committee

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

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

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

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

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

In addition the Board ensures that all material information relevant to a decision on whether or not to elect or re-elect a Director must be provided to security holders in the Notice of Meeting containing the resolution to elect or re-elect a Director. The Board will ensure this material information is included in the Company's 2019 Notice of Annual General Meeting.

## 3. ETHICAL STANDARDS

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

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

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

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

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

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## 3.2 Code of Ethics and Conduct

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

All Directors and employees are expected to:

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

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

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

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

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

### *Employment Practices*

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

### *Responsibilities to the Community*

As part of the community, the OMH Group:

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

### *Responsibilities to the Individual*

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

### *Conflict of Interests*

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

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

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

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

## 4. DIVERSITY

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



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

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

	Number of Women	%
Board of Directors	1	16.7%
Senior Executives <sup>2</sup>	4	21.1%
Total OMH Group employees	348	13.8%

As at 31 December 2019, approximately 12% of the OMH Group's mining subsidiary workforce were indigenous employees.

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

## 5. KEY MANAGEMENT PERSONNEL DEALING IN COMPANY SHARES

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

## 6. DISCLOSURE OF INFORMATION

### 6.1 Continuous Disclosure to ASX

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

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

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

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

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

All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX and released to the market by the ASX. The Company's website also includes a "Corporate Governance" landing page that discloses all relevant corporate governance information, including policies and procedures.

### 6.2 Communication with Shareholders

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

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

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



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

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

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

Furthermore, the Company's external auditor attends the Company's annual general meeting to answer shareholder questions about the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit. The amount of fees paid to the external auditors is provided in a note to the financial statements.

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

OMH aims to promote effective communication to and from shareholders. Members are encouraged to register with OMH's share register to receive formal notices and material electronically and to communicate electronically.

## 7. RISK MANAGEMENT

### 7.1 Approach to Risk Management and Internal Control

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

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

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

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

### 7.2 Risk Management Roles and Responsibilities

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

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

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

Each business unit reports annually to the Board on its business plan, risk profile and management of risk.

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

### 7.3 Internal Audit

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

The internal audit function is independent of both business management and of the activities it reviews. Internal audit provides assurance that the design and operation of the OMH Group's risk management and internal control system is effective. A risk-based audit approach is used to ensure that the higher risk activities in each business unit are targeted by the internal audit program. All audits are conducted in

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a manner that conforms to international auditing standards. The assigned internal audit team has all the necessary access to OMH Group management and information. The Audit Committee oversees and monitors the internal auditor's activities. It approves the annual audit program and receives reports from the internal auditor concerning the effectiveness of internal control and risk management. The Audit Committee members have access to the internal auditors without the presence of other management. The internal auditor has unfettered access to the Audit Committee and its Chairman.

Internal audit and external audit are separate and independent of each other.

## 7.4 Integrity of Financial Reporting

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

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

The Board confirms that such a report was provided by the Executive Chairman (Chief Executive Officer) and Group Financial Controller for the 2019 financial year.

## 7.5 Role of External Auditor

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

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

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

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

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

## 7.6 Economic, Environmental and Social Sustainability Risks

The OMH Group undertakes mining and smelting operations and, as such, faces risks inherent to its businesses, including financing and economic, environmental and social sustainability risks, which may materially impact the OMH Group's ability to create or preserve value for security holders over the short, medium or long term.

The OMH Group believes that long-term success hinges on sustainable development that benefits the business, stakeholders and the environment. To this end, each business unit has adopted a policy of responsible, proactive environmental management and will work to ensure compliance with relevant legislative obligations during its exploration and development activity. The OMH Group is committed to delivering favourable results for shareholders while at the same time ensuring that its economic success is balanced alongside its environmental and social responsibilities.

The OMH Group appreciates the importance of community consultation and facilitates the involvement and awareness of relevant communities and their representatives when undertaking any exploration or development activity. Through a proactive policy of self-regulation, legislative compliance and community involvement, the OMH Group is working hard to deliver on its short and long-term business objectives while ensuring that relevant social and environmental considerations are included as part of any decision-making process.

The OMH Group will continue its policy of sustainable development in the interests of meeting the expectations of its shareholders without compromising the health or vitality of both the natural and social environment.

The OMH Group's core values are Commitment, Respect, Excellence and Attitude. Safety is an embedded feature in each of these core values and is specifically identified in the Commitment core value, which is described as "A commitment to the best practice in health and safety, the environment and the communities in which we operate". The operating business units each have in place policies and procedures to help manage risks.

# CORPORATE GOVERNANCE

## 8. ENCOURAGE ENHANCED PERFORMANCE

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

The Board aims to periodically evaluate its performance and the performance of its Committees and individual directors to determine whether or not it is functioning effectively by reference to the Board Charter and current best practice. The Board confirms that a review, conducted in accordance with this self-evaluation process, was performed during the financial year. Also, an annual review is undertaken in relation to the composition and skills mix of the Directors.

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

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

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

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

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

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

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

The Board confirms that a review, conducted in accordance with these arrangements, was performed in relation to the performance of the Company's Executive Directors and senior management during the 2019 financial year.

### Executive Remuneration Policy

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

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

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

Remuneration consists of the following key elements:

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

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

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

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

As OMH is incorporated in Bermuda, it is not required to disclose the nature and amount of remuneration for each Director. However, in the interests of good corporate governance, the following table provides the remuneration details of all Directors of the Company (and the nature and amount of their remuneration) for the year ended 31 December 2019.

Director	Primary		Post Employment		Total
	Base Remuneration	Directors Fees	Performance Bonus	Defined Contributions	
	A\$'000	A\$'000	A\$'000	A\$'000	
Low Ngee Tong <sup>(i)</sup>	1,265	-	982	8	2,255
Zainul Abidin Rasheed <sup>(ii)</sup>	-	130	-	-	130
Julie Wolseley <sup>(iii)</sup>	-	120	-	-	120
Tan Peng Chin <sup>(iv)</sup>	-	120	-	-	120
Thomas Teo <sup>(v)</sup>	-	120	-	-	120
Peter Church OAM <sup>(vi)</sup>	-	120	-	-	120
	<b>1,265</b>	<b>610</b>	<b>982</b>	<b>8</b>	<b>2,865</b>

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

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

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

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

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

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

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

## 9. RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS

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

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

As at 31 December 2019, the Company complied in all material respects with each of the Corporate Governance Principles and the corresponding Recommendations as published by the ASX Corporate Governance Council except as noted below:

# CORPORATE GOVERNANCE

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

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

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7.1	The board of a listed entity should have a committee or committees to oversee risk.	<p>The board of a listed entity should have a committee or committees to oversee risk. Rather than separately constituting an additional committee of the Board, the entire Board has delegated oversight of the risk and internal control policy, including review of the effectiveness of OMH's internal control framework and risk management process, to the key executive management team in conjunction with the Board. The Board considers this structure to be the most effective means of (i) managing the various risks that are relevant to the OMH Group and (ii) monitoring the OMH Group's compliance with the Risk and Internal Control policy. In addition from a Board perspective the following processes occur to oversee the entity's risk management framework:</p> <ul style="list-style-type: none"> <li>• 'Risk' is a standing agenda item at each monthly Board meeting; and</li> <li>• Prior to the approval of the Company's statutory financial statements, the Audit Committee has the opportunity to meet with the Company's auditors as appropriate.</li> </ul> <p>The Company is committed to the identification, monitoring and management of material business risks of its activities via its risk management framework which includes health and safety, environmental governance, community, operational risk management, business risk management and legal and regulatory compliance.</p>
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	The Company does not currently have an equity-based remuneration scheme in operation and this recommendation is therefore not applicable.

Approved by the Board 6 April 2020.



# ASX ADDITIONAL INFORMATION

## 1. SHAREHOLDER INFORMATION

### A. Distribution of Equity Securities

Distribution schedule and number of holders of equity securities as at 1 April 2020

Distribution	Fully Paid Ordinary Shares (OMH)	Convertible Notes exercisable at A\$0.80 each by 6 March 2020
1 – 1,000	322	-
1,001 – 5,000	336	-
5,001 – 10,000	169	-
10,001 – 100,000	313	-
More than 100,000	98	1
<b>TOTAL</b>	<b>1,238</b>	<b>1</b>

There were 387 holders holding less than a marketable parcel of ordinary shares.

### B. Twenty Largest Shareholders

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

Shareholder Name	Listed Ordinary Shares	
	Number	Percentage Quoted
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	280,444,487	37.97%
CITICORP NOMINEES PTY LIMITED	212,152,876	28.72%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	71,828,594	9.72%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	40,931,075	5.54%
HANWA CO LTD	32,500,000	4.40%
BNP PARIBAS NOMS PTY LTD <DRP>	14,441,053	1.96%
MS JULIE ANNE WOLSELEY	5,562,002	0.75%
MR HAMID MAHDAVI ARDABILI	4,995,000	0.68%
DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT>	4,884,432	0.66%
STRATFORD SUN LIMITED	4,750,000	0.64%
MS HENG SIOW KWEE	4,680,000	0.63%
NATIONAL NOMINEES LIMITED	3,615,503	0.49%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	3,351,578	0.45%
BNP PARIBAS NOMS PTY LTD <UOB KAY HIAN PRIV LTD DRP>	3,346,747	0.45%
NATIONAL NOMINEES LIMITED <DB A/C>	3,013,833	0.41%
RHB SECURITIES SINGAPORE PTE LTD <CLIENTS A/C>	2,499,300	0.34%
CHAO FAN HUANG	1,686,291	0.23%
ZERO NOMINEES PTY LTD	1,573,858	0.21%
NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	1,442,995	0.20%
MR KEITH WILLIAM SHEPPARD <THE SHEPPARD FAMILY ACCOUNT>	1,402,500	0.19%
<b>TOTAL HELD BY 20 LARGEST SHAREHOLDERS</b>	<b>699,062,124</b>	<b>94.64%</b>
<b>OTHERS</b>	<b>39,561,213</b>	<b>5.36%</b>
<b>TOTAL</b>	<b>738,623,337</b>	<b>100.00%</b>

# ASX ADDITIONAL INFORMATION

## C. Substantial Shareholders

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

Shareholder Name	Listed Ordinary Shares	
	Number of Shares	Percentage Quoted
Huang Gang	103,618,830	14.03%
Marc Chan, Amplewood Resources Ltd	100,260,653	13.57%
Low Ngee Tong	68,110,631	9.22%
Heng Siow Kwee and Dino Company Limited	65,951,769	8.93%

## D. Unquoted Securities

The number of unquoted securities on issue as at 1 April 2020:

Security	Number on Issue
Convertible notes convertible at 80 cents, on or before 6 March 2021	12,500,000

Names of persons holding more than 20% of a given class of unquoted securities (other than employee options) as at 1 April 2020

Security	Name	Number of Securities
Convertible notes convertible at 80 cents, on or before 6 March 2021	Hanwa Co Ltd	12,500,000

## E. Restricted Securities

There were no restricted securities on issue as at 1 April 2020.

## F. Voting Rights

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

## 2. TAXATION

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

## 3. ON-MARKET BUY-BACK

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

# ASX ADDITIONAL INFORMATION

## 4. INVESTOR INFORMATION

### (a) Stock Exchange Listing

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

### (b) Company Information Contact

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

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

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

### (c) Share Registry Enquiries

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

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

Postal Address:  
GPO Box D182  
PERTH WA 6840

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

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

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