OM HOLDINGS LIMITED

(ARBN 081 028 337)

NO. OF PAGES LODGED: 2 – Covering pages
92– Annual Report - 2007

30 April 2008

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

Dear Sir/Madam

2007 ANNUAL REPORT

Please find attached a copy of the 2007 Annual Report for OM Holdings Limited, which has been despatched to Shareholders who have elected to receive a hard copy.

Yours faithfully
OM HOLDINGS LIMITED

Heng Siow Kwee/Julie Wolseley
Company Secretary

#08 – 08, Parkway Parade
80 Marine Parade Road, 449269 Singapore
Tel: 65-6346 5515 Fax: 65-6342 2242
Email address: om@ommaterials.com
Website: www.omholdingsltd.com
ASX Code: OMH

BACKGROUND PROFILE OF OM HOLDINGS LIMITED

OMH listed on the ASX in March 1998 and has its foundations in metals trading – incorporating the sourcing and distribution of manganese ore products and subsequently in processing ores into ferro-manganese intermediate products. The OMH Group now operates commercial mining operations – leading to a fully integrated operation covering Australia, China and Singapore.

Through its wholly owned subsidiary, OM (Manganese) Ltd, OMH controls 100% of the Bootu Creek Manganese Mine ("Bootu Creek") located 110 km north of Tennant Creek in the Northern Territory.

Bootu Creek has the capacity to produce 600,000 to 650,000 tonnes of manganese product annually. Bootu Creek has further exploration potential given that its tenement holdings extend over 2,872 km^2.

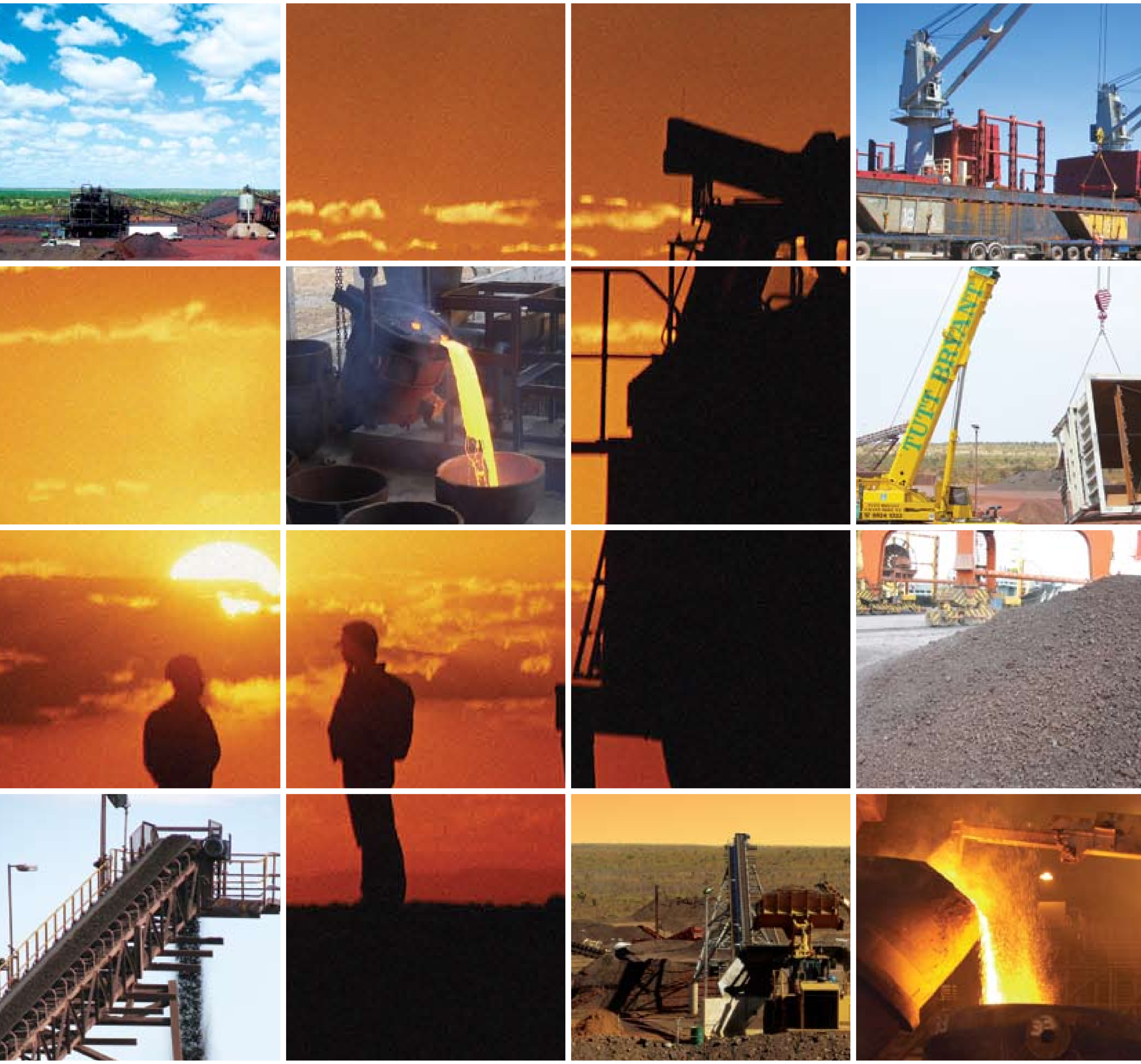
Bootu Creek's manganese product is exclusively marketed by the OMH Group's own trading division with a proportion of the product consumed by the OMH Group's wholly-owned Qinzhou smelter located in south west China.

Through its Singapore based commodity trading activities, OMH has established itself as a significant manganese supplier to the Chinese market. Product from Bootu Creek has strengthened OMH's position in this market.

OMH also holds a 11% shareholding in Territory Resources Ltd, a company presently operating the Frances Creek iron ore project in the Northern Territory.

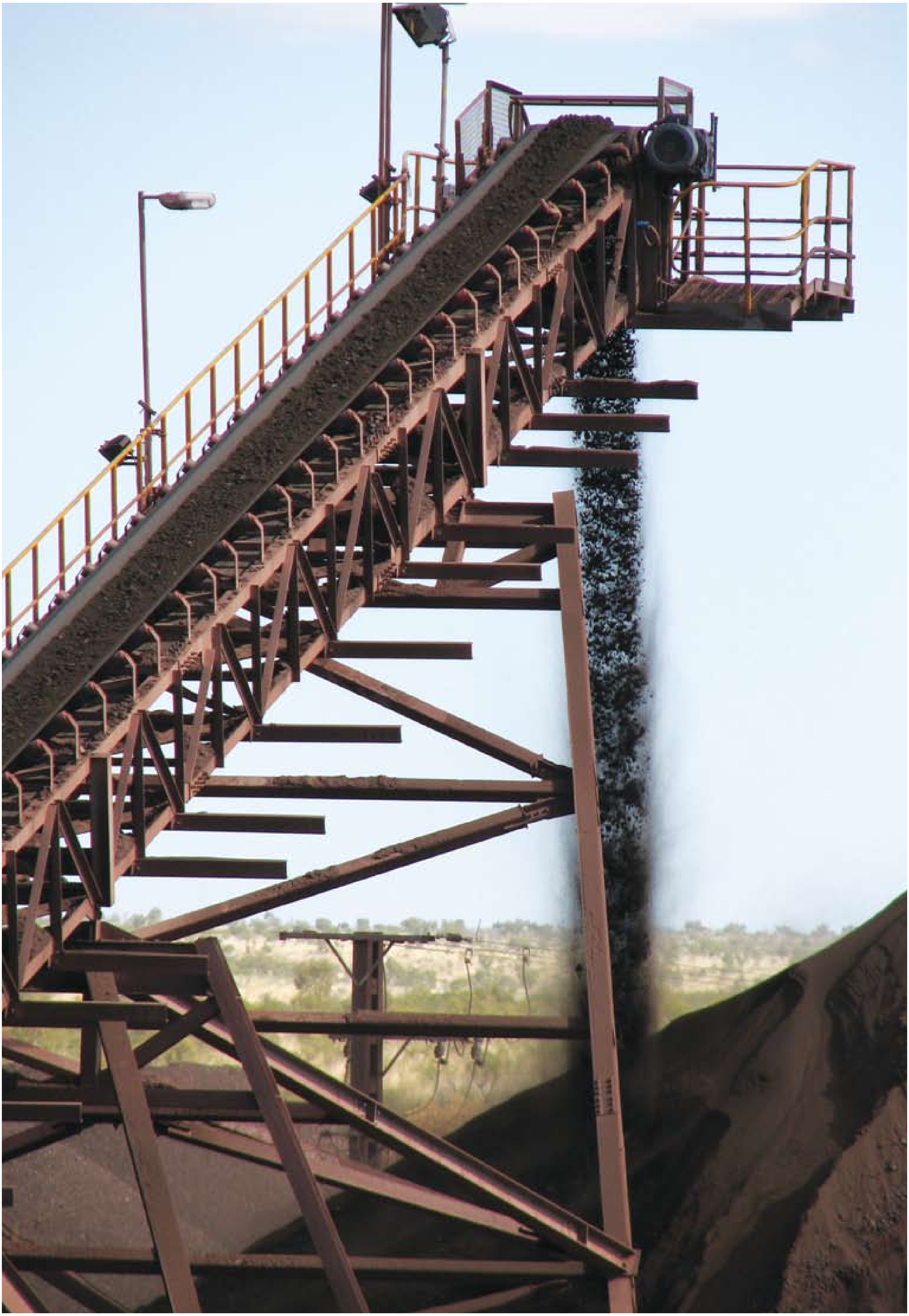
OM HOLDINGS LIMITED

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



OM HOLDINGS LIMITED • Annual Report 2007

CONTENTS



CHAIRMAN'S STATEMENT

The Company throughout 2007 demonstrated an outstanding turnaround in both operating and financial performance across all business units. The significant milestones achieved during the year were reflected in a substantial increase in shareholder value whereby your Company's share price increased during 2007 from a low of A$0.18 to a high of A$2.13.

JOHN RAUBENHEIMER
Non-Executive Chairman

On behalf of your Board of Directors, Board Committees, Management and all our employees I am pleased to present OM Holdings Limited and its subsidiaries ("OMH") Annual Report for 2007.

The 2007 financial year was undoubtedly the most significant in the OM Holdings Limited's ten year history, positioning OMH to participate in the rapid growth of the global manganese market. OMH throughout 2007 demonstrated an outstanding turnaround in both operating and financial performance across all business units. The significant milestones achieved during the year were reflected in a substantial increase in shareholder value whereby your OMH's share price increased during 2007 from a low of A$0.18 to a high of A$2.13. The share price has continued to increase into 2008 whereby at the time of writing ***OMH had a market capitalisation exceeding A$800 million.***

The global environment of robust record demand and prices for manganese ore and alloys underpinned by the continued growth of the Chinese steel and stainless steel industries benefited our three core business units and enabled OMH to deliver an outstanding record net consolidated profit after tax of A$56.9 million from revenues of A$290.5 million. Total dividends of A$0.06 were declared for 2007. The strong operational performance combined with record manganese ore and alloy prices has placed OMH in an excellent financial position with a very strong cash flow and minimal gearing at year end.

OMH's business units performed exceptionally well during the year with operational, financial and strategic records achieved on a regular and consistent basis. Most significant, however, has been the operational turn-around of the Bootu Creek Manganese Mine, located in the Northern Territory of Australia. Record production of 516,448 tonnes grading 42.2% Mn was achieved for the year. However, the completion of the capital rectification programme in the last quarter of 2007 on time and on budget has enabled sustainable production since the second half of 2007 and into the first quarter of 2008 to be maintained at annualised rates of between 600,000 to 700,000 tonnes. Production for the March 2008 quarter was attained based upon annualised production rates exceeding 700,000 tonnes.

2007 saw the continuation of strength in worldwide commodity markets, albeit with some increased volatility, especially towards the end of the year, mainly as a result of turmoil in the USA financial markets. Fundamental demand for manganese, however, remains significantly ahead of supply and this bodes well for continued strong manganese prices into 2008 and possibly beyond. OMH is now more than ever well-positioned to take advantage of opportunities that arise as a result of such strength in the global markets.

At our Bootu Creek Manganese Mine, the exploration efforts were successful with the Company's Mineral Resources increasing to 17.8 million tonnes (including Ore Reserves of 10.3 million tonnes) and a life of mine of over 8 years at a production rate of 700,000 tonnes per annum. An extensive exploration programme for 2008 has commenced dedicated to further extending the mine life, examining opportunities to expand production beyond 700,000 tonnes per annum and reinforcing the operations capability as a world-class and long-life asset.

Most importantly, OMH is optimising its opportunities in the current environment and leveraging off the strong cash generation of its fully-integrated manganese business to invest aggressively in its future growth and continued development as a world-class resources group specialising in the carbon steel materials sector. While benefiting from its exposure to the strongly growing Chinese market during the year, OMH continued to grow its successful trading operations and its international trading customer base. The trading operations were pivotal throughout 2007 particularly in relation to supplementing the cash flow requirements whilst the Bootu Creek Manganese Mine was achieving its design capacity production rates. OMH's Qinzhou smelter facility in China also derived record profitability during 2007 with its dedicated alloy production strategy.

CHAIRMAN'S STATEMENT

OMH's vision is to be a unique high grade supplier of note to the carbon steel and stainless steel industries. Our people are our pride and we will continue to pursue excellence in all our international operations and in particular the areas of health, safety and the environment.

Our focus throughout 2008 will be to:

- Accelerate exploration on our significant tenement portfolio which exceeds 2,872km^2 in and around the Bootu Creek Manganese Mine;
- Organically grow the Bootu Creek Manganese Mine where existing infrastructure has the capacity to deliver over 700,000 tonnes of saleable manganese product per annum;
- Study development and standalone production opportunities around the highly prospective Renner Springs tenements;
- Conclude a feasibility study on establishing a sinter ore plant at the Company's existing Qinzhou smelter facility in China; and
- Pursue acquisition and development opportunities already identified or that may be identified during the normal course of business.

OMH's strong operational and financial base and focused growth strategy has continued to attract new investors to the Company. It is expected that this will be further enhanced by OMH's proposed secondary listing on the Main Board of the Stock Exchange of Hong Kong, which is presently being actively pursued.

The process for seeking approvals is ongoing and it is expected to be completed by early July 2008. It is anticipated that this secondary listing will considerably broaden the Company's shareholder base, facilitate further access to international capital markets and bring significant rewards to all Shareholders in the form of increased buying interest in the Company's shares.

It is opportune for me to thank my fellow Directors for their regular attendance at Directors and Board committee meetings, their lively participation in discussions and debate and in decisions that had to be made. A special word of thanks also to our executive management team headed by our Chief Executive Officer, Mr Low Ngee Tong, for their enthusiasm and relentless pursuit of various initiatives for OMH throughout 2007. I would like to take this opportunity to recognise the commitment, enormous effort and focused achievement of goals that has been the hallmark of OMH's management team and employees at all levels during 2007. Mr Low Ngee Tong has been very well supported at many levels by a dedicated and very high calibre team and it is this team that will be instrumental in the Company's continued future success.

I was delighted to accept an invitation to join the Board in July 2007 and would like to extend my gratitude to Mr Yeo Wee Kiong for the able way in which he led the Board prior to my appointment. I would also like to thank Mr Trevor Tennant, Mr Seetoh Kwok Weng, Ms Heng Siow Kwee and Mr William Mackenzie who resigned as Directors during the year. Their input to the Company over the years was much appreciated.

Finally, I would like to thank the Shareholders for their support during the year, particularly those who participated in the entitlements issue which provided the requisite funding for the Bootu Creek Manganese Mine's capital rectification program, aided debt retirement and augmented working capital.

Prospects for 2008 are indeed looking very positive and I am excited and looking forward to a rewarding year for our Shareholders. With an excellent international asset base, a clear global vision for growth and a strong and disciplined focus, I have no doubt that the outlook for the Company will continue to remain exceptionally strong for the year ahead.

J H R Raubenheimer
Non-Executive Chairman

董事长报告

大家好！很荣幸能够代表董事会、董事会委员会、管理层和所有员工，在此发表OM控股有限公司及其附属公司（简称集团）2007年的年度报告。

毫无疑问，2007财年是OM控股有限公司（OM Holdings Limited）成立10年以来最为辉煌的一年，公司实现了与全球锰业市场的共同快速增长。在整个2007年当中，集团各项业务均在经营和财务方面有很好表现。2007年所取得的重大成就突出表现在股东价值有了实质性提升，其间公司的股价从0.18澳大利亚元上升到2.13澳大利亚元。进入2008年后股价仍持续上涨，公司市值已经超过了8亿澳大利亚元。

随着中国钢铁和不锈钢工业的持续增长，全球对锰矿石和锰合金的需求表现出强劲的增长势头，价格也随之上涨，我们的三个核心业务因此受益良多。集团创造出2.9亿澳大利亚元的年营业额，税后净利润高达5,690万澳大利亚元，我们不仅获得了优异的业绩，同时也创造了历史新高。2007年每股红利为0.06澳大利亚元。基于出色的经营业绩以及创新高的锰矿石和锰合金价格，集团的年终财务状况良好，现金流强劲，资产负债率达到最低水平。

集团的所有业务在全年中表现优异，均创下了经营、财务和策略发展的新记录。最重要的是，位于澳大利亚北部的Bootu Creek锰矿山经营业绩良好。2008年生产516,448吨纯度为42.2%的锰矿石。矿山的技改项目于2007年的最后一个季度按时按预算完成，保证了2007年下半年和2008年第一季度的可持续生产，年产量达到60至70万吨。2008年3月的产量达到了年产70万吨的水平。

2007年全球商品市场继续保持强劲增长的势头，但其中不乏巨大的波动，尤其在年底，受到了美国金融市场动荡的影响，尽管如此，锰矿石仍然供不应求。可以预见，在2008年，甚至更长时间内，锰矿石价格仍将保持强劲。集团面临着前所未有的大好形势。全球市场的强劲需求将为集团提供绝佳机会。

我们Bootu Creek锰矿山的勘探工作完成的相当成功，资源储量增加到1,780万吨（包括1,030万吨矿石详勘开采储量）。以年产70万吨计算，矿山将有8年多的开采年限。2008年度的更大面积的勘探计划已经启动，该计划旨在进一步延长矿山的开采年限。

最重要的是，集团充分利用强劲现金供给能力在充满商机的环境中进行投资，力图成为制品钢铁行业的世界级专业资源集团，实现未来成长和持续发展。在这一年中，在受益于强劲成长的中国市场的同时，集团将拓展其成功的贸易业务和开发国际贸易客户群。贸易业务在2007年中扮演了关键的角色，尤其在填补现金流需求方面。同时，Bootu Creek锰矿山也实现了设计产能。公司位于中国钦州的铁合金冶炼工厂实施了专门的合金生产策略，2007年收益率也创出新高。

集团愿景是成为碳钢和不锈钢工业中独一无二的、卓著的原料供应商。我们为自己的员工深感自豪，我们将继续在国际业务中，追求卓越的表现。

2008年，我们的重点工作包括：

- 在集团现有的Bootu Creek锰矿山及其周边面积超过2,872平方公里的重点区域内加速开展勘探工作；
- 研究在极具潜力的Renner Springs区域进行开发和独立生产的机会；
- 研究在中国钦州铁合金冶炼厂建设烧结矿厂的可行性；
- 努力把握在正常运作过程中已经发现或可能发现的并购和发展机会。

集团在雄厚的业务和财务基础以及集中增长策略下，不断为公司吸引新的投资者。预计公司在香港证券市场主板的二次上市将进一步提升这个势头。我们目前正在积极争取早日实现这个目标。眼下审批程序正在进行中，有望在2008年7月完成。我们预计二次上市将极大地拓宽公司的股东基础，使公司进一步融入国际资本市场，并增加投资者购买公司股票的兴趣，以此为全体股东带来丰厚的回报。

在这里，我要向董事会同仁们表达我的谢意，感谢大家按时出席董事会的各次会议，并积极参与决策讨论。特别感谢首席执行官Low Ngee Tong先生领导的管理团队，感谢你们在2007年为实现公司的各项目标而付出的热情和汗水。借此机会，我还要对公司的管理团队以及全体员工提出表扬。正是由于大家的敬业精神和艰苦奋斗，公司在2007年取得了优异的成绩。在Low Ngee Tong先生的领导下，各级员工组成了一支专注而又专业的队伍，这支队伍就是公司在将来继续取得成功的坚强后盾。

我很高兴在2007年7月受邀加入董事会。在此我要感谢集团的上一任董事长Yeo Wee Kiong先生在担任董事长期间做出的卓有成效的工作。

我还要感谢分别在去年卸下董事职务的Trevor Tennant先生、Seetoh Kwok Weng先生、Heng Siow Kwee女士和William Mackenzie先生，感谢他们多年来为公司做出的贡献。

最后，我要向公司股东表示谢意，感谢大家在过去一年给予我的大力支持，特别是参与了配股计划筹资的股东，大家的努力为Bootu Creek锰矿的资产重组计划提供了不可或缺的资金支持，协助公司清偿了债务并增加了流动资本。

展望2008，公司的前景一片大好。我怀着激动的心情，期待能在今年继续为公司股东创造丰厚的回报。我相信，有了卓越的国际资本基础、清晰的全球成长愿景，以及有力而有序的重点工作做保障，公司在新的一年里一定能够大展宏图，实现新的飞跃。

J H R RAUBENHEIMER
非执行主席

2008年4月

CHIEF EXECUTIVE OFFICER'S REPORT

The OMH Group reported a record consolidated net profit after tax and minority interests of A$56.9 million for the year ended 31 December 2007. Included in the result was a consolidated net profit after tax and minority interests of A$41.7 million for the second half of 2007.

LOW NGEE TONG
Chief Executive Officer

OVERVIEW

The 2007 year was a period of unprecedented growth and considerable success demonstrated in every facet of the OM Holdings Limited business. Strong operational performances by the Bootu Creek Manganese Mine located in the Northern Territory of Australia, the Qinzhou smelter in China and the metal trading operations in Singapore, in an environment of record demand and prices for manganese ore and alloys underpinned by China's economic expansion, enabled OM Holdings Limited and its subsidiaries ("OMH Group") to achieve a record outstanding financial performance.

The OMH Group reported a record consolidated net profit after tax and minority interests of A$56.9 million for the year ended 31 December 2007. Included in the result was a consolidated net profit after tax and minority interests of A$41.7 million for the second half of 2007.

The exceptional performance reflected increases in manganese ore and alloy prices driven by Chinese demand, with manganese prices reaching historically high levels during 2007 (and continuing into 2008), combined with a sustained turnaround in operating performance from the Bootu Creek Manganese Mine. In the second half of 2007, the Bootu Creek Manganese Mine consistently produced manganese product based upon annualised rates of 600,000 to 700,000 tonnes. Production milestones at the Bootu Creek Manganese Mine have continued into the March 2008 quarter with annualised production rates exceeding 700,000 tonnes.

Record production of 516,448 tonnes grading 42.2% Mn was achieved from the Bootu Creek Manganese Mine in 2007. During the December 2007 quarter, the capital rectification works programme instigated to enable designed process plant production rates to be met consistently was completed and commissioned. The main modifications involved the replacement of the crushed ore reclaim system and ROM bin with a new surge bin, stockpiling system and improved ROM bin. Indications from achieved production rates since January 2008 to date have confirmed that the modifications have enabled more consistent and increased throughput, enhanced operational safety and removed the need for a hired bypass feed system.

This outstanding financial result represented the continued operational and financial strengths of the OMH Group's trading and ferro alloy business units and the return to profitability of the Bootu Creek Manganese Mine throughout the second half of 2007.

The record earnings result was achieved on a 58% increase in sales revenue to A$290.5 million (2006: A$183.8 million) and equated to an after tax earnings per share of A$0.29 and a net asset backing of A$0.71 per share compared to A$0.48 per share at 31 December 2006.

Consolidated operating cash flows of A$37.2 million (after interest, dividends and tax) were generated in 2007, with minimal net gearing at the end of the financial year. At the end of the financial year cash reserves increased to A$24.4 million including cash collateral of A$3.8 million, providing a solid platform for continued growth.

Shareholders' equity increased to A$166.2 million an increase of 132%, reflecting the strong earnings performance, an equity raising and option conversions during the year.

During 2007 active and successful exploration programmes were conducted on the Bootu Creek Project tenements. Mineral Resources (including Ore Reserves) increased by 1.85 million tonnes or 12% to 17.8 million tonnes at 25.7% Mn. Ore Reserves increased by 3.1 million tonnes or 43% to 10.3 million tonnes at 24.5% Mn with significant uplifts achieved at the Chugga South and Tourag deposits. The additional Mineral Resources maintain an 8.5 year mine life based upon annualised production of 700,000 tonnes. The OMH Group has a strong commitment to ongoing mine and regional exploration and the continuing discovery and expansion of its Mineral Resource base is seen as an integral part of its long-term growth plans.

Manganese ore and alloy prices improved significantly and reached record levels throughout 2007 as a result of the correction to the oversupply and de-stocking of manganese ore evident throughout 2006.

Throughout 2008 the OMH Group will fund increased and extensive exploration programmes with at least A$10 million initially budgeted to demonstrate its commitment to further extend the mine life and reinforce the Bootu Creek Manganese Mine's capability as a world-class and long-life asset. The OMH Group's focus remains upon maximising the profitability and life of its Bootu Creek Manganese Mine through optimisation and mine life extension. In addition to manganese exploration, a limited number of targets have been identified to test the potential of the footwall siltstone/dolomite sequence hosting copper mineralisation. Drill results in 2007 proved very encouraging with five prospect areas identified in initial reconnaissance drilling. A 5,000 metre follow up RC drilling programme is planned within the 2008 exploration budget and is intended to extend the limited strike extent tested to date and evaluate the economic potential of the copper mineralisation encountered.

The OMH Group has a solid financial foundation with strong underlying cash flows and minimal debt. During 2007 the project financing associated with the Bootu Creek Manganese Mine was reduced by A$18.83 million with the residual balance of A$5 million repaid in January 2008. The project is now essentially debt free. The OMH Group is now privileged to be in its strongest financial position and is well poised to pursue organic and external growth opportunities aimed at expanding the OMH Group's production base with particular focus upon suitable resource projects which have similar mining, marketing and logistical characteristics to the OMH Group's existing operations.

FINANCIAL ANALYSIS

Manganese ore and alloy prices improved significantly and reached record levels throughout 2007 as a result of the correction to the oversupply and de-stocking of manganese ore evident throughout 2006. Supply of high grade manganese ore tightened considerably which significantly contributed to enhanced pricing fundamentals. Operating revenue was positively impacted by the consistent strengthening in the price of both manganese and chrome ores and alloys due to world wide market shortages experienced throughout 2007. Tonnages of manganese and chrome ore traded increased by 26% compared to the corresponding prior year.

The 2007 result was derived from total sales revenues of A$290.5 million compared to A$183.8 million in the previous year, representing a 58% increase. Sales of manganese and chrome ore were A$221.2 million or 76% of trading revenue (2006: A$124.1 million or 68% of trading revenue) and sales of manganese and chrome alloys and other products totalled A$69.3 million or 24% of trading revenue (2006: A$59.7 million or 32% of trading revenue).

The trading gross profit margin more than trebled to 37.8% in 2007 compared to the previous year.

Operating revenue was influenced by:

- Sustained increase manganese and chrome ore prices achieved throughout the year;
- OM (Manganese) Limited ("OMM") produced from the Bootu Creek Manganese Mine 516,448 tonnes of manganese product of which 503,265 tonnes were shipped during the year; and
- OM Materials (Qinzhou) Co Limited ("OMQ") produced 38,101 tonnes of HC FeMn during the year of which 30,227 tonnes were sold.

Distribution costs increased from A$18.4 million in 2006 to A$29.1 million for 2007, due to increased volumes shipped as well as an increase in world wide unit shipping costs. Ocean freight costs have continued to trend upwards throughout 2007. However total distribution costs as a percentage of total sales revenue remained at 10%.

Total net administrative costs increased to A$9.5 million in 2007, due predominantly to higher employee related expenses across all entities within the OMH Group, expensing of all evaluation and assessment costs associated with a number of projects presently being examined in accordance with the Group's growth strategy and higher transactional costs related to the increased trading activity.

Depreciation and amortisation charges of A$9.0 million primarily related to the Bootu Creek Manganese Mine were expensed throughout 2007.

Interest expense of A$1.8 million remained constant compared to the prior year as the Bootu Creek Manganese Mine debt retirement program was implemented throughout 2007.

In February 2007, OM Materials (S) Pte Ltd ("OMS") executed an agreement to transfer its sales agency/marketing rights in respect of Territory Resources Limited's ("TTY") iron ore product for total consideration of A$7.8 million. OMH continues to hold its strategic stake of 29,161,413 ordinary shares in TTY maintaining its 11% interest. This investment holding at 31 March 2008 had a market value of approximately A$27 million.

A total of A$2.8 million was expensed in 2007 in accordance with the IFRS requirement to reflect the valuation of share based option transactions. This expense related to the issue of 20.49 million unlisted options to Directors and employees during the year.

OMS and its other China based trading operations achieved a record outstanding operating profit after tax of A$42.2 million for the year. This was mainly attributable to:

- increases in chrome and manganese ore and alloy prices throughout the year, secured at greatly enhanced margins;
- sustainable production from the OMM operation throughout the latter half of 2007 demonstrating a reliable supply of high grade manganese product; and
- sound marketing experience and practices that enabled OMS to take advantage of an improved market whilst achieving a strategic balance between long term and spot contracts for its OMM product and its other product transacted on behalf of other third party customers.

Overall the ore and alloy tonnages for the year ended 31 December 2007 were 20% higher than the tonnages traded for the preceding year.

OMM for the year recorded an operating profit after tax of A$7.7 million, which included an amortisation/depreciation charge of A$8.0 million, expensing exploration expenditure incurred of A$3.6 million and interest expense of A$1.6 million. The result was impacted by a number of adverse design and operating issues arising from the Bootu Creek processing plant which particularly impacted production during the wet season within the first quarter of 2007. However OMM recorded a significant turnaround to profitability in the second half of 2007 generating an operating profit after tax of A$14.9 million aided by the operation performing in excess of design capacity for the second half. The financial performance was also underpinned by the pricing for OMM's manganese product sold in the second half of 2007 being approximately double the average price achieved in the first half. The operation was impacted in the December 2007 quarter by the completion and commissioning of the rectification programme and from lower than expected yields through the process plant impacting on ROM inventories. The accumulation of ROM inventories was also hampered by lower mining volumes. Actions to improve upon the yield and production have been implemented and additional earthmoving equipment was mobilised, with further expansion of the mining fleet also carried out in the March 2008 quarter.

OMQ achieved a record operating profit after tax of A$11.7 million. This represented a significant turnaround in operating performance and capability. The ferro alloy processing operation focussed upon maximising the production of High Carbon Ferro Manganese ("HC FeMn") which resulted in record production of 38,101 tonnes of HC FeMn which was sold into a strong market for this alloy. This record operating result included the effect of increased ore material costs however this impact was more than offset by the strengthened alloy prices achieved.

The second furnace at the processing facility did not operate continuously in 2007 due to a planned reline and overhaul as well as the dry season curtailing activity due to reduced availability of low cost hydropower. Sourcing of sinter ore also remained tight throughout 2007 which impacted furnace availability.

The OMQ operation is expected to produce a minimum annual production output of approximately 41,000 tonnes of HC FeMn for the year ending 31 December 2008.

Opportunities to further expand the OMQ production capabilities in 2008 are continuing to be evaluated especially in the area of dedicated sinter ore production.

OMH recorded an operating loss after tax of A$4.7 million due to corporate and administrative costs and share based option payments.

Dividend

Due to the sustained turnaround in operating and financial performance across the mining, processing and trading business units the Board resolved to declare a final dividend of A$0.04 per share which is payable on 30 May 2008. This takes the total dividend for 2007 to A$0.06 per share including the interim dividend of A$0.02 which was paid on 23 November 2007.

FINANCIAL POSITION

Total assets increased during the year by A$70.0 million to A$218.4 million as at 31 December 2007 due to:

- Cash reserves increased to A$24.4 million due to the strong operating result primarily from the trading and ferro alloy processing operations;
- Receivables increased to A$26.7 million due predominantly to increased trading activity by OMS;
- Inventories increased to A$51.0 million due to OMM product inventories in transit at year end and a build up of OMQ product inventories; and
- Financial assets available for sale increased to A$40.2 million, incorporating the fair value adjustment to the investment held in TTY as at 31 December 2007.

Total liabilities decreased by A$24.7 million to A$52.2 million as at 31 December 2007, due mainly to the project debt retirement program associated with the Bootu Creek Manganese Mine whereby A$18.83 million was repaid and the final balance of A$5.0 million was repaid in January 2008.

Currency Hedging

During the December 2007 quarter OMM entered into US$31.7 million of US dollar forward exchange contracts to the end of December 2008 at an average AUD:USD exchange rate of rate of 0.8488.

This combined with existing AUD:USD cover maintained by the Company of US$23.6 million provides hedging cover for approximately 50% of the total budgeted AUD operating and capital expenditure for the project in 2008 at an average rate of 0.8594.

In effect the hedging arrangements will largely safeguard OMM's AUD operating and capital expenditure requirements throughout 2008.

Capital

In May 2007 the Company successfully completed a pro-rata 1 for 2 non-renounceable entitlements issue to Shareholders at an issue price of A$0.22 per share, raising A$16.3 million from the issue of 74,166,358 ordinary shares. The proceeds raised via the entitlements issue were applied to repay debt related to the Bootu Creek Manganese Mine (A$5.5 million) and the balance was applied to fund a capital rectification program at the Bootu Creek Manganese Mine as well as replenish working capital.

During the year an additional 8,873,500 ordinary shares were issued following the exercise of unlisted options. In August 2007 the Company completed a selective share buy-back whereby 3.9 million ordinary shares were bought back at a price of A$0.88 per share, for total consideration of A$3.432 million.

As at 31 December 2007 the Company had 227,472,575 ordinary shares and 19,335,000 unlisted options on issue. Since 1 January 2008 to 24 April 2008 a further 6,550,500 ordinary shares have been issued arising from the exercise of unlisted options.

As announced on 18 April 2008 the Company will be seeking shareholder approval at its Annual General Meeting in May 2008 to a proposal to subdivide the Company's issued capital on the basis that every one ordinary share be subdivided into two ordinary shares ("the Share Split"), and that options on issue be adjusted in accordance with the ASX Listing Rules.

The Share Split is intended to benefit Shareholders by increasing the liquidity and affordability to retail investors of the shares. The Share Split is also expected to encourage extended interest from potential investors in connection with the proposed secondary listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited.

Secondary Listing on the Main Board of the Hong Kong Stock Exchange

As previously announced the Company has commenced the detailed process to seek a secondary listing on the Main Board of the Stock Exchange of Hong Kong Limited ("HKSE"). Various due diligence and compliance processes have commenced in addition to site visits by key due diligence team members and various experts.

The Company considers that the secondary listing will further broaden its shareholder base internationally and give the Company access to future capital raising opportunities in the growing Asian market to support its longer term growth strategies.

The Company has appointed CITIC Securities Corporate Finance (HK) Limited (being a subsidiary of CITIC Securities International Company Limited) to be its financial advisor, sole sponsor, sole global coordinator, sole bookrunner and lead manager.

The Company has now completed the appointment of key professional advisers and commenced the process of preparing the requisite global offer documentation. The Company is expecting to complete all relevant documentation and seek approvals for the secondary listing on the HKSE by early July 2008.

Expanded Production Alternatives

The OMH Group is actively assessing the Bootu Creek Manganese Mine's capability to increase its annual sustainable production rate to beyond 700,000 tonnes per annum. The successful completion of the capital rectification works has been soundly demonstrated by daily production rates of in excess of 2,000 tonnes per day for consistent periods. In particular during January 2008 to March 2008, record monthly and daily production targets were achieved which annualised plant capacity in excess of 700,000 tonnes per annum.

Test work has commenced on the value adding benefit of crushing and re-processing lump rejects from the heavy media drum plant. Site trials to date indicate that a marketable product can be produced by crushing and re-processing the rejects through a heavy media cyclone plant.

In the medium term further opportunities to significantly expand production beyond 700,000 tonnes per annum will continue to be examined including undertaking a feasibility study to assess whether an additional standalone production is justifiable based upon the highly prospective Renner Springs tenement portfolio.

OUTLOOK

The operational and financial results for 2007 were driven by the strengthening market for manganese ore and alloy and the strong appreciation in pricing for manganese particularly in the last three quarters.

Manganese prices continue to remain buoyant, with landed prices negotiated for shipments to Chinese customers for the first quarter of 2008 exceeding prices achieved for the December 2007 quarter. These price increases over the previous quarter are consistent with expectations that the manganese market will remain robust throughout 2008, underpinned by continued strong demand for high grade manganese product and a number of supply issues continuing to be experienced by key ore suppliers.

The further strengthening market has been evidenced by the price setting secured between Nippon Steel and BHP Billiton, on the price of manganese ore for shipments to Japan for the year commencing in April 2008 to March 2009, with a price determined at US$11.20/dmtu (FOB) as the benchmark price (for lump ore with Mn content of 48%). This represented an increase of US$8.50/dmtu compared with US$2.70/dmtu (FOB) applied to shipments in the year April 2007 to March 2008 and further indicates that landed prices to China for 2008 should be further strengthened.

As the Bootu Creek Manganese Mine continues to produce at above design capacity rates, the OMH Group expects to produce approximately 700,000 tonnes of 43% Mn for the year ending 31 December 2008. The Bootu Creek Manganese Mine has recorded a further record milestone for the 31 March 2008 quarter whereby it produced 183,406 tonnes at 42.3% Mn or in excess of 730,000 tonnes on an annualised basis.

The manganese price continued to rise in the first quarter of 2008 as demand remained firm due to worldwide production shortages, consumer worries over insufficient supply and a substantial amount of speculative buying. Spot business in China has seen prices reaching US$16/dmtu in the first quarter of 2008 and it has been reported that a major supplier has announced second quarter ore prices of US$13/dmtu (CIF) for 44% Mn.

The current price rally is unique and has the possibility of continuing for a number of years due to key specific industry developments which have restricted global ore supply and may continue to do so, to the point where the industry cannot respond to growing demand including:

- Recent and ongoing consolidation within key market suppliers including Ukrainian ferroalloy producer Privat acquiring Ghana Manganese Company in March 2007 and Consolidated Minerals Limited in December 2007;
- The opportunity to increase supply from existing South African and future operations are continuing to be affected by constrained rail and port logistics; and
- Brazilian production has been reduced due to Vale suspending production at its Azul mine for the latter half of 2007 to provide priority to transport its iron ore product.

Despite the volatility within financial markets the long term fundamentals underpinning the market for all global carbon steel and stainless steel materials – including manganese – remain very positive and continue to be driven by the strong growth of the Chinese economy. Overall the outstanding turnaround in operating and financial performance from all business units particularly in the latter half of 2007 has remained sustained into 2008 and is expected to continue throughout 2008. The OMH Group strategy for 2008 will be on assessment of expansion opportunities at both the Australian and China based operations and the development of further growth opportunities internationally. The OMH Group will also continue to selectively assess quality acquisition or corporate opportunities with the potential to add value for all Shareholders.

LOW NGEE TONG
Chief Executive Officer

Mn Alloys in bags

CORPORATE

- Sales revenue was up 58% for the year to a record A$290.5 million of which a record A$162.2 million (56% of total sales) was derived in the second half of 2007.
- Consolidated operating profit after tax of A$56.9 million recorded for the year included a net profit contribution of A$41.7 million earned in the second half of 2007 (73% of total operating profit after tax).
- Consolidated operating cash flows of A$37.2 million (after interest, dividends and tax) were generated in 2007.
- Final dividend of A$0.04 declared taking the full year dividends to A$0.06 per share.
- Basic earning per share increased to A$0.29 and net tangible asset backing increased to A$0.71 per share.
- Cash reserves at 31 December 2007 increased to A$24.4 million including cash collateral of A$3.8 million.
- Market value of investment in Territory Resources Limited ("TTY") was A$40 million at 31 December 2007.
- Proposed secondary listing on the Main Board of the Stock Exchange of Hong Kong Limited is actively progressing with approvals being sought for listing early in July 2008. A global offering prospectus is being prepared with funds to be raised intended to be applied to expand production and exploration opportunities at the Bootu Creek Manganese Mine. This includes undertaking a feasibility study to assess whether an additional standalone production is justifiable based upon the highly prospective Renner Springs tenement portfolio. A feasibility study will also be completed to assess the merits of constructing a new sinter ore plant facility at the existing Qinzhou smelter. Merger and acquisition opportunities will also be more actively pursued.

BOOTU CREEK MANGANESE MINE

- Record production of 516,448 tonnes grading 42.2% Mn achieved for the year.
- Project debt was reduced by A$18.83 million during the year and the remaining balance of A$5 million was repaid in January 2008. The project is now fundamentally debt free.
- Based upon sustainable production achieved in the latter half of 2007 and into 2008 expansion options beyond 700,000 tonnes per annum are now being actively examined.
- A revised Mineral Resource and Ore Reserve Statement was released with Mineral Resources increased to 17.8 million tonnes at 25.7% Mn (including Ore Reserves of 10.3 million tonnes at 24.5% Mn). Current life of mine plan supports a mine life of 8.5 years based upon 700,000 tonnes per annum.
- Extensive exploration program has commenced for 2008 dedicated towards further extending the mine life and reinforcing the operations capability as a long life and high grade supplier of manganese.

QINZHOU SMELTER

- Annual record production of 38,101 tonnes of High Carbon Ferro Manganese ("HC FeMn") exceeded forecast. The strong market demand and prices secured for the HC FeMn produced resulted in the ferro alloy operation contributing a record operating profit after tax. Ongoing demand for HC FeMn alloys is continuing.

TRADING OPERATIONS

- Record 0.9 million tonnes of chrome and manganese ore were traded into China throughout the year underpinned by strong market demand and record prices, resulted in the trading operations generating a record operating result.
- The market for manganese ore and alloys continues to strengthen driven by a world wide shortage of high grade manganese in the market impacted by supply issues from key producers and the continued growth in demand for steel and stainless steel products.

首席执行官报告

概述

2007 年，OM Holdings Limited 各方面的业务都取得了前所未有的增长，成绩令人瞩目。锰矿石的需求及价格均创历史新高，加上中国扩大经济开放政策的强大支持，位于澳大利亚北部的 Bootu Creek 锰矿山、中国钦州铁合金工厂和新加坡贸易总部的经营业绩均表现强劲，OM Holdings Limited 及旗下子公司（“OMH集团”）取得了有史以来最辉煌的财务业绩。

截止到 2007 年12 月 31 日，公司股东权益税后净利润的总额刷新纪录达5,690 万澳币，其中 2007 年下半年税后净利润和少数股东权益为 4,170万澳币。

超常的业绩反映出中国市场的需求推动锰矿石的需求及其价格的上涨，2007 年锰矿石的价格达到历史较高水平，2008 年将继续看好。结合 Bootu Creek 锰矿山在运营绩效方面的持续调整，2007 年下半年 Bootu Creek 锰矿山生产锰矿石的年产量在 600,000 至 700,000 公吨。Bootu Creek 锰矿山在 2008 年第一季度实现了锰矿石生产的又一里程碑——产量为183,406公吨。

2007 年，Bootu Creek 锰矿山所生产 42.2% 的锰矿石高达 516,448 公吨。2007 年最后一季，投资所进行的技术改造和设备完善工程，使得整个矿山达到了原设计能力。这些技改内容主要包括：矿石破碎回收系统；新的输送缓冲仓；等一系列的改造。2008 年1月至今的产量证实了此次技改的成功，目前的产量已完全达到并超过了原设计的生产能力。

出色的业绩表现出 OMH 贸易、铁合金业务部门持续的运营优势和财务优势，以及 Bootu Creek 锰矿2007年下半年的投资回报率。

创纪录的收入业绩归功于销售收入58%的增长，高达 2.91 亿澳元（2006 年：1.84 亿澳币），即税后每股收益 0.29 澳币，每股净资产为 0.71 澳币，而 2006 年12月31日每股仅为 0.48 澳币。

2007 年综合经营现金流流入为 3,720 万澳币（结算利息、股息、税收之后），实现了本财年年终最低净负债率。本财政年现金储备增至 2,440 万澳币，其中包括现金抵押品 380 万澳币，为集团今后的持续增长构筑了坚实的平台。

2007年 经勘探已证实 Bootu Creek 矿山资源储量（按 25.7 锰含量 / 吨）增加了185 万公吨，即 12%，至1,780万公吨。在 Bootu Creek Chugga 南部矿床和 Tourag 矿床进行了详细的开采勘探，使详细开采储量（按 24.5 锰含量 / 吨）增加了 310 万公吨 即 43%，增至 1,030 万公吨。

2008 年，OMH 集团初期预计至少追加投资 1,000 万澳币，增加勘测项目以证明其储量：致力于进一步延长矿区开采年限，提高 Bootu Creek 锰矿的能力，使其成为世界一流的长期矿山。OMH 集团的精力仍将集中于通过优化并和延长矿区开采年限，最大程度上提高 Bootu Creek 锰矿收益率，延长该矿区的寿命。除了锰矿的开采，还要对少数目标矿区含有铜矿石的粉砂岩/白云矿层进行测试。2007 年的结果非常喜人，在初步勘测钻探中确定了5 块矿石远景区。继 RC 钻探计划之后，5,000 米的勘探计划已计入 2008 年勘测预算，旨在扩展截止到目前为止有限的试点扩展测试，评估所遇潜在铜矿的经济价值。

OMH 集团拥有坚实的资金基础，现金流雄厚，负债率低。2007 年 Bootu Creek 锰矿山项目的负债减少了1,883 万澳币，余款 500 万澳币已于 2008 年 1 月付清。此项目目前已基本无债务。OMH 集团在雄厚的现金流和资金储备基础下，可以泰然自若地寻求扩充 OMH 集团生产基地及外部发展机会，尤其关注类似于 OMH 集团这样矿产、营销和物流性质的资源项目。

前景展望

2007 年的经营成果和财务业绩主要得益于锰矿石、锰合金的强劲市场表现，尤其是后三个季度锰矿石价格的。强力上扬。

锰矿石的价格将继续上扬，2008 年第一季度到中国的到岸价格已超出 2007 年第四季度的价格水平。上一季度价格的上涨与预期相符。2008 年锰矿石市场将继续保持强劲的增长势头，高品味锰矿石的强大市场需求以及主要矿石供应商仍需一段时间才能增加供应量，这也从另一方面推动市场上涨。

日钢和必和必拓公司设定的价格已充分证明市场的进一步繁荣，锰矿石到日本的装运价格确定以 11.20 澳币/dmtu (FOB) 作为基准价（适用于块矿石锰含量为 48% 的矿石），将从 2008 年 4 月起用， 2009 年 3 月截止。与2007 年 4月至 2008 年 3 月采用的装运价格 2.70 澳币/dmtu (FOB) 相比，增长了8.50 澳币/dmtu，表明 2008 年中国的到岸价格将进一步提高。

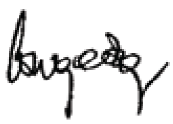
如果 Bootu Creek 锰矿山继续以高于计划产量进行生产，截止到 2008 年12 月 31 日，OMH 集团预计生产 43% 的锰矿石约 700,000 公吨。Bootu Creek 锰矿山目前已创下了季生产 183,406 公吨 42.3% 的锰的历史新记录。

2008 年第一季度锰价格继续上扬，需求仍然很稳定，这是因为全球产品短缺，消费者担心供应不足，大量囤积购买。2008 年第一季度，中国的现货交易价格曾达 16 澳币/dmtu，曾有报道称一家主要供应商宣布第二季度44%锰矿石的价格为 13 澳币/dmtu (CIF)。

当前的价格反弹现象有些独特，因为一些曾限制全球锰矿石供应的特殊行业的发展，这些行业无法满足日益增长的需求，其中包括：

- 乌克兰铁合金制造商 Privat 在 2007年 3 月收购了加纳锰矿石公司（Ghana Manganese Company），在 2007 年 12 月收购了澳大利亚联合矿业公司（Consolidated Minerals Limited）；
- 南非的电力不足影响着所有采矿行业。南非运输还受到铁路和港口物流影响；
- 巴西的矿石的生产也大幅减少，Vale 优先考虑铁矿石的运输和生产；
- 2008 年初，中国国内低级别锰矿石的产品因电力短缺和天气因素受阻。

尽管金融市场反复无常，但市场主要受长期的基本原则来支撑，全球碳钢和不锈钢原料——包括锰——仍非常乐观，并将继续由中国经济的高速增长推动发展。2007 年下半年所有业务的经营业绩和财务表现的明显转佳将持续到 2008 年，且预计 2008 年全年都会是这种情况。OMH 集团 2008 年的战略将集中评估澳大利亚和中国运营机会的扩展以及进一步探索国际发展机会。OMH 集团还将继续有选择性地进行高品质收购或寻找可为所有利益相关者带来价值的潜在合作机会。



LOW NGEE TONG
首席执行官

DIRECTORS AND SECRETARIES

seated: *John Raubenheimer;* standing from left: *Heng Siow Kwee, Low Ngee Tong, Julie Wolseley and Tan Peng Chin*
Not in photo is Ong Beng Chong

JOHN RAUBENHEIMER
Non-Executive Chairman

Mr Raubenheimer is a senior internationally recognised executive with extensive experience gained over the past 30 years within the resources industry encompassing various large scale exploration and production projects with particular emphasis since 2001 on manganese operations and marketing for BHP Billiton.

Mr Raubenheimer retired in 2006 as the President and Chief Executive Officer of Samancor Magnanese (owned 60% by BHP Billiton) and was a director of BHP Billiton SA. Mr Raubenheimer also has significant exposure and networks within the Chinese market over the past decade. In addition until recently Mr Raubenheimer was the chairman of the International Magnanese Institute.

LOW NGEE TONG
Chief Executive Officer

Mr Low is a qualified mechanical engineer, having graduated from the National University of Singapore. He has over 25 years 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 an excellent network for marketing in China. Mr Low has been the Chief Executive Officer of ASX listed OM Holdings Ltd since its incorporation and subsequent listing in 1998. Mr Low's business relationships and reputation with several large multinational corporations in Asia have enabled OM Holdings Ltd to successfully establish its profitable operations based in Singapore and extending to China and Australia.

JULIE WOLSELEY
Non-Executive Director and
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 15 years 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 modeling and corporate governance. Ms Wolseley is also a Member of the Australian Institute of Company Directors.

Production Plant at Bootu Creek Manganese Mine

ONG BENG CHONG
Non-Executive Director

Mr Ong is a Fellow, Certified Public Accountant, Singapore and has had extensive financial and corporate experience gained primarily in Singapore for various multinational companies, and is at present the Director of Finance and Corporate Services, South East Asia for one of the world's largest chemical manufacturing corporations.

TAN PENG CHIN
Non-Executive Director

Mr Tan is the Managing Director of Tan Peng Chin LLC, a Singapore based law firm specialising in the areas of banking and finance, corporate and commercial law, litigation, conveyancing, employment law, intellectual property, technology, franchising and competition law.

He holds current directorships on a number of companies in the Asia region and his expertise will greatly assist the advancement of strategic pursuits within Asia.

Mr Tan is also a Notary Public and a Commissioner for Oath and a member of the Singapore National Cancer Centre Institutional Review Board.

Mr Tan is also a volunteer at the Christian Outreach to the Handicapped in Singapore since 2001.

HENG SIOW KWEE
Joint Company Secretary,
Group Human Resources Director

Ms Heng is a qualified accountant and a business administration graduate of the National University of Singapore and has completed a fellowship of the Australian Insurance Institute at Deakin University in Victoria, Australia.

In the period from 1986 to 1992, she was involved in areas of marketing, administration and training within the insurance industry.

Ms Heng was involved in the establishment of OMH in 1993 and is responsible for the accounting and financial management of the business.

KEY MANAGEMENT

OPERATION UNITS

YANG LI ZHONG
General Manager, OMQ

Mr Yang joined the Group in December 2000 and has been a director and the General Manager of OMQ since October 2004. Prior to joining the Group in 2000, Mr Yang has worked mainly in managerial roles in a number of trading companies in the PRC. Mr Yang studied at Shenyang specialising in machine welding.

PAUL VINCENT THOMAS
Managing Director

Mr Thomas is the Managing Director of the Australia operating subsidiary of the Company. He is a qualified metallurgist with extensive mining development and operational experience. Mr Thomas holds regulatory and technical qualifications in mining, processing and management and has over 10 years experience as manager of various mining operations in Australia.

GOH PING CHOON
General Manager (Trades), OMS

Mr Goh joined the Group in June 2007. He is the General Manager of Trades of OMS. Prior to joining the Group, he gained 15 years of experience in sales, international trade and related payment and documentation activities. Mr Goh has extensive knowledge of steel mills and of the steel related products industry through working in a number of trading companies in Singapore and Myanmar. Mr Goh holds a Bachelor of Business Administration degree from the National University of Singapore.

FRANK BOTICA
Financial Controller

Mr Botica is the Financial Controller of the Australia operating subsidiary of the Company. Prior to joining the Group, he performed financial and managerial accounting responsibility for various mining operations in Australia where he was involved in budgeting, business planning, financial evaluation of strategic initiatives, acquisitions and investments, and development of financial models and evaluation processes.

MARK LAING
General Manager

Mr Laing is the General Manager of the Australia operating subsidiary of the Company and has held mining planning and management positions and acted as senior engineer for mining companies in Australia for over 13 years. He holds a Bachelor of Engineering (Mining) degree from the University of New South Wales and has completed various mine management and mining software training. Mr Laing is also a Member of the Australasian Institute of Mining and Metallurgy.

CRAIG THOMAS REDDELL
Geology Manager

Mr Reddell is the Geology Manager of the Australia operating subsidiary of the Company. He has extensive nickel and gold experience in exploration and mine geology management (underground and open cut) at mining operations throughout Australia and has responsibility for team leadership, exploration strategy and implementation, systems development, financial planning, team safety, recruitment and development, statutory compliance and tenement management. Mr Reddell has acted as exploration manager and geology manager for many Australian mining companies in the past 10 years. Mr Reddell is also a Member of the Australasian Institute of Mining and Metallurgy.

TAN MENG KHONG
Group Senior Manager (Accounts & Finance)

Mr Tan joined the Group in November 2004. He is the Group Senior Manager of Accounts & Finance. He is responsible for reviewing the Group's accounts and preparing Group financial statements. Prior to joining the Group, Mr Tan had over three years of experience performing auditing in various industries such as trading, manufacturing, cosmetics, engineering services, contract work and investment holdings, including public listed companies. He obtained a Bachelor of Accountancy degree at the University Putra Malaysia and has completed the CPA Australia programme.

BUSINESS DEVELOPMENT UNIT

FANIE VAN JAARSVELD
Technical Director

Mr Van Jaarsveld is the Technical Director of the Group. He has had over 25 years of manganese experience primarily in senior management and operational roles with BHP Billiton in South Africa. Mr Van Jaarsveld is responsible for evaluating and managing new growth opportunities relevant to expanding the Group's manganese and other metal businesses.

WANG YUE CHUAN
General Manager (Investment), OMS

Mr Wang joined the Group in September 2000 and is the General Manager of OMS. Before joining the Group in 2000, he held managerial roles with various resources trading companies in Singapore. He graduated from the Shanghai College of Foreign Trade in the PRC in 1984 after having completed a course in Foreign Trade held by the Department of Foreign Trade Economics.

YOUNG WOO HWA EDWARD
General Manager (Corporate Development), OMS

Mr Young joined the Group in January 2005 and is the General Manager of Corporate Development of OMS. Prior to joining the Group in January 2005, Mr Young held managerial positions in a number of metal trading companies in Singapore and was in charge of managing various trade developments and the implementation of contracts. Mr Young graduated from the University of Singapore in 1980 with a Bachelor of Arts degree.

CORPORATE DIRECTORY

Lump product conveyor to drum circuit

Surge bin and crusher from scrubber feed platform

Product leaving the scrubber, lump on left and fines on right

DIRECTORS

John Raubenheimer
(Non-Executive Chairman)
Low Ngee Tong
(Chief Executive Officer)
Julie Wolseley
Ong Beng Chong
Tan Peng Chin

COMPANY SECRETARIES

Heng Siow Kwee
Julie Wolseley
I.S. Outerbridge

ADDRESS OF COMPANY AND REGISTRIES

The address of the Head Office of the Company:

80 Marine Parade Road
#08-08 Parkway Parade
Singapore 449269
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:

Codan Services 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 2, Reserve Bank Building
45 St George's Terrace
Perth, Western Australia 6000
Telephone : (618) 9323 2000
Facsimile : (618) 9323 2033
Website : www.computershare.com

NAME OF BANKERS

National Australia Bank Ltd
Commonwealth Bank of Australia
Bank of China
Bank of Communication
Bank of Construction
Fortis Bank
Oversea-Chinese Banking
Corporation Limited
ABN AMRO Bank NV
KBC Bank NV
MayBank
DBS Bank
Rabo Bank

NAME AND ADDRESS OF AUDITORS

Foo Kon Tan Grant Thornton
Certified Public Accountants
47 Hiil Street #05-01
Singapore Chinese Chamber of
Commerce & Industry Building
Singapore 179365

NAME AND ADDRESS OF APPOINTED AUSTRALIAN AGENT

OM Holdings (Australia) Pty Ltd
Level I, 46 Parliament Place
West Perth, WA6005
Telephone : (618) 9481 0955
Facsimile : (618) 9481 0966

NAME OF BERMUDA RESIDENT REPRESENTATIVE

John C.R. Collis

NAME OF BERMUDA DEPUTY RESIDENT REPRESENTATIVE

Anthony D. Whaley

WEBSITE:

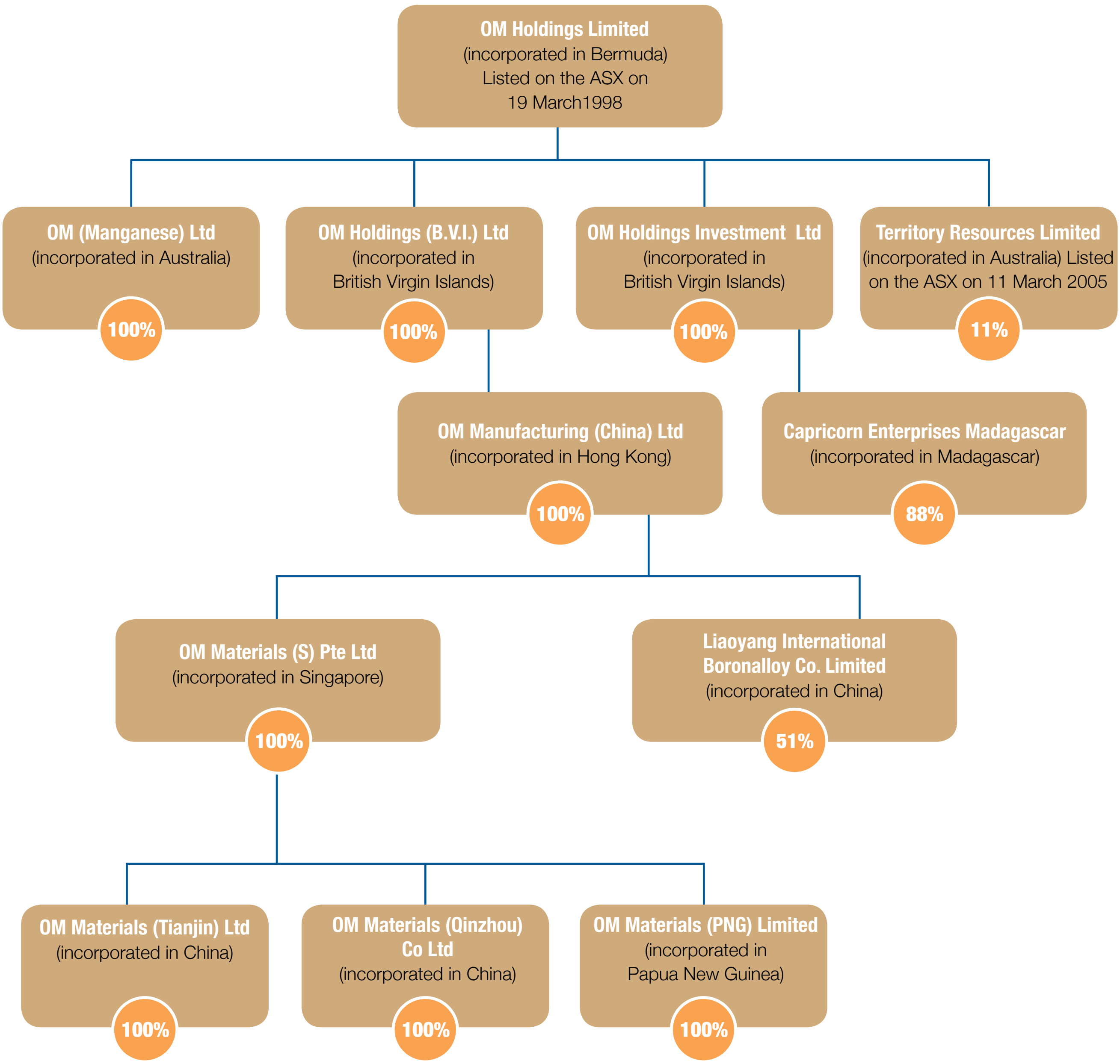
www.omholdingsltd.com

ASX CODE:

OMH

CORPORATE STRUCTURE as at 31 March 2008

Lump product stacker and stockpiles



MINING OPERATIONS REVIEW

OMM plans to significantly expand its manganese exploration programmes in 2008 to replace and further expand the Mineral Resources and Ore Reserves inventory and support long term production planning as well as to evaluate opportunities for future expansion beyond 700,000 tonnes per annum. A minimum A$10 million has been budgeted in 2008 to demonstrate OMM's commitment to further extend the mine life.

HIGHLIGHTS

- Production of 516,448 tonnes of high grade 42.2% manganese product.
- A revised Mineral Resource and Ore Reserve Statement incorporating 2007 field work completed generating an updated Mineral Resource of 17.8 million tonnes at 25.7% Mn (including Ore Reserves of 10.3 million tonnes at 24.5% Mn).
- 8.5 year mine life defined with identified targets with potential for significant increase.

BACKGROUND

OM (Manganese) Ltd ("OMM") is wholly-owned by OM Holdings Limited with its core operating business activities being exploration and mining of manganese at the Bootu Creek Project. The Bootu Creek Manganese Mine is located 110 km north of Tennant Creek in the Northern Territory of Australia and OMM's principal administration office is located in Perth, Western Australia.

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

OVERVIEW

The main tenements are located within the Bootu Creek Project area, where the mining and processing operations are currently based and where all currently defined Mineral Resources and Ore Reserves exist. Two regional exploration project areas are located at Renner Springs and Helen Springs which are approximately 60 km northwest and 30 km north respectively of the Bootu Creek Manganese Mine.

The Bootu Creek Project area contains a number of manganese deposits including the abandoned Muckaty mine, worked from shallow open pits between 1955 and 1963. The individual mineralised horizons are generally strata-bound in character and can persist over strike lengths of up to 3 km. The Mineral Resources defined to date at the project are long shallow, gently dipping deposits amenable to open pit mining.

The Renner Springs Project area covers an extensive dolomite-siltstone sequence which hosts several shallow dipping and flat lying manganese occurrences.

The Helen Springs Project (also referred to as Milla Milla) is a northern extension of the Bootu and Attack Creek formations, which host the Bootu Creek Project manganese deposits.

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

The processing plant utilises two-stage crushing, scrubbing and heavy media cyclone and drum plants to produce fines and lump product at a nominal design rate of 550,000 tonnes per year. The plant is currently operating at above design capacity and is scheduled to produce approximately 700,000 tonnes of 43% Mn product for the year ending 31 December 2008 from processing 2 million tonnes of mined ore.

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

Further lay down of manganese product is done at the rail head at the Port of Darwin and eventually the manganese product is transported to the port shiploader and loaded onto ships for shipping to overseas markets.

BOOTU CREEK OPERATIONS – PRODUCTION

Record production at the Bootu Creek Manganese Mine during 2007 was as follows:

	Unit	FY 2007	FY 2006
Mining			
Total Material Mined	BCM	**4,422,273**	3,960,893
Ore Mined – tonnes	Dt	**1,391,083**	868,677
Ore Mined – Mn grade	%	**24.92**	22.3
Production			
Lumps – tonnes	Dt	**383,855**	174,013
Lumps – Mn grade	%	**42.01**	43.6
Fines – tonnes	Dt	**132,593**	69,392
Fines – Mn grade	**%**	**42.71**	44.5
Total Production – tonnes	**Dt**	**516,448**	**243,406**
Total Production – Mn grade	**%**	**42.19**	**43.8**
Sales			
Lumps – tonnes	Dt	376,578	137,892
Lumps – Mn grade	%	42.37	43.4
Fines – tonnes	Dt	126,688	44,080
Fines – Mn grade	%	43.16	43.9
Total Sales – tonnes	**Dt**	**503,265**	**181,973**
Total Sales – Mn grade	**%**	**42.57**	43.4

OPERATIONS

During the year considerable progress was made on the Bootu Creek Manganese Mine's operational performance as the project achieved steady state operations in the latter half of the year.

Production for the first three months of 2007 of 80,959 tonnes of manganese product was impacted by severe local rainfall events which culminated from 571mm of rainfall. The heavy rainfall particularly in January 2007, bogged crushers and blocked chutes, bin and feeders, lowering throughout and production. Numerous plant design deficiencies continued to become apparent in relation to materials handling and its impact on processing wet ore. Production of 142,565 tonnes was achieved for the June 2007 quarter after the effects of the wet season diminished. Record production of 169,532 tonnes was achieved for the September 2007 quarter. Production in the December 2007 quarter was 123,392 tonnes and was impacted by lower than expected plant yields through the process plant impacting upon ROM inventories and the time to "tie in" the new rectification plant circuits.

During the December 2007 quarter, the capital rectification works program instigated to enable designed process plant production rates to be met consistently was completed and commissioned. The main modifications involved the replacement of the crushed ore reclaim system and ROM bin with a new surge bin, stockpiling system and improved ROM bin. Indications from achieved production rates in the March 2008 quarter have confirmed that the modifications have enabled more consistent and increased throughput, enhanced operational safety and removed the need for a hired bypass feed system. Additional modifications are planned for 2008 as part of an ongoing capital improvement program to further advance materials handling and plant availability.

During the year mining activities focused on completing stages 1 to 3 and commencing stage 4 of the Shekuma pit while simultaneously commencing mining of the Gogo pit. At year end, stages 1 and 2 of the Gogo pit were completed and mining of stages 3, 4 and 5 were underway.

Plant Design Claim

During 2007 legal proceedings continued against the consulting engineers responsible for the design of the processing plant. Damages are being sought to compensate for the losses attributable to poor design and delays.

Project Financing Facilities

In the March 2007 quarter OMM formalised a standstill arrangement out to 31 December 2007 with respect to its project loan facilities with the Commonwealth Bank of Australia ("the Bank"). All conditions under the standstill agreement were satisfied by year end. During the year a total of A$18.83 million was repaid from an equity raising by OM Holdings Limited and from surplus operating cash flows generated by OMM. A further final repayment of A$5 million was made in January 2008 and essentially the project is now debt free.

Exploration

All defined Bootu Creek manganese Mineral Resources were revised as at 31 December 2007 following the completion of a 22,965 metre (422 hole) reverse circulation ("RC") resource delineation program and taking into account ore depletion arising from mining activities in the Shekuma and Gogo pits throughout 2007. The purpose of the 422 hole RC drill program was to increase the level of confidence in the manganese deposits defined within the Bootu Creek Project which are all located on Mineral Lease 24031.

Table 1: Bootu Creek Project – Mineral Resource Summary as at 31 December 2007

Deposit	Measured		Indicated		Inferred		Combined	
	M tonnes	% Mn	M tonnes	% Mn	M tonnes	% Mn	M tonnes	% Mn
Chugga North	0.7	27.0	1.5	24.5	0.7	24.4	2.9	25.1
Chugga South	1.0	24.8	1.7	24.5	0.4	24.1	3.1	24.5
Gogo	0.5	28.5	2.1	28.0	0.3	28.9	2.9	28.2
Shekuma	0.2	30.4	1.7	27.6	1.0	27.1	2.9	27.6
Tourag	0.2	25.4	2.2	25.8	0.6	25.1	3.0	25.7
Xhosa	0.3	24.5	0.3	24.2	0.1	25.0	0.7	24.4
Zulu	0.4	24.3	1.1	23.9	0.5	24.2	2.0	24.0
Mine Stocks	0.25	16.6	-	-	-	-	0.25	16.6
Total	3.55	25.5	10.6	25.9	3.6	25.6	17.75	25.7

This table of Mineral Resources is inclusive of Ore Reserves.

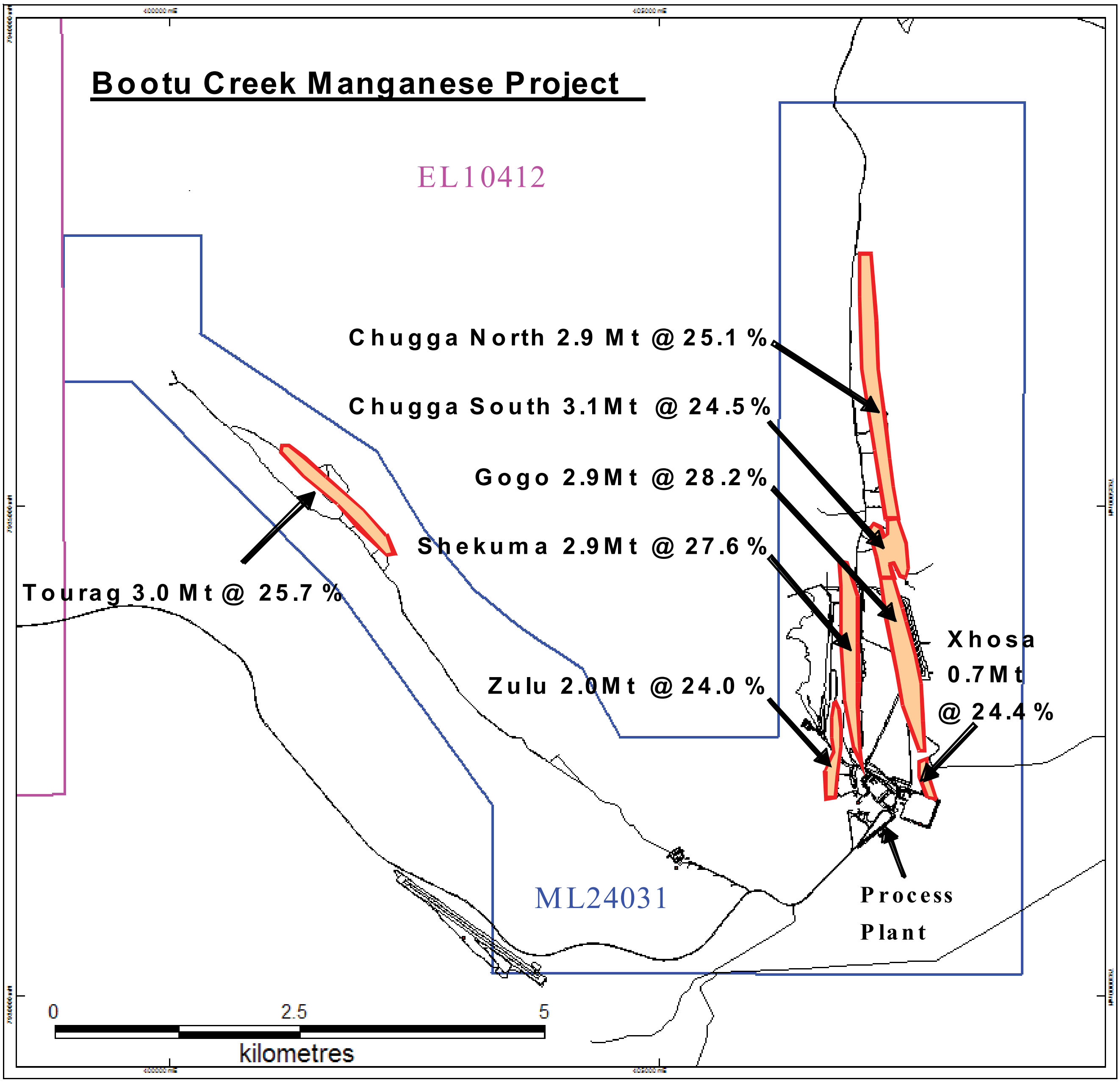
Comparison	31 December 2006		31 December 2007		Change
	M tonnes	% Mn	M tonnes	% Mn	M tonnes
Total	**15.9**	**25.3**	**17.75**	**25.7**	**1.85**

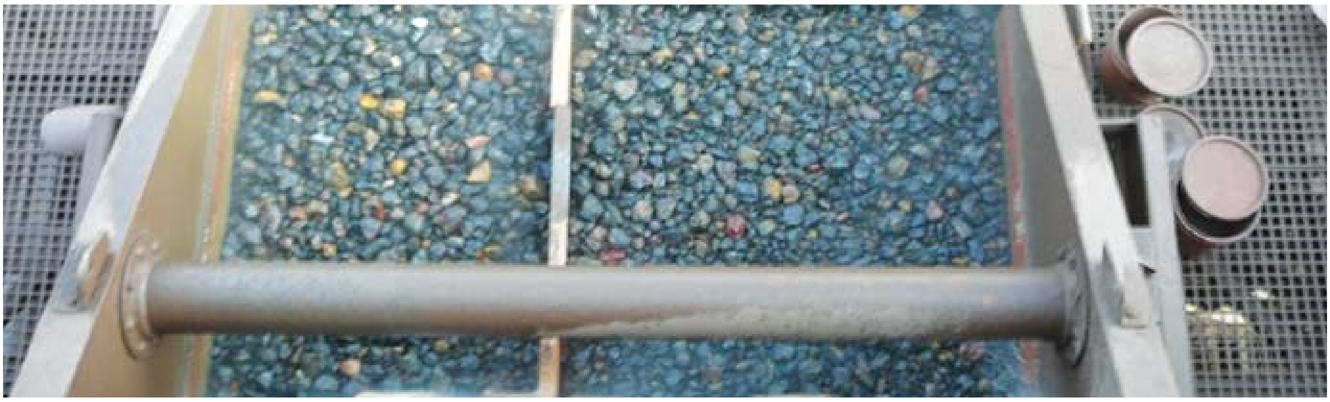
The above Mineral Resource summary replaces resources depleted by mining activities at the Bootu Creek Manganese Mine throughout 2007 and adds a further 1.85 million tonnes as a result of exploration success.

OMM MANAGEMENT (from left): *Frank Botica, Paul Thomas, Craig Reddell, Mark Laing*

ACCOUNTS & FINANCE TEAM (from left): *Wong Mee Huong, Toh Yen Hong, Tan Meng Khong, Frank Botica, Heng Siow Kwee, Julie Wolseley, Don Heng, Karen Wong*

Figure 1: Location of Bootu Creek Manganese Project Mineral Resources





Final Screen "Lump" product on right, waste on left

Table 2: Bootu Creek Project - Ore Reserve Summary as at 31 December 2007

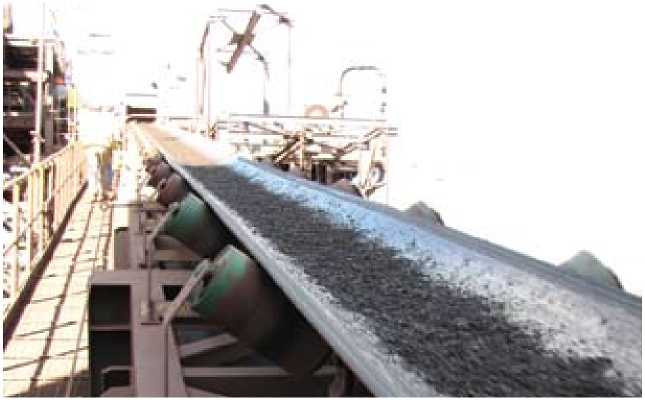
Deposit	Proved		Probable		Combined	
	M tonnes	% Mn	M tonnes	% Mn	M tonnes	% Mn
Chugga North	0.6	25.6	0.8	23.7	**1.4**	**24.5**
Chugga South	0.9	23.0	1.4	22.7	**2.3**	**22.8**
Gogo	0.4	26.3	2.0	25.9	**2.4**	**26.0**
Shekuma	0.2	28.3	1.4	25.7	**1.6**	**26.0**
Tourag	0.2	23.5	2.0	24.0	**2.2**	**24.0**
Xhosa	0.2	22.4	0.2	22.4	**0.4**	**22.4**
Total	**2.5**	**24.6**	**7.8**	**24.5**	**10.3**	**24.5**

Comparison	31 December 2006		31 December 2007		Change
	M tonnes	% Mn	M tonnes	% Mn	M tonnes
Total	**7.2**	**25.0**	**10.3**	**24.5**	**3.1**

Both the previous and current Mineral Resources were estimated using a cut off grade of 18% Mn. The recent Mineral Resource estimates were constrained by the optimised pit depth for each deposit, based on the 2008 Mn budget price assumptions.

The 2007 RC delineation drilling program added significant new Mineral Resources to the Chugga South, Gogo, Xhosa, Zulu and Tourag deposits.

Increased price assumptions applied in the December 2007 pit optimisation study resulted in increased optimum pit depths for all the Bootu Creek Project deposits.



Fines conveyor going into cyclone plant

MARKETING TEAM (from left): *Ng Siew Yuen, Ramachandra Rao, Gordon Liew, Zheng Yuzhi, Goh Ping Choon*

The December 2007 Ore Reserve replaced the 1.39 million tonnes at 24.9% Mn mined from Shekuma and Gogo pits during 2007 and added a further 3.1 million tonnes to the December 2006 Ore Reserve position.

The substantial increases in Ore Reserves resulted from the significant RC resource delineation drill program undertaken 2007, which both extended and increased resource confidence levels, and from the increase in the long term base case price assumption to US$4.50/dmtu (FOB) and a USD/AUD exchange rate of 0.80 which deepened the optimum pit depth of all the Mineral Resource blocks.

The optimised Ore Reserve tonnes are reported with a 95% mine recovery factor and a 92.5% grade dilution assumption. The ore body dips average around 30º and range between 15º and 45º. The recovery factor and grade dilution assumptions reflect experience from mining and treatment of ore mined from the Shekuma and Gogo pits.

The Zulu Mineral Resource was withheld from the Ore Reserve pending metallurgical test work as was the northern half of Chugga North pending closer spaced infill drilling.

Exploration Objectives for 2008

OMM plans to significantly expand its manganese exploration programmes in 2008 to replace and further expand the Mineral Resources and Ore Reserves inventory and support long term production planning as well as to evaluate opportunities for future expansion beyond 700,000 tonnes per annum. A minimum A$10 million has been budgeted in 2008 to demonstrate OMM's commitment to further extend the mine life.

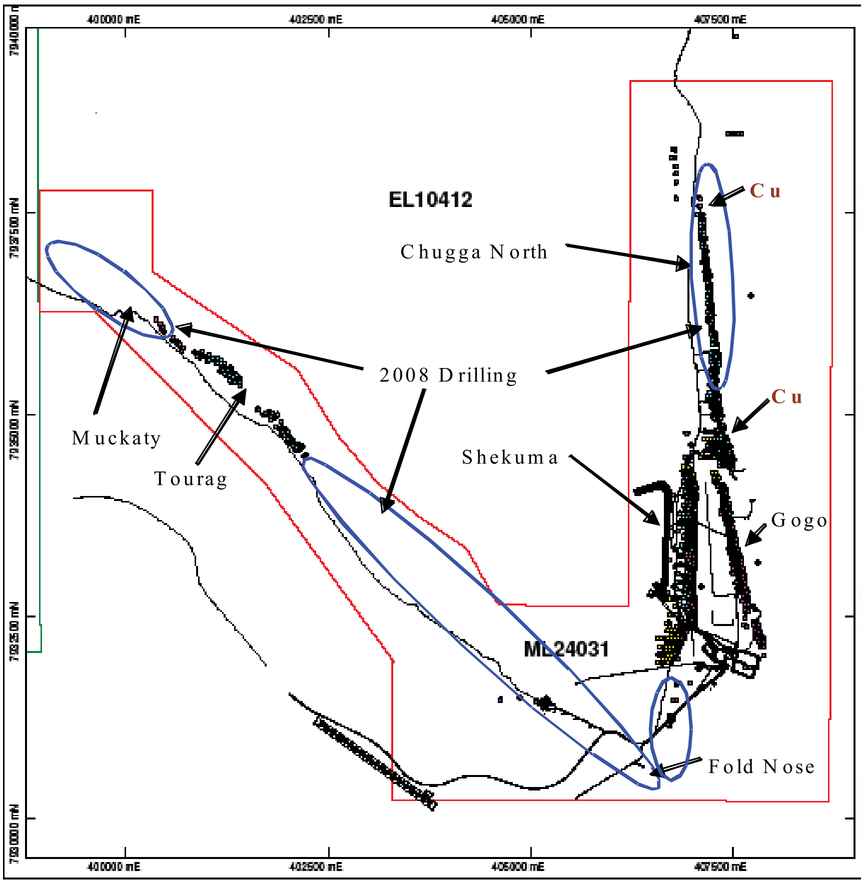
The key objectives for the 2008 exploration program are as follows:

- To identify new manganese deposits on adjacent exploration licences;
- To significantly expand the current Mineral Resource base by delineating new manganese deposits identified by 2007 exploration drilling;
- To extend and further increase confidence in the existing Mineral Resources;
- To replace Ore Reserves depleted by mining activities and further expand to support increased production scenarios; and
- To evaluate the potential of footwall copper intersections encountered in 2007 exploration drilling.

PROJECT/CORPORATE DEVELOPMENT TEAM (from left):
Wong Yue Chuan, Fannie Van Jaarsveld, Edward Young

High carbon Ferro Manganese ("HcFe Mn")

Figure 3: Bootu Creek - Priority Exploration Drill Targets for 2008



The information in this report which relates to resources and reserves is based on information compiled by Mr Craig Reddell and Mr Mark Laing both full time employees of OM (Manganese) Ltd and Members of the Australasian Institute of Mining and Metallurgy, and modelled by Mr Robert Spiers a full time employee of Hellman and Schofield Pty Ltd and who is a Member of the Australian Institute of Geoscientists. Mr Reddell, Mr Laing and Mr Spiers have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Reddell, Mr Laing and Mr Spiers consent to the reporting of this information in the form and context in which it appears.

Resource Estimation Details

The Mineral Resource estimates were completed by resource consultants Hellman and Schofield Pty Ltd based on data and a geological interpretation supplied by OM (Manganese) Ltd ("OMM").

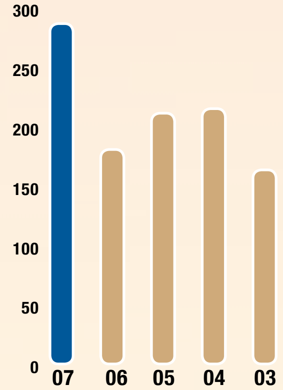
Grades were modelled using a 3D Ordinary Kriging approach with searches aligned parallel to the strike and dip of the mineralisation. SG was calculated by regression and supplied by OMM.

The location, quantity and distribution of the current data were sufficient to allow the classification of Measured, Indicated and Inferred Mineral Resources. Search distances are consistent with previous work by consultants to OMM.

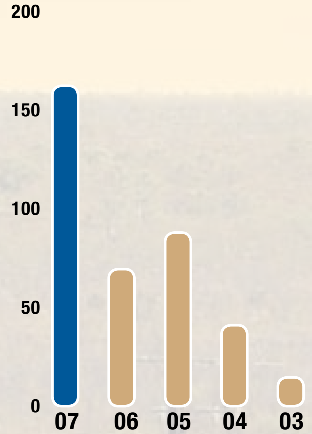
Tonnes were rounded to the nearest 10,000 tonnes and grade to the nearest 0.1% Mn.

FINANCIAL HIGHLIGHTS

REVENUE A$ millions



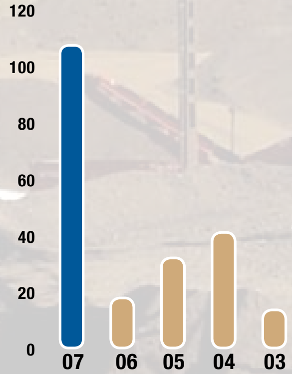
NET TANGIBLE ASSETS A$ millions



5 Year's Group Financial Highlights

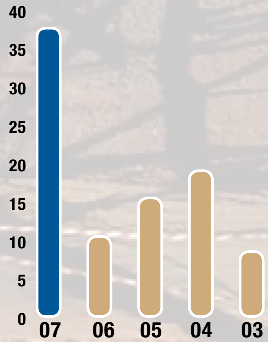
Financial years ended 31 December	2007 A$'000	2006 A$'000	2005 A$'000	2004 A$'000	2003 A$'000
Revenue	290,490	183,833	214,671	219,347	167,407
Profit/(Loss) before taxation	61,822	(31,600)	6,402	13,917	3,674
Profit/(Loss) attributable to shareholders	56,864	(32,535)	5,008	11,054	2,670
Total assets	218,965	148,406	140,819	89,074	52,702
Shareholders' funds	166,167	71,482	90,394	42,864	17,044
Net tangible assets	162,168	69,292	88,204	40,440	14,653
	A cents	A cents	A cents	A cents	A cents
Net tangible assets per share	71.21	48.19	64.70	42.51	19.23
Basic earning/(Loss) per share	28.60	(23.18)	4.64	13.66	4.79
Dividend per share	6.0	Nil	0.75	2.00	1.00

GROSS PROFIT/(LOSS) A$ millions



	2007	2006	2005	2004	2003
Gross Profit/(Loss) (A$ millions)	109.9	19.1	32.7	42.1	13.7
Gross Profit Margin (%)	37.8	10.4	15.3	19.2	8.2

GROSS PROFIT MARGIN (%)



Comparison sales to International Regions were as follows:

Region	2007	2006	2005	2004	2003
	%	%	%	%	%
South Korea/Japan	4.4	4.6	33.4	30.5	29.1
China	85.6	80.3	60.2	63.4	64.1
Others	10	15.1	6.4	6.1	6.8
Total	100	100	100	100	100

The directors present their report and the audited financial statements of OM Holdings Limited (the "Company") and its subsidiaries (together "the Group") for the year ended 31 December 2007.

Principal Activities
The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 11 to the financial statements.

Results and Appropriation
The results of the Group for the year ended 31 December 2007 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 29 to 74.

Share Capital
Details of the movements in the share capital of the Company are set out in Note 15 to the financial statements.

Reserves
Details of the movements in the reserves of the Group and the Company during the year are set out in Consolidated Statement of Changes in Equity and Note 27 to the financial statements.

Property, Plant and Equipment
Details of the movements in the property, plant and equipment of the Group are set out in Note 4 to the financial statements.

Interests in Subsidiaries
Details of the Company's interest in subsidiaries are set out in Note 11 to the financial statements.

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

John Raubenheimer (Non-Executive Chairman) (Appointed on 3 July 2007)
Low Ngee Tong (Chief Executive Officer)
Julie Anne Wolseley (Non-Executive Director and Joint Company Secretary)
Ong Beng Chong (Non-Executive Director appointed on 25 May 2007)
Tan Peng Chin (Non-Executive Director appointed on 14 September 2007)

In accordance with clause 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.

Directors' Interests in Share Capital
As at 31 December 2007, the interest of the directors and their associates in the share capital of the Company were as follows:

	Holdings registered in the name of director		Holdings in which director is deemed to have an interest	
	As at 1.1.2007	As at 31.12.2007	As at 1.1.2007	As at 31.12.2007
	Number of ordinary shares fully paid			
John Raubenheimer	–	**500,000**	–	**–**
Low Ngee Tong (Note a)	990,000	**375,000**	13,525,000	**18,197,500**
Julie Anne Wolseley	16,667	**1,525,001**	–	**–**
Ong Beng Chong	–	**383,000**	–	**–**

Notes:

(a) Low Ngee Tong was deemed to be interested in the 18,197,500 ordinary shares by virtue of his corporate interest in Ramley International Limited, which held such shares.

Unissued Shares under Option

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

OM Holdings Limited
Unlisted Options (in '000)

Date options granted	Balance at 1.1.07	Granted/ (cancelled) during the year	Exercised during the year	Balance at 31.12.07	A$ Exercise price per share	No. of options holders at 31.12.07	Period exercisable
21.06.2004	1,000	–	(500)	500	0.72	1	21.06.2004 - 30.06.2009
20.12.2005	2,428	–	(1,375)	1,053	1.05	8	20.12.2005 - 30.11.2008
07.11.2006	1,320	(150)	(264)	906	0.60	8	07.11.2007 - 31.12.2009
07.11.2006	1,320	(150)	(264)	906	0.72	8	07.11.2007 - 30.06.2010
01.06.2007	–	5,000	(2,000)	3,000	0.48	1	01.06.2007 - 31.05.2010
01.06.2007	–	4,750	–	3,750	0.56	2	31.05.2008 - 31.05.2012
		(1,000)					
01.06.2007	–	1,000	–	1,000	0.28	1	12.03.2008 - 12.03.2012
01.06.2007	–	1,500	(970)	530	0.60	6	01.06.2007 - 31.05.2010
01.06.2007	–	3,120	–	3,095	0.60	25	31.05.2008 - 31.05.2010
		(25)					
01.06.2007	–	1,620	–	1,595	0.60	25	31.05.2009 - 31.05.2011
		(25)					
02.07.2007	–	500	–	500	0.73	1	02.07.2007 - 30.06.2010
02.07.2007	–	500	–	500	0.73	1	02.07.2008 - 30.06.2010
24.09.2007	–	1,000	–	1,000	0.73	1	24.09.2007 - 30.06.2010
24.09.2007	–	1,000	–	1,000	0.73	1	01.07.2008 - 30.06.2010
	6,068	18,640	(5,373)	19,335			

There were no unissued shares of subsidiaries under option as at 31 December 2007.

Ms Julie Anne Wolseley, Mr Low Ngee Tong and Mr John Raubenheimer are interested in 1.25 million, 6 million and 2 million unlisted options respectively at the end of the financial year.

Details of the share options are set out in Note 26 to the financial statements.

Subsequent Events

Details of subsequent events are set out in Note 39 to the financial statements.

Auditors

The Company's auditors, Foo Kon Tan Grant Thornton, Certified Public Accountants, offer themselves for re-appointment at the Company's forthcoming annual general meeting.

Australian Takeover Provisions

The Company is not subject to any takeover provisions in the Australian Corporations Act, 2001.

On behalf of the Directors

JOHN RAUBENHEIMER

LOW NGEE TONG

Dated: 31 March 2008

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In the opinion of the directors, the accompanying balance sheets, consolidated income statement, consolidated statement of changes in equity and the consolidated cash flow statement, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the results of the business, changes in equity and cash flows of the Group for the financial year ended on that date and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors

JOHN RAUBENHEIMER

LOW NGEE TONG

Dated: 31 March 2008

We have audited the accompanying financial statements of OM Holdings Limited ("the Company") and its subsidiaries ("the Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2007, the income statement, statement of changes in equity and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the International Financial Reporting Standards ("IFRS"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Foo Kon Tan Grant Thornton
Certified Public Accountants

Singapore, 31 March 2008

			The Company		The Group	
			31 December 2007	31 December 2006	31 December 2007	31 December 2006
		Notes	A$'000	A$'000	A$'000	A$'000
Assets	资产					
Non-Current	非流动资产					
Property, plant and equipment	地产, 工厂及配备	4	–	–	59,686	59,207
Prepaid lease payments on land use rights	土地使用权	5	–	–	1,192	1,248
Long term prepayments	长期预付款	6	–	–	620	698
Exploration and evaluation costs	开发成本	7	–	–	–	–
Mine development costs	矿山发展成本	8	–	–	12,379	13,344
Goodwill	商誉	9	–	–	2,190	2,190
Financial asset available for sale	可出售金融资产	10	40,243	9,250	40,243	9,250
Interests in subsidiaries	子公司的权益	11	110,381	54,548	–	–
			150,624	63,798	116,310	85,937
Current	流动资产					
Inventories	库存	12	–	–	51,023	34,919
Trade and other receivables	贸易应收账款	13	3	–	26,938	14,868
Prepayments	预付款		145	–	312	1,067
Cash collateral	当抵押品的银行结存	14	–	–	3,768	7,178
Cash and cash equivalents	现金及银行结存	14	877	59	20,614	4,437
			1,025	59	102,655	62,469
Total assets	总资产		151,649	63,857	218,965	148,406
Equity	权益					
Capital and Reserves	股票资本及储备金					
Share capital	股票资本	15	22,747	14,833	22,747	14,833
Reserves	储备金	27	127,014	48,778	141,611	54,780
			149,761	63,611	164,358	69,613
Minority interests	少数股东权益		–	-	1,809	1,869
Total Equity	总权益		149,761	63,611	166,167	71,482
Liabilities	负债					
Non-Current	非流动负债					
Borrowings	借贷	16	–	–	5	18,591
Provisions	准备金	17	–	–	298	278
			–	–	303	18,869
Current	流动负债					
Trade and other payables	贸易应付账款	18	1,888	246	41,658	47,707
Tax payable	课税		–	–	4,805	285
Borrowings	短期借贷	16	–	–	6,032	10,063
			1,888	246	52,495	58,055
Total equity and liabilities	总权益及负债		151,649	63,857	218,965	148,406

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

			The Group	
			Year ended 31 December 2007	Year ended 31 December 2006
		Notes	A$'000	A$'000
Revenue	销售总额	3	290,490	183,833
Cost of sales	销售成本		(180,613)	(164,722)
Gross profit	毛盈利		109,877	19,111
Other income	其他收入	19	8,877	1,923
Distribution costs	分销开支		(29,097)	(18,450)
Administrative expenses	行政开支		(18,432)	(9,582)
Other operating expenses	其他营运开支		(7,549)	(23,293)
Finance costs	财务费用		(1,854)	(1,760)
Share of loss of associate	联营公司业绩的分配		–	(86)
Gain on deemed disposal of partial interest in an associate	出售联营公司部分权益之应收益		–	537
Profit/(loss) before taxation	税前盈利	20	61,822	(31,600)
Taxation	课税	21	(4,556)	(718)
Profit/(loss) for the year	税后盈利		57,266	(32,318)
Attributable to:	盈利分配			
Equity holders of the parent	公司股东权益		56,864	(32,535)
Minority interests	少数股东权益		402	217
			57,266	(32,318)
Dividends	股息	22	4,529	–
Earnings/(loss) per share	每股盈利			
-Basic	基本	23	28.60 cents	(23.18 cents)
-Diluted	摊簿	23	26.06 cents	(21.88 cents)

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

	< ---------------------- Equity attributable to equity holders of the Company ---------------------- >											
	Share capital A$'000	Share premium A$'000	Non-distributable reserve A$'000	Capital reserve A$'000	Share option reserve A$'000	Fair value reserve* A$'000	Exchange fluctuation reserve A$'000	Retained profits A$'000	Dividend reserve A$'000	Total A$'000	Minority interests A$'000	Total equity A$'000
At 1 January 2006	13,043	55,302	1,278	637	1,567	171	(1,600)	17,787	341	88,526	1,868	90,394
Exchange realignment	590	–	–	–	–	–	–	2	–	592	–	592
Currency translation differences	–	–	–	–	–	–	(1,408)	–	–	(1,408)	3	(1,405)
Fair value gains on available for sale assets	–	–	–	–	–	6,648	–	–	–	6,648	–	6,648
Transfers	–	–	157	–	–	–	–	(394)	–	(237)	66	(171)
Net gains/losses directly recognised in equity	590	–	157	–	–	6,648	(1,408)	(392)	–	5,595	69	5,664
Issue of shares	1,200	7,129	–	–	–	–	–	–	–	8,329	–	8,329
Equity settled share-based transactions	–	–	–	–	178	–	–	–	–	178	–	178
Dividend paid to minority interest	–	–	–	–	–	–	–	(139)	–	(139)	(285)	(424)
Net loss for the year	–	–	–	–	–	–	–	(32,535)	–	(32,535)	217	(32,318)
2006 final dividend paid	–	–	–	–	–	–	–	–	(341)	(341)	–	(341)
Balance at 31 December 2006	14,833	62,431	1,435	637	1,745	6,819	(3,008)	(15,279)	–	69,613	1,869	71,482
Currency translation differences	–	–	–	–	–	–	(2,913)	–	–	(2,913)	(284)	(3,197)
Fair value gains on available for sale assets	–	–	–	–	–	26,831	–	–	–	26,831	–	26,831
Transfers	–	–	22	–	–	–	–	(459)	–	(437)	–	(437)
Net gains/losses directly recognised in equity	–	–	22	–	–	26,831	(2,913)	(459)	–	23,481	(284)	23,197
Issue of shares under entitlements issue	7,417	7,925	–	–	–	–	–	–	–	15,342	–	15,342
Share options exercise	887	3,707	–	–	–	–	–	–	–	4,594	–	4,594
Cancellation of ordinary shares following selective share buy back	(390)	(3,042)	–	–	–	–	–	–	–	(3,432)	–	(3,432)
Equity settled share-based transactions	–	–	–	–	2,765	–	–	–	–	2,765	–	2,765
Dividend paid to minority interest	–	–	–	–	–	–	–	–	–	–	(178)	(178)
Utilisation of hedge reserve	–	–	–	–	–	(340)	–	–	–	(340)	–	(340)
Net profit for the year	–	–	–	–	–	–	–	56,864	–	56,864	402	57,266
Dividend paid	–	–	–	–	–	–	–	(4,529)	–	(4,529)	–	(4,529)
Balance at 31 December 2007	22,747	71,021	1,457	637	4,510	33,310	(5,921)	36,597	–	164,358	1,809	166,167

* Fair value reserve includes hedging reserve of A$ Nil (2006: A$340,000).

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

	Year ended 31 December 2007 A$'000	Year ended 31 December 2006 A$'000
Cash Flows from Operating Activities		
Profit/(loss) before taxation	61,822	(31,600)
Adjustments for:		
Depreciation of property, plant and equipment	8,001	3,666
Amortisation of prepaid lease	35	25
Amortisation of long term prepayments	8	9
Amortisation of mine development	965	1,158
Share of loss of an associate	–	86
Gain on deemed disposal of partial interest in an associate	–	(537)
Interest Income	(1,021)	(768)
Interest expenses	1,854	1,760
Loss on disposal of property, plant and equipment	19	107
Equity-settled share-based payments	2,765	178
Impairment/expensing of exploration and evaluation costs	3,629	3,183
Impairment of mine development costs	–	12,882
(Provision)/write down of inventories to net realisable value	(492)	4,949
Operating profit/(loss) before working capital changes	77,585	(4,902)
Increase in inventories	(15,612)	(22,013)
(Increase)/decrease in trade and bill receivables	(9,867)	5,719
Increase in prepayments, deposits and other receivables	(1,292)	(186)
(Decrease)/increase in trade and bill payables	(6,759)	6,878
(Decrease)/increase in other payables and accruals	(133)	3,088
Decrease in long term liabilities	–	(3,645)
Cash generated from/(used in) operations	43,922	(15,061)
Interest paid	(1,854)	(1,760)
Overseas income tax paid	(35)	(1,478)
Net cash generated from/(used in) operating activities	42,033	(18,299)
Cash Flows from Investing Activities		
Payments for exploration and evaluation costs	(3,629)	(2,308)
Payments for mine development costs	–	(3,640)
Purchase of property, plant and equipment	(8,828)	(16,072)
Payments for land use rights	(21)	(4)
Interest received	1,021	768
Net cash used in investing activities	(11,457)	(21,256)
Cash Flows from Financing Activities		
Dividends paid to minority interests	(178)	(285)
Dividends paid	(4,529)	(341)
Repayment of bank and other loans	(22,618)	–
Net proceeds from bank and other loans	–	20,956
Decrease in cash collateral	3,410	1,937
Proceeds from issue of shares, net of issue costs	16,504	8,640
Net cash (used in)/generated from financing activities	(7,411)	30,907
Net increase/(decrease) in cash and cash equivalents	23,165	(8,648)
Effect of foreign exchange rates	(6,988)	(1,103)
Cash and cash equivalents at beginning of year	4,437	14,188
Cash and cash equivalents at end of year (Note 14)	20,614	4,437

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

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2007 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

The Company is incorporated as a limited liability company 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 ("IFRS") including related interpretations. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

In the previous year, the Company and the Group prepared their financial statements in accordance with Singapore Financial Reporting Standards ("SFRS"). There are no differences between SFRS and IFRS in relation to the financial statements of the Company and the Group, except for IAS 17, of which the effect is disclosed below:

	SFRS	Effect of transition to IAS	IAS
At 31 December 2007			
The Group	A$'000	A$'000	A$'000
Increase/(decrease) in non-current assets			
Decrease in property, plant and equipment	60,306	(620)	59,686
Increase in long term prepayments	–	620	620
At 31 December 2006			
Increase/(decrease) in non-current assets			
Decrease in property, plant and equipment	59,905	(698)	59,207
Increase in long term prepayments	–	698	698

Previous SFRS allowed leasehold property to be classified under property, plant and equipment. This approach was applied to the Singapore subsidiary for the periods after the property was acquired. The property, plant and equipment of the Singapore subsidiary has been restated in accordance with IAS 17 for the years ended 31 December 2007 and 31 December 2006.

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 judgements are described below:

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

Critical assumptions used and accounting estimates in applying accounting policies

Property, plant and equipment and depreciation
The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete assets that have been abandoned or sold.

Income tax
The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group tax payable as at 31 December 2007 was A$4,805,000 (2006 - A$285,000).

Impairment tests for cash-generating units containing goodwill
Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to business segments as follows:

	2007 A$'000	2006 A$'000
Ores	2,190	2,190

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on approved financial budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimate rates stated below:

Gross margin	10% - 20%
Growth rate	0% - 10%
Discount rate	10%

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

These assumptions have been used for the analysis of each CGU. Management determined the budgeted gross margin based on past performance and its expectation for market development. The weighted average growth rates used are consistent with industry reports. The discount rates used are pre-tax and reflect specific risks relating to the business segments.

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

Impairment tests for cash-generating units containing goodwill (cont'd)

Impairment of mining and exploration assets

The carrying value of mining and exploration assets, including property, plant and equipment and capitalised exploration, evaluation and development costs, is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. The recoverable amount of these assets, or, where appropriate, the cash generating unit to which they belong, is calculated as the higher of its fair value less costs to sell and value in use. Estimating the value in use required the Group's management to estimate future cash flows from the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

2(b) Interpretations and amendments to published standards effective in 2007

On 1 January 2007, the Group adopted the new or revised IAS, IFRS and IFRIC that are mandatory for application on that date. This includes the following IAS, IFRS and IFRIC, which are relevant to the Group:

IAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures
IFRS 7	Financial Instruments: Disclosures

The adoption of the above IFRS and IAS did not result in any substantial changes to the Group's accounting policies or any significant impact on these financial statements. IFRS 7 and the complementary amended IAS 1 introduce new disclosures relating to financial instruments and capital respectively.

2(c) IAS, IFRS and IFRIC not effective

At the date of authorisation of these financial statements, the following IAS, IFRS and IFRIC were issued but not effective:

IAS 23 (Revised)	Borrowing Costs
IFRS 8	Operating Segments
IFRIC – Int 11	IFRS 2 – Group and Treasury Share Transactions
IFRIC – Int 12	Service Concession Arrangements
IFRIC – Int 13	Customer Loyalty Programmes

At the date of this report, the directors do not anticipate that the adoption of these IAS, IFRS and IFRIC in future periods will have a material impact on the consolidated financial statements of the Group.

2(d) Summary of significant accounting policies

Consolidation

The financial statements of the Group include the financial statements of the Company and its subsidiaries made up to the end of the financial year. Information on its subsidiaries is given in Note 11.

All inter-company balances and significant inter-company transactions and resulting unrealised profits or losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only. The results of subsidiaries acquired or disposed of during the financial year are included or excluded from the consolidated income statement from the effective date in which control is transferred to the Group or in which control ceases, respectively.

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

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated below.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

Where accounting policies of a subsidiary do not conform with those of the Company, adjustments are made on consolidation when the amounts involved are considered significant to the Group.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated profit and loss account.

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.

Goodwill
Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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

Furniture and fittings	3 to 5 years
Office equipment	3 to 5 years
Leasehold improvements	3 to 5 years
Motor vehicles	5 to 10 years
Plant and machinery	3 to 20 years
Plant and equipment - Process Facility	Life of mine: 8 years
Computer equipment	1 year

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

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

Property, plant and equipment and depreciation (cont'd)
Leasehold building is depreciated over its estimated useful life or the lease period of the land, whichever is shorter.

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.

Land use rights
Land use rights represent up-front payments to acquire long term interests in the usage of land in the People's Republic of China ("PRC"). They are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to the consolidated income statements on the straight-line basis over the period of the leases which ranged from 10 years to 50 years.

Long term prepayments
Long term prepayments represent a land in Singapore that is held under long term lease. They are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to the consolidated income statements on the straight-line basis over the lease period of 73 years on acquisition.

Exploration and evaluation costs
Costs arising from exploration and evaluation are accumulated in respect of each separate area of interest. These costs are capitalised and carried forward as assets which rights to tenure are current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence of economically recoverable reserves, active and significant operations in the area of interest are continuing.

Amounts received during the exploration and evaluation phases which are in the nature of reimbursement or recoupment of previously incurred costs are offset against such costs.

Accumulated costs in respect of an area of interest subsequently abandoned are written off to the income statement in the reporting period in which the directors' decision to abandon is made.

Capitalised exploration and evaluation costs are assessed for impairment when facts and circumstances suggest that the carrying amount of those costs exceeds their recoverable amount. Where a mineral resource has been identified and where it is expected that future expenditures will be recovered by future exploitation or sale, the impairment of the exploration and evaluation is written back and transferred to mine development costs.

In respect of each separate area of interest, when the technical feasibility and commercial viability of the exploration and evaluation demonstrable, the relevant capitalised exploration and evaluation costs are classified as mine development costs.

Mine development costs
Costs arising from the development of the mine site (except for the expenditures incurred for building the mine site and the purchases of machinery and equipments for the mining operation which are included in property, plant and equipments) 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 income statement in the reporting period in which the directors' decision to abandon is made.

2(d) Summary of significant accounting policies (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, accumulated development costs are transferred to mine properties. When production commences, carried forward mine properties expenditure is 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 ore reserves.

Capitalised mine development and mine properties costs are assessed for impairment when facts and circumstances suggest that the carrying amount of those costs exceeds their recoverable amount.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with the clauses of the mining permits. Such costs have been determined using estimates for the costs, current legal requirements and technology on a discounted basis. Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed in the final year of abandoning the site.

Pre production operating expenses and revenues were accumulated and capitalised into mine development costs until 31 August 2006. These costs will be 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 will be amortised over the life of the mine according to the rate of depletion of the economically recoverable reserves.

Financial assets
Financial assets can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are recognised on the balance sheet when, and only when the Company and the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

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

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

The Group does not designate any financial assets at fair value through profit and loss or have held-to-maturity investment.

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

Loans and receivables

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

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in the income statement. Any reversal shall not result in a carrying amount that exceeds what the amortised cost would have been had any impairment loss not been recognised at the date the impairment is reversed. Any reversal is recognised in the income statement.

Loans and receivables are provided against when there is objective evidence that the Company and the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Loans and receivables are included in trade and other receivables in the balance sheet.

Available-for-sale financial assets

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

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

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

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

Impairment losses recognised in the income statement for equity investments classified as available-for-sale are not subsequently reversed through the income statement. Impairment losses recognised in the income statement for debt instruments classified as available-for-sale are subsequently reversed in the income statement if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Determination of fair value

The fair values of quoted financial assets are based on current bid prices.

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

Determination of fair value (cont'd)

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

Cash flow hedge
For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in the hedging reserves, while the ineffective portion is recognised in the income statement.

Changes in the carrying amount of cash flow hedges are charged to the hedging reserve in equity. Amounts accumulated in equity are recycled to the income statement in the periods when the hedged item affects profit or loss. When the hedged transaction results in the recognition of a non-financial asset or liability, the gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

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

Derivatives that are not designated or do not qualify for hedge accounting
Fair value changes on these derivatives are recognised in the income statement when the changes arise.

Subsidiaries
A subsidiary is defined as a company in which the investing company has a long-term equity interest of more than 50% or over whose financial and operating policy decisions the Group controls.

Shares in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of minority interest.

Related party
A party is considered to be related to the Group if:

(i) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of the Group or its parent;

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

Related party (cont'd)

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Prepayments
Prepayments are recognised and carried at cost.

Inventories
Inventories are valued at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and conditions are accounted for as follows:

(a) Raw materials at purchase cost on a weighted average basis; and

(b) Finished goods and work in progress at cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

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

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and bank deposits, which are readily convertible to cash and which are not subject to any significant risk of changes in value, and which form an integral part of the Company's and the Group's cash management.

Share capital and share premium
Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Share premium includes any premium received on the issuing of the share capital over the par value. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

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

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

Borrowings are recognised initially at 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 income statement 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.

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

Financial liabilities (cont'd)

Borrowings which are due to be settled within twelve months after the balance sheet are included in current borrowings in the balance sheet even though the original terms was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed before the balance sheet date. Other borrowings due to be settled more than twelve months after the balance sheet date are included in non-current borrowings in the balance sheet.

Trade and bill payables, other payables and accruals and other long term liabilities are initially measured at cost, which is the fair value of the consideration to be paid in future for goods and services received.

Fair value estimation of financial assets and liabilities
The fair values of financial instruments traded in active markets (such as exchange traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of currency forwards are determined using actively quoted forward exchange rates. The fair values of interest rate swaps are calculated as the present value of the estimated future cash flows discounted at actively quoted interest rates.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date or whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(i) There is a change in contractual terms, other than a renewal or extension of the arrangement;

(ii) A renewal option is exercised or extension granted, unless the term of the renewal of extension was initially included in the lease term;

(iii) There is a change in the determination of whether fulfillment is dependant on a specified asset; or

(iv) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios i), iii) or iv) and at the date of renewal or extension period for scenario ii).

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC - Int 4.

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

Group as a leasee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased term, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges charged are reflected in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the leased term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its trading 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 the borrowings.

Financial guarantee contracts are initially recognised at their fair value plus transaction costs.

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

Income taxes

The liability method of tax effect accounting is adopted by the Company and the Group. Current taxation is provided at the current taxation rates based on the tax payable on the income for the financial year that is chargeable to tax. Deferred taxation is provided at the current taxation rates on all temporary differences existing at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences (unless the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss). Deferred income tax is provided on all temporary differences arising on the investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised (unless the deferred tax asset arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.)

The statutory tax rates enacted at the balance sheet date are used to determine deferred income tax.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

Provisions

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.

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

Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the balance sheet date. Employees benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Pension obligations

Salaries, annual bonuses, paid annual leave and contributions to defined contribution plans are recognised as an expense in the profit and loss account in the period in which the associated services are rendered by the employees.

Employee leave entitlements

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

Employee Share Option Scheme

The Company also has an employee share option plan for granting of non-transferable options which was approved by shareholders on 25 May 2007.

The Company issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. When the options are exercised, equity is increased by the amount of the proceeds received.

Impairment of assets

The carrying amounts of the Company's and Group's assets subject to impairment are reviewed at each balance sheet date 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 belongs will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at the 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.

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

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 asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, 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 income statement 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 is credited as income in the income statement.

Revenue recognition
Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services taxes and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

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

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

Functional and presentation currencies
Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the functional currency"). The consolidated financial statements of the Group and the balance sheet of the Company are presented in Australian dollars to the nearest dollar, which is also the functional currency of the Company.

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

Conversion of foreign currencies

Monetary items
Foreign currency monetary items measured at fair value are translated into the functional currency at rates of exchange closely approximately those ruling at the balance sheet date. Transactions in foreign currencies are converted at rates closely approximating those ruling at transaction dates. Except for the situation described below and in the note on derivative financial instruments, exchange differences arising from such transactions are recorded in the income statement in the period in which they arise.

– Where a monetary item in substance forms part of the Company's net investment in the foreign subsidiaries and associates, exchange differences arising on such a monetary item are recorded directly to the exchange fluctuation reserve to the extent that the net investment is represented by net assets in the foreign entity until the disposal of the investments.

Non-monetary items
Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Currency translation differences on non-monetary items, whereby the gains or losses are recognised in the income statement, such as equity investments held at fair value through profit or loss or investment properties carried at fair value, are reported as part of the fair value gains or losses in "other gains/losses – net".

Changes in the fair value of monetary securities denominated in foreign currencies classified as available for sale are analysed into currency translation differences on the amortised cost of the securities, and other changes. Currency translation differences on the amortised cost are recognised in the income statement, and other changes are recognised in the fair value reserve within equity.

Currency translation differences on other non-monetary items whereby the gains or losses are recognised directly in equity, such as property, plant and equipment are included in the asset revaluation reserve. Non-monetary items that are measured in items of historical cost in a foreign currency are not retranslated.

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 date of the balance sheet;
(ii) Income and expenses are translated at average exchange rates; and
(iii) All resulting currency translation differences are recognised in the currency translation reserve in equity.

Segment reporting
A segment is a distinguishable component of the Group within a particular economic environment (geographical segments) and to a particular industry (business segment) which is subject to risks and rewards that are different from those of other segments.

Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, borrowings and expenses, and corporate assets and expenses.

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

Segment reporting (cont'd)

Segment information is presented in respect of the Group's geographical and business segments. The primary format, business segments, is based on the Group's management and internal reporting structure. In presenting information on the basis of business segments, segment revenue and segment assets are based on the nature of the products or services provided by the Group. Information for geographical segments is based on the location of customers and assets respectively.

Financial instruments
Financial instruments carried on the balance sheet include cash and cash equivalents, financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. These instruments are recognised when contracted for.

Disclosures on financial risk management objectives and policies are provided in Note 36.

3 Revenue

Revenue is turnover from sales of goods which represents the invoiced values of goods sold, net of discounts, goods and services tax and other sales taxes.

4 Property, plant and equipment

The Group

	Construction in-progress A$'000	Leasehold buildings and improvements A$'000	Plant & Machinery A$'000	Computer equipment, office equipment and furniture A$'000	Motor vehicles A$'000	Total A$'000
Cost						
At 1 January 2006	36,412	5,297	7,507	865	426	50,507
Additions	15,184	377	226	186	99	16,072
Transfers	(49,584)	525	49,059	–	–	–
Disposals	–	–	–	(120)	(51)	(171)
Exchange realignment	(8)	(343)	(314)	(9)	(19)	(693)
At 31 December 2006	2,004	5,914	56,478	922	455	65,773
Additions	4,106	47	4,167	149	359	8,828
Transfers	(2,836)	(139)	(1,070)	4,045	–	–
Disposals	–	–	(6)	(25)	(21)	(52)
Exchange realignment	–	(223)	(299)	(8)	(15)	(545)
At 31 December 2007	3,274	5,599	59,270	5,083	778	74,004
Accumulated depreciation						
At 1 January 2006	–	884	1,845	191	201	3,121
Exchange realignment	–	(47)	(97)	(4)	(9)	(157)
Disposals	–	–	–	(24)	(40)	(64)
Depreciation for the year	208	352	2,875	168	63	3,666
At 31 December 2006	208	1,189	4,623	331	215	6,566
Exchange realignment	–	(43)	(144)	(7)	(22)	(216)
Transfers	–	(24)	–	24	–	–
Disposals	–	–	–	(25)	(8)	(33)

4 Property, plant and equipment (cont'd)

	Construction in-progress A$'000	Leasehold buildings and improvements A$'000	Plant & Machinery A$'000	Computer equipment, office equipment and furniture A$'000	Motor vehicles A$'000	Total A$'000
Depreciation for the year	118	274	7,068	491	50	8,001
At 31 December 2007	326	1,396	11,547	814	235	14,318
Net book value						
At 31 December 2007	2,948	4,203	47,723	4,269	543	59,686
At 31 December 2006	1,796	4,725	51,855	591	240	59,207

Leasehold buildings are situated in the PRC held under medium-term lease.

The cost of property, plant and equipment includes an amount of A$442,000 (2006 - A$71,000) in respect of assets held under finance leases and the related accumulated depreciation amounts to A$154,000 (2006 - A$18,000).

Certain property, plant and equipment with an aggregate net book value amounting to A$1,691,000 (2006 - A$1,524,000) were pledged to a bank to secure an interest bearing loan (Note 16).

5 Prepaid lease payments on land use rights

The Group	2007 A$'000	2006 A$'000
Cost		
At beginning of year	1,328	1,324
Additions	21	4
	1,349	1,328
Accumulated amortisation		
- Prior year	(70)	(45)
- Current year	(35)	(25)
	(105)	(70)
Exchange realignment	(52)	(10)
At end of year	1,192	1,248

6 Long term prepayments

The Group	2007 A$'000	2006 A$'000
Cost		
At beginning of year and end of year	765	765
Accumulated amortisation		
- Prior year	(19)	(10)
- Current year	(8)	(9)
	(27)	(19)
Exchange realignment	(118)	(48)
At end of year	620	698

6 Long term prepayments (cont'd)

Leasehold land is situated in Singapore and held under long-term leases.

The Group is not able to allocate the cost of the leasehold property into land and building respectively. However, the directors are of the view that the cost relates substantially to the cost of the land. The full cost of acquiring the leasehold property is therefore depreciated over the remaining lease period.

7 Exploration and evaluation expenditure

The Group	2007 A$'000	2006 A$'000
At beginning of year	–	8,743
Costs incurred during the year	3,629	2,308
Impairment/expensing for the year	(3,629)	(3,183)
	–	7,868
Less: Transfer to mine development costs (Note 8)	–	(7,868)
At end of year	–	–

The ultimate recoupment of such costs is dependent upon successful development and commercial exploitation or alternatively, sale of the respective areas. The directors consider that the results of the ongoing exploration and evaluation in the identified areas of interest are positive.

8 Mine development costs

The Group	2007 A$'000	2006 A$'000
At beginning of year	14,502	15,876
Costs incurred during the year	–	3,640
Transfer from exploration and evaluation costs (Note 7)	–	7,868
Impairment for the year	–	(12,882)
At end of year	14,502	14,502
At 31 December		
Cost	14,502	14,502
Accumulated amortisation		
- Prior year	(1,158)	–
- Current year	(965)	(1,158)
	12,379	13,344

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

9 Goodwill

The Group	2007 A$'000	2006 A$'000
Cost	2,190	2,190
Net book value	2,190	2,190

10 Available-for-sale financial assets

The Company and The Group	2007 A$'000	2006 A$'000
Quoted equity investment at beginning of year	9,250	2,771
Additions	4,162	–
Fair value gains transferred to equity	26,831	6,479
Quoted equity investment as at end of year	40,243	9,250

Note:

The fair value of quoted equity investments is determined by reference to quoted bid prices on the ASX at the balance sheet date.

11 Interests in subsidiaries

The Company	2007 A$'000	2006 A$'000
Investments, at cost	8,013	8,013
Amounts due from subsidiaries:		
- Interest-free	16,925	12,862
- Interest-bearing	85,443	63,613
Provision for impairment loss	-	(29,940)
	110,381	54,548

The amounts due from subsidiaries are unsecured. The amounts include a balance of A$85,443,000 (2006 - A$63,613,000) which is interest-bearing at 10.6% to 11.35% (2006 - 10.1% to 10.6%) per annum. The remaining balances, which represent quasi investment, are interest-free.

11 Interests in subsidiaries (cont'd)

The subsidiaries are:

Name	Country of incorporation/ of business	Percentage of equity held		Principal activities
Held by the Company		2007	2006	
OM Holdings (B.V.I.) Ltd ("OMBVI")	The British Virgin Islands	100%	100%	Investment holding
OM (Manganese) Ltd ("OMM") (1)	Australia	100%	100%	Operation of manganese mine
OM Holdings Investment Limited ("OMHI") (Incorporated on 18 October 2007)	The British Virgin Islands	100%	100%	Investment holding
OM Manufacturing (China) Ltd ("OMC") (2)	Hong Kong	100%*	100%*	Investment holding
Liaoyang International Boronalloy Co. Ltd ("LFB") (3)	PRC	51%*	51%*	Sales and processing of ferroboron
OM Materials (Tianjin) Ltd ("OMT") (4)	PRC	100%*	100%*	Trading of metals and fabricated metals
OM Materials (S) Pte Ltd ("OMS") (5)	Singapore	100%*	100%*	Investment holding and trading of metals and ferroalloy products
OM Materials (Qinzhou) Co Ltd ("OMQ") (6)	PRC	100%*	100%*	Sales and processing of ferroalloy and ores
OM Materials (PNG) Limited (7)	Papua New Guinea	100%*	100%*	Exploration and evaluation activities

* Held indirectly.

(1) audited by WHK, Horwath

(2) audited by Messrs. Daniel C M Lo & Co.

(3) audited by Liaoning Tian Yi Certified Public Accountants Co. Ltd

(4) audited by Tianjin Zhengze Certified Public Accountants

(5) audited by Foo Kon Tan Grant Thornton

(6) audited by Guangxi JiaHai Accountant Affairs Office Co. Ltd

(7) audited by HLB Niugini Certified Public Accountants

12 Inventories

The Group	2007 A$'000	2006 A$'000
Raw materials, at net realisable value	36,950	10,852
Work-in-progress, at cost	239	1,447
Finished goods, at cost	13,834	22,620
	51,023	34,919

13 Trade and other receivables

	The Company		The Group	
	2007 A$'000	2006 A$'000	2007 A$'000	2006 A$'000
Trade and bill receivables	–	–	11,551	8,726
Bill receivables	–	–	12,805	2,090
Allowance for impairment of trade receivables	–	–	(875)	(812)
Net trade receivables	–	–	23,481	12,423
Deposit and other receivables	3	–	2,606	1,703
Derivative financial assets	–	–	851	696
Employee loans	–	–	–	46
	3	–	26,938	14,868

Trade and other receivables are denominated in the following currencies:

	The Company		The Group	
	2007 A$'000	2006 A$'000	2007 A$'000	2006 A$'000
Australian dollars	3	–	2,234	1,552
Renminbi	–	–	5,686	7,756
United States dollars	–	–	19,018	5,560
	3	–	26,938	14,868

14 Cash and cash equivalents

	The Company		The Group	
	2007 A$'000	2006 A$'000	2007 A$'000	2006 A$'000
Cash at bank and on hand	877	59	10,538	4,437
Short-term bank deposits	–	–	13,844	7,178
Total cash and cash equivalents [Notes (a) and (b)]	877	59	24,382	11,615
Less: Cash collateral (Note c)	–	–	(3,768)	(7,178)
	877	59	20,614	4,437

14 Cash and cash equivalents (cont'd)

Notes:

(a) Cash at bank earns interest at floating rates based on daily bank deposits rates. Short-term bank deposits are made for varying periods of one day to one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates.

(b) At 31 December 2007, the total amount of cash and cash equivalents of the Group which were deposited with banks in the PRC and denominated in Renminbi ("RMB") amounted to A$6,313,000 (2006- A$2,444,000). The RMB is not freely convertible into other currencies.

(c) Certain bank deposits were pledged to bankers to secure the banking facilities granted to the Group in respect of bank loans (Note 16) and letters of credit. The USD cash collateral has an average maturity of 6 months (2006: 6 months) with the weighted average effective interest rates of 5.98% (2006:5.00%).

Cash and bank balances are denominated in the following currencies:

	The Company		The Group	
	2007	2006	**2007**	2006
	A$'000	A$'000	**A$'000**	A$'000
Australian dollars	**877**	59	**12,394**	283
Renminbi	**–**	–	**6,313**	2,444
United States dollars	**–**	–	**1,303**	1,656
Others	**–**	–	**604**	54
	877	59	**20,614**	4,437

15 Share capital

The Company	**2007** **A$'000**	2006 A$'000
Authorised:		
1,000,000,000 ordinary shares of A$0.10 each	**100,000**	100,000
Issued and fully paid:		
148,332,717 (2006 - 136,332,717) ordinary shares of A0.10 each as at 1 January	**14,833**	13,633
Placement Nil (2006 - 12,000,000) new shares	**–**	1,200
Shares issued under entitlements issue [Note (a)]	**7,417**	–
Cancellation of ordinary shares following selective share buy back [Note (b)]	**(390)**	–
Options exercised [Note (c)]	**887**	–
227,472,575 (2006 – 148,332,717) ordinary shares of A$0.10 each as at 31 December	**22,747**	14,833

15 Share capital (cont'd)

Notes:

(a) In May 2007, the Company successfully completed a pro-rata 1 for 2 non-renounceable entitlements issue to shareholders at an issue price of A$0.22 per share, raising A$16.3 million from the issue of 74,166,358 ordinary shares. The proceeds raised via the entitlements issue were applied to repay debt related to the Bootu Creek Manganese Mine (A$5.5 million) and the balance was applied to fund capital improvements at the Bootu Creek Manganese Mine as well as replenish working capital.

(b) On 2 August 2007, the Company announced that it had entered into a conditional selective share buy back agreement with Mr Trevor Tennant, to buy back 3.9 million ordinary shares held in the capital of the Company at a price of A$0.88 per share, for total consideration of A$3.432 million. The selective share buy back was approved by the shareholders at a General Meeting held on 31 August 2007 and settled on 4 September 2007.

(c) During the year an additional 8,873,500 ordinary shares were issued following the exercise of unlisted options. As at 31 December 2007, the Company had 19,335,000 unlisted options on issue at various exercise prices and expiry dates. Since then 1,298,000 unlisted options have been exercised into ordinary shares and 18,037,000 unlisted options remain outstanding.

16 Borrowings

The Group	2007 A$'000	2006 A$'000
Non-current		
Bank loans, secured	–	18,430
Finance lease liabilities	5	161
	5	18,591
Current		
Bank loans		
- Secured	5,000	9,828
- Unsecured	862	–
Finance lease liabilities	170	235
	6,032	10,063
Total borrowings	6,037	28,654

The Group	2007 A$'000	2006 A$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	5,862	17,428
In the second to fifth years, inclusive	–	10,830
	5,862	28,258
Other borrowings repayable:		
Within one year or on demand	170	235
In the second to fifth years, inclusive	5	161
	175	396
	6,037	28,654

16 Borrowings (cont'd)

Borrowings denominated in the following currencies:

	The Group 2007 A$'000	2006 A$'000
Australian dollars	5,175	27,100
Renminbi	862	976
United States dollars	-	578
	6,037	28,654

Notes:

(a) Bank loans of A$5,862,000 (2006 - A$28,258,000) are secured by:

(i) charge over certain bank deposits as disclosed in Note 14;

(ii) pledge of certain property, plant and equipment as disclosed in Note 4; and

(iii) a fixed and floating charge over all of OMM's assets including the Bootu Creek Manganese Mine project assets and a mortgage over the mining tenements. As at 31 December 2007 certain of the bank loans were also secured by a mortgage over the Company's shareholding in Territory Resources Limited. On 10 March 2008 the mortgage over the Territory Resources Limited shareholding was discharged.

(b) Other information about the borrowings:

		< Effective interest rate 2007		2006	>
	Original currency	Fixed	Floating	Fixed	Floating
Bank loans	A$	–	9.48%	–	8.45%
Bank loans	RMB	–	6%	–	6.00%
Finance lease liabilities	A$	7.45%	–	7.00%	–
Bank loans	US$	–	6%	–	5.80%

The carrying amounts of the Group's current borrowings approximate their fair values.

(c) Finance lease liabilities

The Group	2007 A$'000	2006 A$'000
Payables – minimum lease payments		
- not later than 12 months	160	235
- between 12 months and five years	22	192
- greater than 5 years	–	–
Minimum lease payment	182	427
Future finance charges	(7)	(31)
Present value	175	396

17 Provisions

The Group	2007 A$'000	2006 A$'000
Provision for restoration		
At beginning of year	278	257
Movement for the year	20	21
At end of year	298	278

According to the Mining Management Plan submitted to the Northern Territory Government in Australia, the Group is obligated for the restoration of the disturbed area arising from mining activities conducted by OMM, a wholly owned subsidiary.

18 Trade and other payables

	The Company		The Group	
	2007 A$'000	2006 A$'000	2007 A$'000	2006 A$'000
Trade payables	–	–	17,714	20,456
Bill payables	–	–	–	9,565
Accruals and other payables	1,888	246	23,102	17,387
Welfare expense payable	–	–	256	299
Derivative financial liabilities	–	–	586	–
	1,888	246	41,658	47,707

Trade and other payables are denominated in the following currencies:

	The Company		The Group	
	2007 A$'000	2006 A$'000	2007 A$'000	2006 A$'000
Australian dollars	1,888	246	13,229	13,346
Renminbi	–	–	19,236	9,005
United States dollars	–	–	9,187	25,343
Others	–	–	6	13
	1,888	246	41,658	47,707

19 Other Income

The Group	2007 A$'000	2006 A$'000
Interest income	1,021	768
Exchange gain	–	1,038
Gain on sale of marketing rights	7,823	–
Sundries	33	117
	8,877	1,923

20 Profit/(loss) before taxation

The Group	2007 A$'000	2006 A$'000
Profit/(loss) before tax was arrived at after charging/(crediting):		
Amortisation of prepaid lease payment on land use rights	35	25
Amortisation of long term prepayments	8	9
Amortisation of mine development costs	965	1,158
Cost of inventories recognised as expenses #	180,613	164,722
Depreciation of property, plant and equipment	8,001	3,666
Directors' fee - directors of the Company	308	225
Equity-settled share-based payment *	2,765	178
Exchange loss	2,426	286
Interest on bank loans	1,854	1,760
Inventory written off	147	3,961
Impairment/expensing exploration and evaluation costs	3,629	3,183
Impairment of mine development costs	–	12,882
Loss on disposal of property, plant and equipment	19	107
Operating lease charges in respect of land and buildings	270	218
Staff costs		
Directors' remuneration other than fees		
- Directors of the Company	2,116	667
- Directors of the subsidiaries	2,575	933
- Defined contribution plans	72	64
Key management personnel (other than directors)		
- Salaries, wages and other related costs	993	1,317
- Defined contributions plans	94	87
Other than directors and key management personnel		
- Salaries, wages and other related costs	1,958	1,884
- Defined contribution plans	27	8
	7,835	4,960
(Provision)/write down of inventories to net realisable value *	–	4,949

Cost of inventories includes an amount of A$1,580,750 (2006 - A$1,703,095) relating to staff costs and depreciation.

* Included in other operating expenses.

21 Income tax expenses

The Group	2007 A$'000	2006 A$'000
Income tax for the year		
Singapore income tax	4,204	220
Enterprise income tax	365	1,685
	4,569	1,905
Overprovision in prior years	(13)	(1,187)
	4,556	718

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

For OM Materials (S) Pte Ltd ("OMS"), the Singapore Ministry of Trade and Industry approved the award of Global Trade Programme Status to the controlled entity and therefore OMS is entitled to a concessionary rate of 10% for a period of 5 years with effect from 1 July 2004. Before 1 July 2004, the effective Singapore income tax rate was 20% on assessable profits.

21 Income tax expenses (cont'd)

Taxation has been provided at the appropriate tax rates prevailing in the countries in which the Group operates on the estimated assessable profits for the year. These rates range from 17.5% to 30% (2006 - 17.5% to 30%) per annum.

The income tax expenses for the year can be reconciled to the profit/(loss) before income tax per the income statement as follows:

The Group	2007 A$'000	2006 A$'000
Profit/(loss) before income tax	61,822	(31,600)
Tax at applicable tax rates	23,419	(12,277)
Unrecognised tax losses and temporary differences	–	12,619
Utilisation of unrecognised tax losses and temporary differences arising from previous year	(3,446)	–
Effect of tax rate in foreign jurisdiction	1,318	(3,815)
Tax effect of non-taxable revenue	(14,212)	(76)
Tax effect of non-deductible expenses	1,803	5,734
Tax effect of allowances given by tax jurisdiction	(4,265)	(204)
Double tax relief	(48)	(76)
Overprovision in prior years	(13)	(1,187)
Actual tax expenses	4,556	718

22 Dividends

The Group	2007 A$'000	2006 A$'000
In respect of current financial year:		
Interim dividend declared and paid of A$ 0.02 per ordinary share (2006 - A$ Nil) per ordinary share	4,529	–
	4,529	–
In respect of current financial year:		
2006 final dividend paid of A$ Nil per ordinary share (2005 - A$ 0.0025) per ordinary share	–	341
	–	341

23 Earnings/(loss) per share

The calculation of basic earnings per share is based on the profit attributable to the equity holders of the Company of A$56,864,000 (2006 – loss of A$32,535,000) and the weighted average number of ordinary shares of 198,838,000 (2006 – 140,387,512) on issue during the year.

Diluted earnings per share is calculated based on the profit attributable to the equity holders of the Company of A$56,864,000 (2006 – loss of A$32,535,000) and the weighted average number of ordinary shares adjusted for the effects of all dilutive potential shares of 218,173,000 (2006 - 148,658,012), calculated as follows:

23 Earnings/(loss) per share (cont'd)

	2007 000'	2006 000'
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	198,838	140,387
Effect of dilutive potential ordinary shares in respect of share options	19,335	8,271
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	218,173	148,658

24 Derivative financial instruments

	2007		2006	
	Assets	Liabilities	Assets	Liabilities
The Group	A$'000	A$'000	A$'000	A$'000
Forward currency contracts	851	586	349	–
Call options	–	–	347	–

As at 31 December 2007, the terms of these contracts were as follows:

	Exchange Rate	Contract amount $'000	Maturity
Forward currency contracts			
Sell contracts - US dollars	0.8488	US$37,100	January to September 08
Buy contracts – Australian dollars	1.2642	A$42,000	From 18 January 08 to 19 September 08
Call options			
Australian call options	0.8580	A$2,574	January 08
Singapore dollars call options	1.5182	US$5,100	January to July 08

The carrying amounts of forward currency contracts are the same as their fair values.

The terms of the forward currency contracts and call options are stated at fair values.

25 Deferred tax

(a) The Group

As at 31 December 2007, the Group has tax losses arising in Hong Kong of A$359,000 (2006 - A$401,000), in the PRC of A$ Nil (2006 - A$364,000) and in Australia of A$11,300,000 (2006: A$12,800,000) which are available for offsetting against future taxable profits. No deferred tax asset has been recognised in respect of these tax losses due to the uncertainty of future profit streams against which the asset can be utilised. The tax losses arising in Hong Kong and Australia can be carried forward indefinitely without any expiry date while the tax losses arising from the PRC will expire in the period of 5 years.

As at 31 December 2007, the tax losses which arose from the PRC subsidiary was fully utilised against its profits for the year.

(b) The Company

As at 31 December 2007 and 2006, the Company did not have any deferred tax.

26 Share options

At the Annual General Meeting held on 25 May 2007, the shareholders approved the introduction of the OM Holdings Limited Employee Share Option Plan, which provides for the grant of unlisted share options to subscribe for shares in the Company to directors and employees of the Company and its subsidiaries. Each option shall be issued for no consideration and allows the option holder to subscribe for one ordinary share in the Company.

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

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

Certain of the Company's employees (including directors) have been granted share options. Details of the movements in the Company's share options granted were as follows:

		< ---------- Number of share options ---------- >				
	Option type (Note a)	Outstanding at 1 January 2007	Granted during the year (Note d)	Exercised during the year	Lapsed during the year (Note b)	Outstanding at 31 December 2007 (Note c)
Directors						
Julie Wolseley	2004/ 2007(c)	500,000	1,750,000	(1,000,000)	–	1,250,000
William Mackenzie	2005 2007(c)	529,000	1,000,000	(1,029,000)	(500,000)	–
Yeo Wee Kiong	2004 2007(c)	500,000	1,000,000	(1,000,000)	(500,000)	–
Low Ngee Tong	2007(c)	–	6,000,000	–	–	6,000,000
John Raubenheimer	2007(e)	–	2,000,000	–	–	2,000,000
Ong Beng Chong	2007(e)	–	500,000	(500,000)	–	–
		1,529,000	12,250,000	(3,529,000)	(1,000,000)	9,250,000

		< ---------- Number of share options ---------- >				
	Option type (Note a)	Outstanding at 1 January 2007	Granted during the year (Note c)	Exercised during the year	Lapsed during the year (Note b)	Outstanding at 31 December 2007
Other employees	2005	1,899,500	–	(846,500)	–	1,053,000
Other employees	2006	2,640,000	–	(528,000)	(300,000)	1,812,000
Other employees	2007(b)	–	6,240,000	(970,000)	(50,000)	5,220,000
Other employees	2007(c)	–	1,000,000	–	–	1,000,000
Other employees	2007(d)	–	1,000,000	–	–	1,000,000
Consultant/broker	2007(a)	–	3,000,000	(3,000,000)	–	–
		4,539,500	11,240,000	(5,344,500)	(350,000)	10,085,000
		6,068,500	23,490,000	(8,873,500)	(1,350,000)	19,335,000

26 Share options (cont'd)

Notes:

(a) Details of the specific categories of options are as follows:

Option type		Date of grant	Exercise period	Exercise price
2004		21 June 2004	From 21 June 2004 to 30 June 2009	A$0.72
2005		20 December 2005	From 20 December 2005 to 30 November 2008	A$1.05
2006		7 November 2006	From 7 November 2007 to 31 December 2009	A$0.60
			From 7 November 2007 to 30 June 2010	A$0.72
2007				
	(a)	2 March 2007	On or before 2 March 2012	A$0.20
	(b)	1 June 2007	Immediately	A$0.60
			From 31 May 2009 to 31 May 2011	A$0.60
			From 31 May 2008 to 31 May 2010	A$0.60
	(c)	1 June 2007	From 12 March 2008 to 12 March 2012	A$0.28
			From 12 March 2009 to 12 March 2012	A$0.28
			Immediately to 31 May 2012	A$0.48
			From 31 May 2008 to 31 May 2012	A$0.56
	(d)	2 July 2007	Immediately to 30 June 2010	A$0.73
			From 1 July 2008 to 30 June 2010	A$0.73
	(e)	24 September 2007	Immediately to 31 May 2010	A$0.60
			Immediately to 30 June 2010	A$0.73
			From 1 July 2008 to 30 June 2010	A$0.73

(b) Options were lapsed upon resignation of the relevant directors and employees from the Group.

(c) On various dates, the Board and where relevant shareholders of the Company approved the grant of 23,490,000 (2006: 2,640,000) options in the Company to directors and employees of the Company and its subsidiaries. The fair value of the equity-settled share options granted during the year was A$2,764,704 (2006 - A$250,483). The fair value of the share options was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. Details of the inputs to the model used as disclosed as follows:

Dividend yield (%)	72.46 - 80
Expected volatility (%)	–
Risk free interest rate (%)	6.16 to 6.33
Expected life of option (years)	1.50 to 3.01
Share price on the issue date of option (A$)	0.655 to 0.83

27 Reserves

(a) The Group

	2007 A$'000	2006 A$'000
Share premium	71,021	62,431
Non-distributable reserves [Note (i)]	1,457	1,435
Capital reserve [Note (ii)]	637	637
Share option reserve [Note (iii)]	4,510	1,745
Fair value reserve [Note (iv)]	33,310	6,819
Exchange fluctuation reserve	(5,921)	(3,008)
Retained profits/(accumulated losses)	36,597	(15,279)
	141,611	54,780

Notes

(i) In accordance with the accounting principles and financial regulations applicable to Sino-foreign joint venture enterprises, the subsidiaries in the PRC are required to transfer part of their profit after tax to the “Statutory Reserves Fund”, the “Enterprise Expansion Fund” and the “Staff Bonus and Welfare Fund”, which are non-distributable, before profit distributions to joint ventures partners. The quanta of the transfers are 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 consolidated balance sheet.

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

(iii) During 2007, the Board and where relevant shareholders of the Company approved the grant of 20,490,000 (2006: 2,640,000) options of the Company to directors and employees of the Company and its subsidiaries.

(iv) The fair value reserve of the Company represents the fair value gain on financial assets available-for-sale.

27 Reserves (cont'd)

(b) The Company

	2007 A$'000	2006 A$'000
Share premium:		
At beginning of year	62,431	55,302
Shares issued under entitlements issue	7,925	–
Share options exercised	3,707	–
Cancellation of ordinary shares following selective share buy back	(3,042)	–
Issue of new shares	–	7,129
At end of year	71,021	62,431
Contributed surplus [Note (a)]		
At beginning of year and end of year	3,312	3,312
Share option reserve [Note (b)]:		
At beginning of year	1,745	1,567
Equity settled share-based transactions	2,765	178
At end of year	4,510	1,745
Fair value reserve		
At beginning of year	6,479	–
Fair value gains of financial assets	26,831	6,479
At end of year	33,310	6,479
Retained profits/(accumulated losses)		
At beginning of year	(25,189)	182
Profit/(loss) for the year	44,579	(25,371)
Dividends	(4,529)	–
At end of year	14,861	(25,189)
Total reserves	127,014	48,778

Notes:

(a) 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 is distributable to shareholders under certain circumstances.

(b) This arose from the recognition of expenses arising from the grant of 20,490,000 options to certain directors and employees of the Company and its subsidiaries during 2007 (Note 26).

28 Note to consolidated cash flow statement

Major non-cash transactions

Exploration and evaluation costs of A$Nil (2006 - A$7,868,000) were transferred to mine development costs associated with the development of the Bootu Creek Manganese Project.

29 Remuneration of directors

	2007 A$'000	2006 A$'000
Amounts received by directors of the Company:		
Fees	308	225
Salaries and other related costs	2,969	695
Retirement benefits scheme contributions	365	-
Equity-settled share-based payment	1,057	-
	4,699	920

The number of directors of the Company whose remuneration fell within the following bands:

Australian dollars	Year ended 31 December 2007 Number of individuals	Year ended 31 December 2006 Number of individuals
10,000 to 19,999	1	–
20,000 to 29,999	1	–
30,000 to 39,999	1	–
40,000 to 49,999	1	–
50,000 to 59,999	1	3
60,000 to 69,999	1	–
70,000 to 79,999	1	–
100,000 to 109,999	–	1
140,000 to 149,999	1	–
180,000 to 189,999	–	1
200,000 to 209,999	–	1
220,000 to 229,999	1	–
250,000 to 259,999	–	–
300,000 to 309,999	–	1
2,620,000 to 2,629,999	1	–

30 Retirement benefits schemes

The Group operates defined contribution retirement benefits schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in an independently administered fund.

The retirement benefits scheme cost charged to the income statement represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

31 Commitments

(a) Operating lease commitments

As at 31 December, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings payable as follows:

The Group	2007 A$'000	2006 A$'000
Within next year	269	262
In the second to fifth years inclusive	1,698	1,967
	1,967	2,229

The Group leases a number of properties under operating leases. The leases run for a period of one to three years with one of the leases having option to renew at the expiry date. None of these leases included contingent rentals.

(b) Operating commitments

Operating commitments include the provision of mining and processing services, catering, cleaning and village management, electrical power services, road haulage and rail haulage. These commitments are not provided for or payable at balance sheet date.

The Group	2007 A$'000	2006 A$'000
Not later than 12 months	43,878	43,952
Between 12 months and five years	37,505	78,682
Later than 5 years	6,300	8,400
	87,683	131,034

(c) Others

As at 31 December 2007, the Company has given a corporate guarantee to banks in respect of banking facilities granted to certain of its trading subsidiaries. The extent of facilities utilised by the controlled entity as at 31 December 2007 amounted to A$16,965,000 (2006 - A$19,715,000).

32 Contingent liabilities

(i) A subsidiary of the Group is currently a defendant in a lawsuit brought by a construction company in the PRC. In respect of the construction work conducted by the construction company for the subsidiary, the construction company is claiming an additional contract value of approximately A$353,000 including interest as additional costs were incurred due to the changing requests by the subsidiary. The management of the subsidiary believes that the subsidiary has a valid defence to the litigation and, accordingly, has not provided for the amount of claim by the construction company.

32 Contingent liabilities (cont'd)

(ii) Another subsidiary of the Group engaged Londsdale Investments Pty Ltd (previously trading as Promet Engineers Pty Ltd) ("Promet") to design the process plant for the subsidiary's mining operation at Bootu Creek. The subsidiary has refused to pay A$645,000 of the invoices claimed by Promet in respect to the design services performed, and Supreme Court proceedings were commenced against the subsidiary in August 2006 seeking recovery of these monies.

In December 2006, the subsidiary commenced a counterclaim against Promet and two of Promet's directors, for alleged breaches of contract, the Trade Practices Act 1974 (Cth) and the Fair Trading Act 1987 (WA) and negligence.

The subsidiary's damages claim against Promet and the two directors are for monies paid to Promet under the contract; the cost of rectification of Promet's defective work; additional costs to complete and commission the plant; additional charges payable by the subsidiary as a result of the plant not producing at the required production volumes; and the loss of the benefit of revenue resulting from the inability to make sales of manganese product at the designed production volumes.

The quantum of the subsidiary's claim will be finalised once it has completed the rectification of Promet's defective design work, but is expected to substantially exceed the amount claimed against the subsidiary.

33 Related party transactions

The following transactions were carried out with related parties:

The Company and the Group	**2007 A$'000**	2006 A$'000
Service fees paid to a company in which Julie Wolseley is a director	**160**	157
Legal fees paid to a company in which Tan Peng Chin is a director	**6**	3

34 Environmental bonds

A subsidiary has environmental bonds to the value of A$368,500 (2006: A$368,500) lodged with the Northern Territory Government (Department of Business, Industry and Resources Development) securing environmental rehabilitation commitments.

35 Segment information

All operating revenue, segment results, segment assets and segment liabilities for the financial years ended 31 December 2007 and 31 December 2006 were related to the Group's principal business activities. The Group's principal business activities during the financial years were the mining, processing and sale of specialised metal materials in the jurisdictions of Australia, PRC, Singapore and Korea.

(a) Geographical segments

Analysis of operating revenue, segment results, segment assets and segment liabilities by geographical location based on location of customers is as follows:

	PRC		Korea		Others		The Group	
	2007 A$'000	2006 A$'000	**2007 A$'000**	2006 A$'000	**2007 A$'000**	2006 A$'000	**2007 A$'000**	2006 A$'000
Sales to customers outside the Group	**248,488**	147,793	**12,808**	8,391	**29,194**	27,649	**290,490**	183,833
Segment results	**50,867**	(7,174)	**4,993**	454	**825**	1,267	**56,685**	(5,453)
Unallocated corporate income and expenses							**(1,853)**	(2,565)
Profit/(loss) from operations							**54,832**	(8,018)
Finance costs							**(1,854)**	(1,760)
Finance Income							**1,021**	768
Gain on disposal of marketing rights							**7,823**	–
Gain arising on dilution of interest in associate							**–**	537
Impairment write down							**–**	(12,882)
Provisions							**–**	(10,159)
Share of loss of an associate							**–**	(86)
Profit/(loss) before income tax							**61,822**	(31,600)
Income tax expenses							**(4,556)**	(718)
Profit/(loss) for the year							**57,266**	(32,318)
Assets								
Segment assets	**162,597**	123,785	**3,055**	1,951	**9,557**	11,115	**175,209**	136,851
Unallocated corporate assets							**43,756**	11,555
							218,965	148,406
Liabilities								
Segment liabilities	**45,063**	67,246	**1,163**	1,744	**4,678**	7,675	**50,904**	76,665
Unallocated corporate liabilities							**1,894**	259
							52,798	76,924
Cost to acquire property, plant and equipment	**8,768**	15,766	**14**	11	**46**	295	**8,828**	16,072
Depreciation of property, plant and equipment	**6,844**	2,933	**353**	183	**804**	550	**8,001**	3,666
Amortisation of prepaid lease	**30**	20	**2**	1	**4**	4	**35**	25
Amortisation of long term prepayments	**7**	7	**–**	1	**1**	1	**8**	9
Amortisation of mine development	**–**	10,306	**–**	644	**–**	1,932	**–**	12,882
Impairment of evaluation and exploration costs	**3,104**	2,546	**160**	159	**365**	477	**3,629**	3,183

35 Segment information (cont'd)

(a) Geographical segments (cont'd)

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment analysed by geographical location of assets:

	PRC		Singapore		Australia		The Group	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	A$'000	A$'000	**A$'000**	A$'000	**A$'000**	A$'000	**A$'000**	A$'000
Carrying amounts of segment assets:								
Segment assets	**41,841**	38,655	**61,094**	27,670	**72,274**	70,526	**175,209**	136,851
Unallocated corporate assets							**43,756**	11,555
							218,965	148,406
Costs to acquire property, plant and equipment	**400**	1,354	**262**	15	**8,166**	14,703	**8,828**	16,072

(b) Business segments

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment analysed by geographical location of assets:

	Ores		Ferroalloys		Others		The Group	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	A$'000	A$'000	**A$'000**	A$'000	**A$'000**	A$'000	**A$'000**	A$'000
Sales to customers outside the Group	**220,822**	124,104	**69,602**	55,607	**66**	4,122	**290,490**	183,833
Carrying amounts of segment assets:								
Segment assets	**129,126**	102,554	**46,072**	33,411	**11**	886	**175,209**	136,851
Unallocated corporate assets							**43,756**	11,555
							218,965	148,406
Cost to acquire property, plant and equipment	**8,432**	14,986	**396**	1,085	**–**	1	**8,828**	16,072

36 Financial risk management objectives and policies

36.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments such as interest rate swaps and forward foreign exchange contracts to hedge certain risk exposures.

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.

36 Financial risk management objectives and policies (cont'd)

Treasury Risk Management
A treasury committee consisting of senior executives of a subsidiary plus an external treasury advisor meet on a regular basis to analyse currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The primary objective of the financial risk policy is to minimise the financial risk and uncertainly that the subsidiary faces through the uncertain and volatile nature of its cash flows that could materially reduce the subsidiary's revenues and profitability.

36.2 Market risk

36.2.1 Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

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 United States Dollars, Renminbi and Euro. Foreign currency forward contracts are entered into to manage the Group's exposure to movements in foreign currency exchange rates on specific transactions.

Forward foreign exchange contracts are entered into to manage exposure to fluctuations in foreign currency exchange rates on specific transactions. The Group's risk management policy is to enter into foreign currency forward contracts for up to 50% of net foreign currency receipts anticipated over the next one year.

At 31 December 2007, the settlement dates on open foreign currencies forward contracts are 9 months (2006: 6 months).

36.2.2 Cash flow and fair value interest rate risk
Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's exposure to movements in market interest rates relate primarily to its short term deposits placed with financial institutions and debt borrowings with financial institutions and related companies. The Group has no policy to hedge against its interest rate risk. The Group is in a net interest expenses position during the current financial year.

In respect of interest-bearing financial assets and financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier:

Financial assets

2006

	Note	Effective Interest rate %	1 year or Less A$'000
Fixed deposits	14	5.00	7,178

36 Financial risk management objectives and policies (cont'd)

36.2.2 Cash flow and fair value interest rate risk (cont'd)

Financial assets

2007

	Note	Effective Interest rate %	1 year or Less A$'000
Fixed deposits	14	5.98	13,326

Financial liabilities

2006

	Note	Effective Interest rate %	1 year or Less A$'000	1 to 5 years A$'000
Bank borrowings	16	7.94	17,428	10,830

2007

	Note	Effective Interest rate %	1 year or Less A$'000	1 to 5 years A$'000
Bank borrowings	16	8.80	5,862	–

For illustrative purpose, the sensitivity analysis performed below is based on the exposure to interest rates for financial instruments at the balance sheet date and the stipulated change taking place at the beginning of the financial year with all other variables held constant throughout the financial year ended 31 December 2007.

At the balance sheet date, if the interest rates had been 0.50% (2006: 0.50%) per annum lower/higher with all other variables held constant, the Group's profit before tax would have been A$4,165 (2006 - A$4,960) higher/lower, arising mainly as a result of lower/higher interest expense on borrowings, and the Group's equity would have been A$4,165 (2006 - A$4,160) higher/lower, arising mainly as a result of an increase/decrease in the net borrowings.

36.2.3 Price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Group and the Company are exposed to market price risk arising from its investment in equity investment quoted on the ASX in Australia classified as available-for-sale. Available-for-sale equity instrument is held for strategic rather than trading purposes. The Group does not actively trade available for sale investments.

Market price sensitivity

At the balance sheet date, if the market share price had been 2% (2006 – 2%) higher/lower with all the other variables held constant, the Group's other reserve in equity would have been A$804,855 (2006

36 Financial risk management objectives and policies (cont'd)

36.2.3 Price risk (cont'd)

– A$185,000) higher/lower, arising as a result of increase/decrease in fair value of equity instruments classified as available-for-sale.

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

36.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk in relation to each class of recognised financial assets, other than derivatives, is represented by the carrying amount of each financial asset as indicated in the balance sheet. Derivative instruments are entered into with, and cash is placed with reputable financial institutions. The credit exposure of derivatives is represented by the net fair values of the contracts, as disclosed above.

Management has a credit control policy in place. Credit evaluations are performed on all customers requiring credit over a certain amount. Transactions are conducted with customers with appropriate credit histories. The credit risk and amount outstanding is monitored on an ongoing basis. With this credit evaluation processes, credit control policies and collection procedures in place, the credit risk is mitigated substantially. The Group does not require collateral in respect of financial assets.

Cash is held with reputable financial institutions.

The maximum exposure to credit risk in relation to each class of recognized financial assets, other than derivatives, is represented by the carrying amount of each financial asset as indicated in the balance sheet.

(i) Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are substantially counterparties with good payment records with the Group.

Cash and cash equivalents are placed with financial institutions with high credit ratings.

(ii) Financial assets that are past due but not impaired

The aging analysis of trade receivables past due but not impaired is as follows:

	31 December 2007 A$'000	31 December 2006 A$'000
Trade receivables past due:		
Not more than 3 months	**17,652**	10,035
More than 3 months but not more than 6 months	**5,267**	2,052
More than 6 months but not more than 1 year	**562**	251
More than one year	**–**	85

36 Financial risk management objectives and policies (cont'd)

36.3 Credit risk (cont'd)

(iii) Financial assets that are past due and impaired

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment were as follows:

	31 December 2007 A$'000	31 December 2006 A$'000
Gross amount	24,356	13,235
Less: Provision for impairment	(875)	(812)
	23,481	12,423
Movement in provision for impairment:		
At beginning of the year	812	839
Current year provision	–	–
Provision written back	–	–
Exchange realignment	63	(27)
At end of the year	875	812

Specific provision for balances which are outstanding for more than 365 days.

36.4 Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group ensures that there are adequate funds to meet all its obligations in a timely and cost-effective manner.

The table below summarises the maturity profile of the Group's financial liabilities at the balance sheet date based on contractual undiscounted payments:

The Group

	31 December 2007 A$'000	31 December 2006 A$'000
Trade and other payables		
- 1 year or less	40,964	46,647
- 1 to 5 years	694	1,060
Loans and borrowings		
- 1 year or less	6,032	10,063
- 1 to 5 years	5	18,591
	47,695	76,361

The Company

	31 December 2007 A$'000	31 December 2006 A$'000
Trade and other payables		
- 1 year or less	1,888	246
- 1 to 5 years	–	–

36 Financial risk management objectives and policies (cont'd)

36.5 Commodity Price risk

The Group has not entered into any contracts to hedge its anticipated manganese ore sales.

37 Financial instruments

Fair values

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, provisions and other liabilities and amounts payable approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

However, the Company and the Group do not anticipate that the carrying amounts recorded at the balance sheet date would be significantly different from the values that would eventually be received or settled.

38 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may issue new shares, adjust the amount of dividend payment or reduce its capital, subject to the provisions of the Group's Memorandum and Articles of Association, and the Bermuda Act.

39 Events after balance sheet date

The following significant events have occurred after 31 December 2007:

(i) On 31 January 2008, a subsidiary of the Group has repaid fully the outstanding working facility balance of A$5 million to the Commonwealth Bank of Australia.

(ii) Due to the sustained turnaround in operating and financial performance across the mining, process and trading business units, the Board has proposed to declare a final dividend of A$0.04 per share which is payable on 30 May 2008, with a record date for entitlements of 24 April 2008.

(iii) The Company has commenced the detailed process to seek a secondary listing on the Main Board of the Stock Exchange of Hong Kong Limited ("HKSE"). Various due diligence and compliance processes have commenced in addition to site visits by key due diligence team members and various experts.

39 Events after balance sheet date (cont'd)

The Company considers that the secondary listing will further broaden its shareholder base internationally and give the Company access to future capital raising opportunities in the growing Asian market to support its longer term growth strategy.

The Company appointed CITIC Securities Corporate Finance (HK) Limited (being a subsidiary of CITIC Securities International Company Limited) to be its financial advisor, sole sponsor, sole global coordinator, sole bookrunner and lead manager.

The Company has now completed the appointment of key professional advisers and commenced the process of preparing the requisite global offer documentation. The Company is expecting to complete all relevant documentation and seek approvals for the secondary listing on the HKSE by 30 June 2008.

The Board of Directors of OM Holdings Limited is responsible for its corporate governance, that is, the system by which OM Holdings Limited and its subsidiaries ("OMH Group") is 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 Directors 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 direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task 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 regulatory body. The Board has the final responsibility for the successful operations of the OMH Group.

To assist the Board to carry out its functions, it has developed a Code of Conduct to guide the Directors and key executives in the performance of their roles. The Code of Conduct is detailed in Section 3.1.

The Board represents shareholders' interests in relation to optimising its manganese mining operation located in the Northern Territory of Australia, continuing its successful metals trading business and enhancing its ferro alloy smelter operation in south west China. This fully integrated strategy seeks to achieve medium to long-term financial gains for shareholders. By adopting this approach the Board believes that this 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 to best achieve this desired result. Given the size of the OMH Group's mining, smelter and trading activities, the Board currently undertakes an active, not passive role.

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

The Board has sole responsibility for the following:

- Appointing and removing the Chief Executive Officer and any other executive director and approving their remuneration;
- Appointing and removing the Company Secretary and approving their remuneration;
- Determining the strategic direction of the OMH Group and measuring performance of management against approved strategies;
- Reviewing the adequacy of resources for management to properly carry out approved strategies and business plans;
- Adopting operating (including production), capital and development expenditure budgets at the commencement of each financial year and monitoring the progress by 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 organisations;
- 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 legislative requirements; 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 on all matters.

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

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

The Chief Executive Officer is responsible for managing the business of the OMH Group under delegated authority from the Board and to implement the policies and strategy set by the Board. In carrying out his responsibilities the Chief Executive Officer must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the OMH Group's operational results and financial position.

The role of management is to support the 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 has been formed so that it has effective composition, size and commitment to adequately discharge it responsibilities and duties. The names of the Directors and their qualifications and experience are disclosed in the Directors' 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 recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Mr John Raubenheimer, Mr Ong Beng Chong and Mr Tan Peng Chin are Non-Executive Directors who are considered to be independent.

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 be re-assessed.

The Board acknowledges that a greater proportion of independent Directors is desirable over the longer term and will be seeking to demonstrate that it is monitoring the Board's composition as required.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the OMH Group's scope of activities, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next Annual General Meeting. Under the OM Holdings Limited Bye-laws the tenure of Directors (other than Chief Executive Officer) is subject to re-appointment by shareholders not later than the third anniversary following his/her last appointment. 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 any 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 of the OMH Group.

Without intending to limit this general 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 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 operation of the OMH Group.
3. Overseeing Planning Activities - overseeing the development of the OMH Group's strategic plans (including operating, capital, exploration and development programmes and initiatives) and approving such plans as well as the annual budget.
4. Shareholder Liaison - ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
5. Monitoring, Compliance and Risk Management - overseeing the OMH Group's risk management, compliance, control and accountability systems and monitoring and directing the operational and financial performance of the OMH Group.
6. OMH Group Finances - approving expenses in excess of those approved in 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 occupational health and safety systems to ensure the well-being of all employees.
9. Delegation of Authority - delegating appropriate powers to the Chief Executive Officer to ensure the effective day-to-day management of the OMH Group and establishing and determining the powers and functions of the 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

1.1.1 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities 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 any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per law, absent himself/herself from the room when discussion 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 OMH Group.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives 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 has the right to seek independent professional advice at the OMH Group's expense, up to specified limits, to assist them to carry out their responsibilities.

1.4.5 Related Party Transactions

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

1.4.6 Trading in the Company's Shares

'Inside information' is information that:

- is not generally available; and
- if it were generally available, it would, or would be likely to influence investors in deciding whether to buy or sell the Company's securities.

If an employee (including Directors) possesses inside information, the person must not:

- trade in the Company's securities;
- advise others or procure others to trade in the Company's securities; or
- pass on the inside information to others – including colleagues, family or friends – knowing (or where the employee or Director should have reasonably known) that the other persons will use that information to trade in, or procure someone else to trade in, the Company's securities.

This prohibition applies regardless of how the employee or Director learns the information (eg. even if the employee or Director overhears it or is told in a social setting).

In addition to the above, Directors must notify the Company Secretary as soon as practicable, but not later than 2 business days, after they have bought or sold the Company's securities or exercised options. In accordance with the provisions of the Corporations Act and the ASX Listing Rules, the Company on behalf of the Directors must advise the ASX of any transactions conducted by them in the securities of the Company.

Breaches of this policy will be subject to disciplinary action, which may include termination of directorship.

1.4.7 Attestations by Chief Executive Officer and Senior Manager (Accounts and Finance)

In accordance with the Board's policy, the Chief Executive Officer and the Senior Manager (Accounts and Finance) made the attestations recommended by the ASX Corporate Governance Council as to the OMH Group's financial condition prior to the Board signing this Annual Report.

2. BOARD COMMITTEES

Save for the Committees mentioned in sections 2.1 and 2.2 below, the Board considers that the OMH Group is not currently of a size, nor are its affairs of such complexity to justify the formation of numerous special committees at this time. The Board as a whole is able to address the governance aspects of 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 full Board currently 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 appointment of separate or special committee's will be reviewed by the Board 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. The audit committee comprises Mr Ong Beng Chong, Ms Julie Wolseley and Mr John Raubenheimer.

The audit committee is responsible for reviewing the audited annual and audit reviewed half-yearly financial statements and any reports which accompany published 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 Board is also responsible for establishing policies on risk oversight and management.

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 Mr Tan Peng Chin, Ms Julie Wolseley and Mr Ong Beng Chong.

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 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, including, setting with the Chief Executive Officer goals for the coming year and reviewing progress in achieving those goals.

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. The Board also administers the OM Holdings Limited Employee Share Option Plan approved by shareholders on 25 May 2007.

Consequently, the remuneration of a senior executive may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations; and
- statutory superannuation (where applicable).

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the OMH Group aims to align the interests of senior executives with those of shareholders and increase OMH Group performance.

The objective behind using this remuneration structure is to drive improved OMH Group performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses.

Non-Executive Directors are entitled to statutory superannuation.

The annual aggregate amount of remuneration paid to Non-Executive Directors was approved by shareholders and is currently $500,000.

2.3 Nomination Committee

The OMH Group does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the OMH Group on specific issues.

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

Directors are appointed based on the specific governance skills required by the OMH Group. Given the size of the OMH Group and the business that it operates, the OMH Group aims at all times to have at least one Director with experience in the metals trading and mining industries, appropriate to the OMH Group's market. In addition, Directors should have the relevant blend of personal experience in:

- accounting and financial management;
- legal skills;
- technical skills; and
- Chief Executive Officer - business experience.

3. ETHICAL STANDARDS

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

3.1 Code of Conduct for Directors and Key Executives

The Board has adopted a Code of Conduct for Directors and key executives to promote ethical and responsible decision-making. The code is based on a code of conduct for Directors prepared by the Australian Institute of Company Directors.

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the OMH Group:

- will act honestly, in good faith and in the best interests of the OMH Group;*
- owe a fiduciary duty to the OMH Group as a whole;
- have a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office;*
- will undertake diligent analysis of all proposals placed before the Board;
- will act with a level of skill expected from directors and key executives of a publicly listed company;
- will use the powers of office for a proper purpose, in the best interests of the OMH Group as a whole;*
- will demonstrate commercial reasonableness in decision making;
- will not make improper use of information acquired as Directors and key executives;*
- will not disclose non-public information except where disclosure is authorised or legally mandated;†
- will keep confidential, information received in the course of the exercise of their duties and such information remains the property of the OMH Group from which it was obtained and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the person from whom the information is provided, or is required by law;*
- will not take improper advantage of the position of Director* or use the position for personal gain or to compete with the OMH Group;†
- will not take advantage of OMH Group property or use such property for personal gain or to compete with the OMH Group; †
- will protect and ensure the efficient use of the OMH Group assets for legitimate business purposes; †
- will not allow personal interests, or the interests of any associated person, to conflict with the interests of the OMH Group;*
- have an obligation to be independent in judgment and actions, and Directors will take all reasonable steps to be satisfied as to the soundness of all decisions of the Board;*
- will make reasonable enquiries to ensure that the OMH Group is operating efficiently, effectively and legally towards achieving its goals;
- will not engage in conduct likely to bring disrepute upon the OMH Group;*
- will encourage fair dealing by all employees with the OMH Group's suppliers, competitors and other employees;†
- will encourage the reporting of unlawful/unethical behaviour and actively promote ethical behaviour and protection for those who report violations in good faith;†
- will give their specific expertise generously to the OMH Group;
- have an obligation, at all times, to comply with the spirit, as well as the letter of the law and with the principles of this Code.*

(*From the AICD Code of Conduct)
(†From the ASX Corporate Governance Council's Principles of Good Corporate Governance)

3.2 Code of Ethics and Conduct

The OMH Group has implemented a Code of Ethics and Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability 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 real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the OMH Group's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers 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 designed 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.

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

Conflicts of Interest
Employees and Directors must avoid conflicts as well as the appearance 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 imposed for violating the Code.

4. DISCLOSURE OF INFORMATION

4.1 Continuous Disclosure to ASX

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

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

Information is not material and need not be disclosed if:

(a) A reasonable person would not expect the information to be disclosed or is material but due to a specific valid commercial reason is not to be disclosed; and
(b) The information is confidential; or
(c) One of the following applies:

i. It would breach a law or regulation to disclose the information;
ii. The information concerns an incomplete proposal or negotiation;
iii. The information comprises matters of supposition or is insufficiently definite to warrant disclosure;
iv. The information is generated for internal management purposes;
v. The information is a trade secret;
vi. It would breach a material term of an agreement, to which the OMH Group is a party, to disclose the information;
vii. It would harm the OMH Group's potential application or possible patent application; or
viii. The information is scientific data that release of which may benefit the OMH Group's potential competitors.

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

4.2 Communication with Shareholders

The Company places considerable importance on effective communications with shareholders.

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 systems that ensure a regular and timely release of information about the OMH Group is provided to shareholders. Mechanisms employed include:

- Announcements lodged with ASX or relevant listing authority;
- Half Yearly Report and Annual Report; and
- Presentations at the Annual General Meeting/General Meetings and investor briefings.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the OMH Group's strategy and goals.

5. RISK MANAGEMENT

5.1 Identification 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 and Senior Manager (Accounts and Finance) having ultimate responsibility to the Board for the risk management and control framework.

5.2 Integrity of Financial Reporting

The OMH Group's Chief Executive Officer and Senior Manager (Accounts and Finance) 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.

5.3 Role of Auditor

The OMH Group's practice is to invite the auditor to attend the 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.

6. PERFORMANCE REVIEW

The Board has adopted a self-evaluation process to measure its own performance during each financial year. Also, an annual review is undertaken in relation to the composition and skills mix of the Directors.

Arrangements put in place by the Board to monitor the performance of the OMH Group's 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.

Pursuant to the listing requirements of the Australian Securities Exchange (“ASX”), the shareholder information set out below was applicable as at 23 April 2008.

1. SHAREHOLDER INFORMATION

A. ***Distribution of Equity Securities***

Analysis of numbers of shareholders by size of holding:

Distribution	Number of Shareholders	Number of Ordinary Shares	% of Issued Capital
1 – 1,000	204	133,923	0.06
1,001 – 5,000	536	1,531,089	0.65
5,001 – 10,000	229	1,840,025	0.79
10,001 – 100,000	434	15,088,519	6.45
More than 100,000	124	215,429,519	92.05
Total	1,527	234,023,075	100.00

There were 9 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	28,046,874	11.98%
DINO COMPANY LIMITED	23,566,065	10.07%
ZERO NOMINEES PTY LTD	19,055,935	8.14%
RAMLEY INTERNATIONAL LTD	18,197,500	7.78%
NEWTIMES MARINE CO LTD	15,000,000	6.41%
DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	14,101,614	6.03%
NATIONAL NOMINEES LIMITED	12,248,438	5.23%
LAI SHUN HOLDINGS LTD	9,500,000	4.06%
MR YANG XIFU	7,500,000	3.20%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	5,374,575	2.30%
J P MORGAN NOMINEES AUSTRALIA LIMITED	5,178,335	2.21%
MR NGEE TONG LOW	3,000,000	1.28%
ANZ NOMINEES LIMITED <CASH INCOME A/C>	2,882,767	1.23%
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	2,785,881	1.19%
RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	2,738,902	1.17%
SHENYIN WANGUO SECURITIES (HK) LIMITED <A/C CLIENT>	2,604,418	1.11%
MS JULIE ANNE WOLSELEY	2,025,001	0.87%
CHAO FAN HUANG	2,000,000	0.85%
SEETOH KWOK WENG	1,970,965	0.84%
CITICORP NOMINEES PTY LIMITED <CFS FUTURE LEADERS FUND A/C>	1,934,904	0.83%
TOTAL HELD BY 20 LARGEST SHAREHOLDERS	**179,712,174**	**76.78%**
OTHERS	**54,310,901**	**23.22%**
TOTAL	**234,023,075**	**100.00%**

1. SHAREHOLDER INFORMATION (cont'd)

C. Unquoted Options

The Company has on issue the following unlisted options to subscribe for shares

Number of Unlisted Options	Exercise Price	Expiry Date
480,500	A$1.05	30 November 2008
82,000	A$0.60	31 December 2009
3,295,000	A$0.60	31 May 2010
82,000	A$0.72	30 June 2010
3,000,000	A$0.73	30 June 2010
1,595,000	A$0.60	31 May 2011
500,000	A$0.28	12 March 2012
3,750,000	A$0.56	31 May 2012
12,784,500		

D. Distribution of Unquoted Options

Analysis of numbers of optionholding by size of holding:

Distribution	Number of Optionholders
1 – 1,000	-
1,001 – 5,000	2
5,001 – 10,000	4
10,001 – 100,000	60
More than 100,000	16
Total	**82**

E. 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. INVESTOR INFORMATION

(a) ASX Code

Official quotation has been granted to the Company's shares on the 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
#08 – 08 Parkway Parade
80 Marine Parade Road
Singapore 449269
Telephone: (65) 6346 5515
Facsimile: (65) 6342 2242
Email: om@ommaterials.com
Website: www.omholdingsltd.com

This page has been intentionally left blank.

This page has been intentionally left blank.

This page has been intentionally left blank.

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