

Pacific Aluminium's Submission to the Australian Anti-Dumping Commission Investigation on Silicon

PUBLIC RECORD

Executive Summary

Pacific Aluminium (PacAl) is a business division of Rio Tinto holding aluminium smelter assets in Australia and New Zealand. In Australia, its assets include three aluminium smelters being Boyne Smelters Limited, Tomago Aluminium and Bell Bay Aluminium.

PacAl is making a submission on the Anti-Dumping Commission's (ADC's) Anti-Dumping Notice 2015/22 and the Statement of Essential Facts (SEF) published on the ADC's website on 23 February 2015. PacAl has previously made submissions to the ADC's investigation into the Dumping and Subsidisation investigation on 1 April 2014, 23 April 2014 and 20 June 2014.

PacAl disputes the findings contained within the SEF that silicon metal exported from China into Australia during the investigation period was dumped and there was as a result material injury to the Australian industry.

PacAl disputes the findings for the following reasons:

1. The Australian industry does not produce silicon 441 grade, which represented 41% (refer Non-Confidential Attachment 1) of PacAl's demand in 2013. Silicon 441 is not a like grade to those produced by the Australian industry;
2. There has been no material injury caused to the Australian industry;
3. An error appears to have been made in calculating the 22.5% dumping margin for uncooperative and other exporters; and
4. The ADC's calculation of 35% preliminary subsidy margin for uncooperative and other exporters is excessive and unreasonable.

The application of the proposed measures contained within the SEF would result in a ~\$8M/year cost impact (prior to any duty drawback for finished product subsequently exported) on PacAl's smelters based on current forecast supply, at a time when the industry can least afford it and when one of the products cannot be secured from the Australian industry. Approximately 90% of this cost impact would be on PacAl's smallest smelter, Bell Bay Aluminium (BBA) in Tasmania, which buys 93% of PacAl's silicon imports (refer Non-Confidential Attachment 1).

PacAl urges the ADC to reconsider the findings contained within the SEF prior to the recommendation to the Parliamentary Secretary.

Background

Since the global financial crisis, the Australian aluminium industry has been facing some well publicised challenges from the depressed aluminium prices and high strength of the Australian dollar. Indeed since this time, two Australian aluminium smelters have closed (Norsk Hydro's Kurri Kurri and Alcoa's Point Henry). Aluminium is a globally priced commodity and PacAl restructured its assets to secure the viability of its three smelters (Boyne Smelter, Tomago Aluminium and Bell Bay Aluminium (BBA)) including substantial workforce reductions (~20%), restrained capital expenditure and restructuring of all supply contracts. As the smallest smelter, BBA was most at risk despite having the highest focus on innovation, flexibility and adaptability. Unless measures were found and implemented to reduce costs of production at BBA, there was a significant risk of closure.

A cost reduction initiative undertaken in 2012 across all three PacAl smelters was to substitute silicon 3303 grade (containing maximum 0.33wt% iron and 0.03wt% calcium) for the lower cost silicon 441 grade (maximum 0.44wt% iron and 0.1wt% calcium), which despite a higher level of impurities was still fit for purpose in some aluminium alloys. The cost saving between the two grades was ~US\$ /tonne. Given the particularly difficult circumstances being faced by BBA, it was important to capture this saving as part of efforts to ensure the ongoing viability of the smelter.

Bell Bay Aluminium directly and indirectly employs over 1,000 Tasmanians and contributes \$690 million per annum to Gross State Product.

PacAl's position on Statement of Essential Facts (SEF)

1. Like Goods

PacAl disputes the ADC's finding that in respect of silicon 441 grade it is 'like goods' to those being produced by the Australian industry. In contrast, PacAl proposes that due to its higher content of iron and calcium (and consequently lower price), it is commercially and physically different to the high quality silicons produced by the Australian industry. This differentiation between high quality and low quality silicons reflects the previous findings of Australian Customs in Trade Measures Report No. 103 in December 2005 (REP 103), which concluded that "domestically produced primary use silicon is not a like goods to secondary use silicon exported from China to Australia".

PacAl in its previous submissions had questioned Simcoa's ability to produce low grade 441 silicon. However, in section 3.5, of the SEF the ADC noted that PacAl was unable to provide evidence that it had sought a quote from Simcoa for the supply of grade 441 silicon.

Following a further review of our correspondence with Simcoa, PacAl has found correspondence to Simcoa of requesting a price differential between 3303, 441 and 553 grades of silicon. On , Simcoa advised that they had no interest

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in silicon grades 553 and 441 as Simcoa don't produce them." (refer Confidential Attachment 2)

Simcoa's position on not supplying 441 is consistent with the statement on Simcoa's website, which states:

"Simcoa Operations is an Australian based company committed to producing the world's highest quality silicon to meet customer's precise needs".

[Emphasis added]

This position is however at odds with Simcoa's submissions to the ADC dated 12 May 2014 (refer Non-Confidential Attachment 3) and 25 September 2014 (refer Non-Confidential Attachment 4) that it disagrees with the suggestion that it would not supply a low quality grade 441 silicon for PacAI's needs and that it can supply like goods from local production. Indeed, in its submission to the ADC of 12 May 2014, Simcoa notes that *'the implied assertion that Simcoa is unwilling to supply the nominated grade of silicon is inaccurate'*. Per the above, PacAI submits this position differs from their correspondence to PacAI of

With no Australian supplier available, PacAI had no choice but to import silicon 441 grade in order to achieve the urgently required cost savings while still meeting our quality requirements. Silicon 441 grade is not like the grades produced by Simcoa and indeed is not available from the Australian industry. PacAI therefore believes the ADC are in error in stating that locally produced silicon grades are *like* the silicon 441 grades that had been imported from China.

It is clear from Simcoa's website that it has a target market of producing the "world's highest quality silicon". This decision by Simcoa is a commercial decision to focus its resources on making and supplying product that attracts the highest product premium for Simcoa. As shown in the correspondence with Simcoa in Confidential Attachment 2 – Simcoa has made a choice to leave the low margin, poorer quality supply to other silicon manufacturers.

As determined by Customs during the reinvestigation of the 2004 Anti-Dumping claim, there are two types of silicon – high quality silicon which is generally for primary use and lower quality silicon for secondary use. The key distinction between the two types identified by Customs in 2005 is the level of impurities, and in particular the iron and calcium content. The distinction was drawn at 0.4wt% iron; any product over 0.4wt% iron content was considered primarily for "secondary use" and not like goods. Silicon 441 has an iron content over 0.4wt% - therefore it is not like goods with the high quality primary use product that Simcoa prides itself in providing.

Furthermore, given the position in Simcoa's email to PacAI of _____ and its submissions to the ADC of 12 May 2014 and 25 September 2014, PacAI queries the weight that the ADC has placed on Simcoa's submissions in relation to its willingness and ability to supply low grade 441 silicon.

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Given Simcoa's non-interest in supplying the '441 grade silicon', and the natural distinction the industry places on this "secondary use" product, PacAI disputes the finding that Silicon 441 is a 'like good' to any Australian produced product and consequently should be excluded from the application of dumping duty and countervailing duty.

2. Economic Condition of the Industry/Whether Dumping caused Material Injury & Whether that Injury is likely to Continue

PacAI is of the view that the claims of material injury caused to the Australian industry have not been proven to a standard which would warrant the imposition of measures.

PacAI also considers that the analysis in the SEF of the Australian industry places too much weight on the Australian domestic market in determining 'material injury' and does not have sufficient regard of revenues/profits derived from the export market.

The Australian industry is only comprised of one producer (Simcoa), the question therefore is whether the alleged dumping has caused material injury to Simcoa.

Economic Condition of the Industry

In Section 8 of the SEF, the ADC reviewed the state of the Industry and concluded that the industry has experienced injury in respect of its sales of silicon metal.

PacAI has previously submitted that silicon 441 grade should not be included as a 'like good' as Simcoa had indicated it had 'no interest' in supplying this product. PacAI therefore considers that any examination of the economic condition of the industry should be differentiated between Silicon 441 and other grades of silicon being imported (predominantly 2202).

Our comments on the economic condition of the industry are as follows:

Volume Effects

In SEF 8.4, in respect of silicon 441, PacAI disputes the ADC's findings that Simcoa has suffered lost sales volumes. As previously detailed, Simcoa indicated that they had 'no interest' in supplying this product. It would be erroneous for the ADC to conclude that Simcoa had suffered 'lost sales' volume in respect of a product it had no interest in supplying. In terms of the ADC's findings on the Australian Market in section 8.4.3, it's worth noting that 2,692 tonnes (refer Non Confidential Attachment 1) of the Australian market was silicon 441, which Simcoa did not supply. In calculating respective shares of the market, these tonnes should be excluded.

Figure 1 shows Simcoa's revenue and profit over the period 2010 – 2013 based on ASIC statutory accounts included as Non-Confidential Attachment 5.

Figure 1 Simcoa Revenue & Profitability (2010 – 2013)

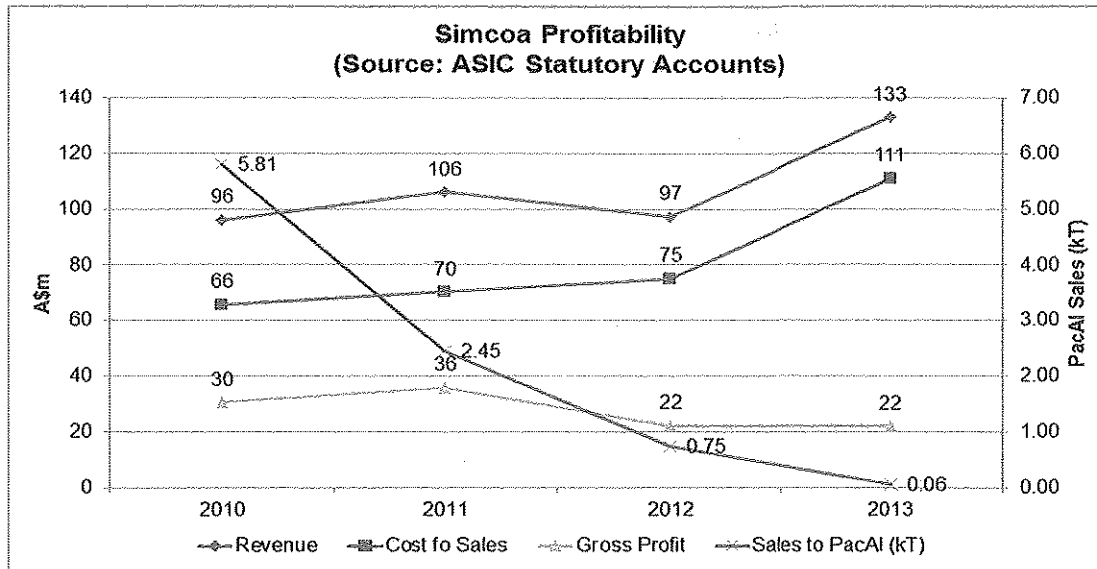


Figure 1 shows that Simcoa's total revenues have grown between the year 2010 and 2013 from \$96m to \$133m (38% increase).

Given Simcoa's mission is to be the "world's highest quality silicon" producer, the focus on Australian sales volume rather than total sales volume gives the wrong outcome in an investigation of injury. Simcoa has focused its production on high quality (low impurity) silicon and marketed its product globally. Simcoa chose not to market low quality (high impurity) silicon, which appears to have been a sound commercial decision. This decision shows that Simcoa has the capacity to deliver stronger profits for its business by meeting global demand. Where customers in Australia have requested lower quality product, Simcoa has decided not to participate in this market, forcing their Australian customers to go elsewhere. This choice by Simcoa has resulted in reduction in Australian sales, but not a decrease in profits.

PacAI therefore believes it is inappropriate for the ADC to find that Chinese imports are the direct cause of lost Australian sales volume – in part it is Simcoa's marketing decision which has caused this.

Price Suppression and Depression

In SEF 8.5, PacAI queries the ADC's conclusion that 'the graphs support Simcoa's claims of price suppression and price depression' given the unit sales revenue depends on the mix of customers, where they are located and the terms on which the product is sold (i.e. revenue is lower if delivered in WA as opposed to delivered to Queensland). In addition, increases in unit cost to make and sell (CTMS) in 2012

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may have been influenced by the commissioning of the new capacity. Given these factors, it is difficult to draw any clear conclusion on price suppression/depression from the graphs in Section 8.5.

Profit and Profitability

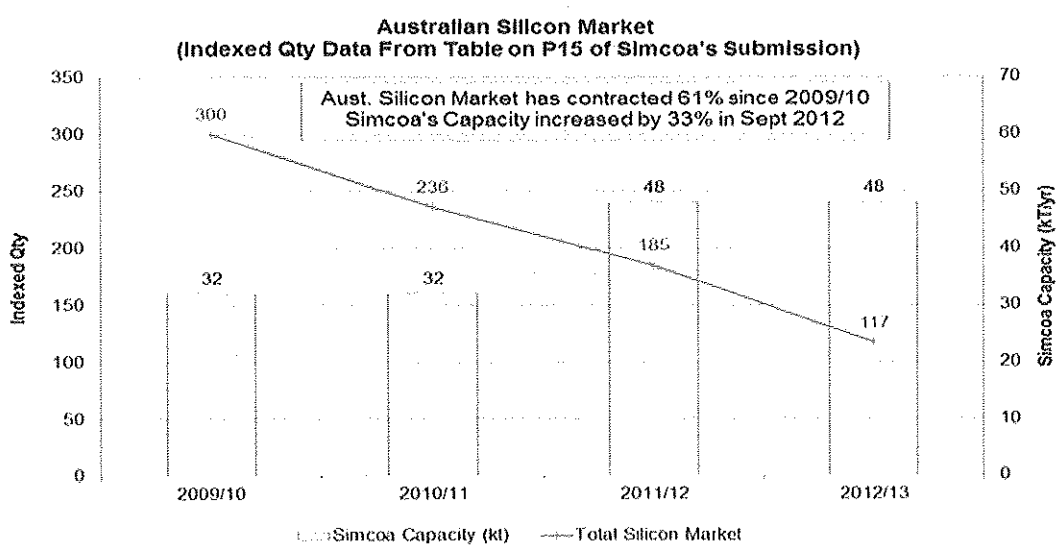
In SEF 8.6, PacAl queries whether the ADC has in looking at Simcoa's profit and profitability given too much weight to domestic sales, as opposed to total sales. Per Figure 1 and Non-Confidential Attachment 5, PacAl again notes that its Gross Profit for the year 2013 was only marginally lower than its 2012 figure (\$21,953,521 in 2013 compared to \$22,164,084 in 2012), which could be explained by (see Confidential Attachment 6).

Material Injury

PacAl disputes the findings in the SEF concerning material injury suffered by Simcoa based on the following:

- In SEF 8.1, the ADC concluded that Simcoa experienced injury in respect of its sales of silicon metal in the form of lost sales volume, lost market share, price suppression and depression and profitability. PacAl refers to the email from Simcoa to Pacific Aluminium of [redacted] in which Simcoa declared it had no interest in 553 or 441 as these were not produced by Simcoa. In light of this representation by Simcoa, PacAl queries the correctness and reasonableness of the findings contained in section 8.1 in respect of a good which Simcoa made a commercial decision not to supply, in order to maintain its volume production in high quality high premium goods.;
- In section 9.6 of the SEF, the ADC has calculated the lost profit assuming PacAl would purchase all of its 2013 requirements from Simcoa. This assumption is based on the claim that Simcoa could and would produce the product required by PacAl as its potential customer. Given that Simcoa chose not to meet its customer's requirements for a lower quality lower cost product, PacAl submits this assumption should be reconsidered;
- Simcoa expanded its capacity in September 2012 by 33% (i.e. from 32kt to 48kt) at a time when the domestic market was shrinking, in part due to the shutdown of Hydro Aluminium (Simcoa's second largest customer) in 2012 (see Figure 2). Therefore, again, it is this internal decision that has created the impact on Simcoa's profitability.

Figure 2 Australian Silicon Market (2010-2013)



- In SEF 9.2 the ADC notes that the margin achieved on export sales in 2013 was lower than achieved in the domestic market. ABS export statistics for 2012 (refer Non-Confidential Attachment 7) show that Simcoa were already exporting silicon prior to their expansion, which indicates that Simcoa already had sufficient capacity for the higher margin domestic market. The ADC has incorrectly placed weight on Simcoa's assertion in its expansion business case that it 'anticipated that additional domestic sales would be derived'.
- Simcoa has operated at full capacity throughout the investigation period as noted by the ADC.
- The ADC estimation of material damage (SEF 9.6) doesn't take into account that 41% of PacAI's silicon was 441 grade, which wasn't available from Simcoa.

Margins Applied

Per the above, PacAI has argued that Silicon 441 has no "like goods" and that no injury was caused to domestic producers (Simcoa) from the import of Silicon 441. Therefore no Dumping Duty should be applied. However, it is PacAI's view that had such measures been appropriate then the ADC have erred in its determination of the duty rates applicable to both high grade and low grade silicon based on reasoning described below.

3 Dumping Margin

In SEF 6.10.1, the ADC calculated a 22.5% dumping margin for uncooperative and all other exporters; whereas it calculated 14.1% for Linan Group.

The stated method of calculation for uncooperative and all other exporters was the same as for Linan Group (i.e. difference between the weighted average of export

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prices over the whole investigation period and the weighted average of corresponding normal values over the whole of that period).

Based on the data submitted by PacAI and verified by the ADC, the 2013 weighted average export price for Linan Group was US\$ per tonne; whereas the weighted average export price for the uncooperative exporter () for 2013 was US\$ per tonne. (I.e. a difference of only 0.76%) (refer to Confidential Attachment 8)

The normal value used for uncooperative exporters and all others was the normal value established for Linan Group (refer to SEF6.10).

If the average export price in the calculation for is less than 1% different to Linan Group and the normal value is the same, then the result can't be a difference of 6.4% (i.e. 22.5% less 14.1%)

Therefore PacAI believes the ADC's calculation of 22.5% dumping margin for uncooperative and other is in error.

4 Subsidy Margins

In SEF section 7, PacAI considers that the analysis of the ADC does not demonstrate adequate evidence to justify the proposed duties to be applied.

The 31.3% difference between the subsidy margin for uncooperative () and other exporters (35%) and Linan Group (3.7%) is excessive given the difference between the weighted average export prices for Linan Group and is less than 1% (refer Confidential Attachment 8).

In calculating this amount, the ADC has determined (at page 78 of the SEF) that uncooperative exporters met the eligibility criteria for some 38 countervailable subsidies, accessed these programs and received financial contributions under these programs.

Neither the ADC nor Simcoa have produced evidence that supports the proposition that uncooperative and other exporters received all of the financial contributions contemplated. In this regard, the ADC appears to have concluded that in the absence of being provided information from the Government of China or Chinese exporters, that these businesses have received all subsidy programs available to them.

As part of the SEF, the ADC has determined that the co-operative exporter, Linan Group, did not receive the benefit of subsidy programs 6-44. Rather than assuming all uncooperative and other exporters received these subsidies (despite the absence of evidence supporting this position), PacAI submits that a more persuasive and reasonable position would be for the ADC to conclude that the uncooperative and other exporters received the same subsidies as the Linan Group. In this regard, it would seem a peculiar circumstance wherein one competitor in an industry is eligible for and receives 38 subsidies, while a producer of the same or similar products does not receive the same subsidies.

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It is PacAI's position that this analysis by the ADC of countervailable subsidies in respect of the uncooperative and other exporters is neither compelling nor reasonable. This is particularly the case in respect of silicon 441 which Simcoa has expressed 'no interest' in supplying. The end position for silicon 441 is that the ADC is imposing a 35% subsidy margin on a product which is not produced by Australian suppliers on the basis that Chinese exporters did not co-operate with its investigation.

PacAI considers this to be a unfair outcome.

Conclusion

For the reasons detailed above, PacAI disputes and disagrees with the conclusions reached by the ADC in the SEF. This is particularly the case in respect of Grade 441 silicon, which Simcoa had plainly indicated it had no interest in supplying to the Australian market.

PacAI looks forward to the ADC's further evaluation and response.

Non-Confidential Attachment 1 - 2013 PacAl Silicon Imports by Grade

Grade	Imports in Tonnes				
	BSL	BBA	Tomago	Total	% of Total
2202	-	3,630	-	3,630	56%
3303	-	120	59	179	3%
441	120	2,278	294	2,692	41%
Totals	120	6,028	353	6,501	100%
% Of Total	2%	93%	5%		

Confidential
ATTACHMENT 2



12 May 2014

Ms Joanne Reid
Director
Anti-Dumping Commission
c/o Australian Customs and Border Protection Service
Customs House
5 Constitution Avenue
CANBERRA ACT 2601

For Public File

Dear Ms Reid

Re: Inquiry into Silicon Metal exported from P R China

I refer to recent documents placed on the public file in the above investigation.

Simcoa Operations Pty Ltd ("Simcoa") has reviewed the importer visit report for Pacific Aluminium. Pacific Aluminium is 100 per cent owned by Rio Tinto Limited and Rio Tinto plc ("Rio Tinto"). During the investigation period, imports of silicon metal from P R China were made by Pacific Aluminium for the Rio Tinto Aluminium (Bell Bay) Limited, Boyne Smelters Limited and Tomago Aluminium Company Pty Ltd aluminium production facilities.

The Pacific Aluminium importer visit report includes a number of comments/assertions that Simcoa considers it appropriate to comment on.

1. Pacific Aluminium imports from P R China

Pacific Aluminium sourced silicon metal from two suppliers in China. It is noted that Pacific Aluminium indicated to the Anti-Dumping Commission ("the Commission") that it "conducts a sourcing process similar to a tender" and that "price is the key factor in all supply decisions".

It is further stated in the report that Pacific Aluminium purchases all grades of silicon to manufacture aluminium. It is asserted by Pacific Aluminium that it moved its silicon purchasing from the high purity grades "to a lower grade known as 441".

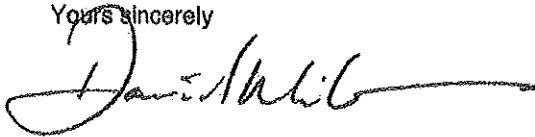
It is also stated that Pacific Aluminium approached Simcoa and that Simcoa was unable to produce grade 441. Simcoa produces all grades of silicon. The implied assertion that Simcoa was unwilling to supply the nominated grade of silicon is inaccurate. The key consideration is that Simcoa was not willing to match the Chinese dumped price for the silicon that was suggested by Pacific Aluminium as being of a lower grade.

Simcoa submits that it was unwilling to match the dumped price for the silicon requested by Pacific Aluminium. Simcoa rejects any suggestion that it could not make the claimed lower grade of silicon (or its equivalent). Simcoa is a manufacturer of all grades of silicon that meet the customers requirements.

Curiously, Simcoa notes that Pacific Aluminium on the one hand mentions the "high purity" and "lower quality" grades of silicon, then suggests that there is no significant quality differences between the imported silicon metal and silicon available from Simcoa. It is evident that the only issue of relevance to Pacific Aluminium was the price at which it was willing to pay for silicon. Simcoa did offer to supply locally produced silicon, however, was not invited to match the price for the dumped silicon exported from P R China.

If you have any questions concerning this letter, please do not hesitate to contact me on (08) 9780 6762, or Simcoa's Representative, John O'Connor on (07) 3342 1921.

Yours sincerely

A handwritten signature in black ink, appearing to read "David Miles", with a long horizontal flourish extending to the right.

David Miles
Vice President
Site Services and Marketing





Simcoa Operations

ACN 009 064 653
ABN 42 009 064 653

ADMINISTRATION:
973 MARRIOTT ROAD, WELLESLEY, WESTERN AUSTRALIA 6233
P. O. BOX 1389, BUNBURY, WESTERN AUSTRALIA 6231
TELEPHONE: (08) 9780 6744 FACSIMILE: (08) 9780 6746

25 September 2014

Ms Joanne Reid
Director
Anti-Dumping Commission
c/o Australian Customs and Border Protection Service
Customs House
5 Constitution Avenue
CANBERRA ACT 2601

Public File

Dear Ms Reid

Re: Investigation No. 237 - Silicon Metal exported from P R China

Simcoa Operations Pty Ltd ("Simcoa") seeks to highlight with the Anti-Dumping Commission ("the Commission") the grades of silicon imported from the People's Republic of China ("China") throughout the investigation period (2013) and to August 2014.

It is noted that the importer Pacific Aluminium has claimed that Simcoa will not supply a low quality grade 441 silicon for its needs. Simcoa disagrees with this suggestion and can supply like goods from local production. Simcoa draws to the attention of the Commission the import volumes into each state and the varying import prices which are indicative of grades.

Over the period January 2013 to August 2014, approximately [data available from ABS] tonnes of silicon was imported from China¹. The most significant volumes have been entered in Tasmania (refer ABS data) and Victoria (refer ABS data). It is anticipated that some of the volume imported through Victoria is consumed in Tasmania at [entity] smelter. Historically (i.e. for xx years) Simcoa supplied the [location] facility with its Grade xxxx silicon. Of the [refer ABS data] imported into Tasmania, approximately [volume] appear to be Grade 441 silicon (price low/high grade cut-off is estimated at \$xxx/MT). The remainder -- approximately xx per cent is high grade silicon for use foundry alloy production. For imports into Tasmania, approximately [refer ABS data] are considered to be low grade with the remainder of the total [refer ABS data] considered to be high grade silicon (or xx per cent).

[Entity] facility in Queensland is understood to produce extrusion alloy or billet for aluminium shapes, and lower grade silicon may be used. However, only xxx tonnes of the total [refer ABS data] tonnes appear to be low grade silicon.

Overall, approximately xx per cent of total silicon imports from china over the period January 2013 to August 2014 (inclusive) appears to be low grade silicon.

Simcoa's locally produced silicon can be supplied for all aluminium alloy requirements in Australia. Simcoa does not consider that the Commission should consider any exemption from measures for the dumped and injurious low grade silicon exported from China as this will result in further material injury to the Australian industry in applications where, historically, Simcoa has supplied its locally produced silicon. Simcoa considers that it manufactures like goods to all imported grades of silicon exported from China.

¹ Refer ABS import statistics for January 2013 to August 2014.

Our Commitment to Quality is Our Future





Copy of financial statements and reports

If there is insufficient space in any section of the form, you may photocopy the relevant page(s) and submit as part of this lodgement

Company/scheme details

Company/scheme name
SIMCOA OPERATIONS PTY LTD

ACN/ARSN/PIN/ABN
009 064 653

Lodgement details

An image of this form will be available as part of the public register.

Who should ASIC contact if there is a query about this form?
ASIC registered agent number (if applicable)
2622

Firm/organisation
Deloitte

Contact name/position description Telephone number (during business hours)
Ken Nishida (08) 9365 7166

Email address (optional)
knishida@deloitte.com.au

Postal address
GPO Box A46

Suburb/City State/Territory Postcode
Perth WA 6837

TRA

28 APR 2014

CD

1 Reason for lodgement of statement and reports

Tick appropriate box.

See Guide for definition of Tier 2 public company limited by guarantee

See Guide for definition of large proprietary company

See Guide for definition of small proprietary company

Dates on which financial year begins and ends

- A public company or a disclosing entity which is not a registered scheme or prescribed interest undertaking (A)
- A Tier 2 public company limited by guarantee (L)
- A registered scheme (B)
- Amendment of financial statements or directors' report (company) (C)
- Amendment of financial statements or directors' report (registered scheme) (D)
- A large proprietary company that is not a disclosing entity (H)
- A small proprietary company that is controlled by a foreign company for all or part of the period and where the company's profit or loss for the period is not covered by the statements lodged with ASIC by a registered foreign company, company, registered scheme, or disclosing entity (I)
- A small proprietary company, or a small company limited by guarantee that is requested by ASIC to prepare and lodge statements and reports (J)
- A prescribed interest undertaking that is a disclosing entity (K)

Financial year begins 01/01/13 to Financial year ends 31/12/13
(D) (M) (Y) (D) (M) (Y)

2 Details of large proprietary company

See Guide for definition of large and small proprietary companies.

If the company is a large proprietary company that is not a disclosing entity, please complete the following information as at the end of the financial year for which the financial statements relate:

A What is the consolidated revenue of the large proprietary company and the entities that it controls?

\$133,144,222

B What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

\$351,546,604

C How many employees are employed by the large proprietary company and the entities that it controls?

166

D How many members does the large proprietary company have?

One

3 Auditor's or reviewer's report

Tick one box and complete relevant section(s)

Were the financial statements audited or reviewed?

Audited - complete B only

Reviewed - complete A and B

No

If no, is there a class or other order exemption current for audit/review relief?

Yes

No

A. Reviewed

Is the reviewer a registered company auditor, or member of The Institute of Chartered Accountants in Australia, CPA Australia Limited, or Institute of Public Accountants and holds a practising certificate issued by one of those bodies?

Yes

No

B. Audited or Reviewed

Is the opinion/conclusion in the report:

Modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

Yes

No

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

Yes

No

4 Details of current auditor or auditors

Notes:

- Registered schemes must advise ASIC of the appointment of an auditor on a Form 5137 *Appointment of scheme auditor* within 14 days of the appointment of the auditor.
- A public company limited by guarantee may, in some circumstances, have their accounts reviewed. These companies are still required to have an auditor and these details must be provided.

Auditor registration number (for individual auditor or authorised audit company)

Family name

Given name

or

Company name

ACN/ABN

or

Firm name (if applicable)

Deloitte Touche Tohmatsu

Office, unit, level

Level 14

Street number and Street name

240 St Georges Terrace

Suburb/City

Perth

State/Territory

WA

Postcode

6837

Country (if not Australia)

Date of appointment

06/03/96
[D] [DJ] [M] [MJ] [Y] [YI]

A company may have two appointed auditors, provided that both auditors were appointed on the same date. Otherwise, an appointed auditor must resign, be removed or otherwise ceased before a subsequent appointment may be made.

Auditor registration number (for individual auditor or authorised audit company)

Family name

Given name

or

Company name

ACN/ABN

or

Firm name (if applicable)

Office, unit, level

Street number and Street name

Suburb/City

State/Territory

Postcode

Country (if not Australia)

5 Statements and reports to be attached to this form

Financial statements for the year (as required by s295(2) and accounting standards)

- Statement of comprehensive income, may also include a separate income statement for the year
- Statement of financial position as at the end of the year
- Statement of cash flows for the year
- Statement of changes in equity.

OR

If required by accounting standards — the consolidated statements of comprehensive income/income statement, financial position, cash flows and changes in equity.

Notes to financial statements (see s295(3))

- Disclosures required by the regulations
- Notes required by the accounting standards
- Any other information necessary to give a true and fair view (see s297).

The signed directors' declaration about the statements and notes (see s295(4)).

The signed directors' report for the year, including the copy of the auditor's or reviewer's independence declaration (see s298 to s300A).

Signed auditor's report or, where applicable, reviewer's report (see s301, s307 to s308).

Concise report (if any) (see s319).

Signature


See Guide for details of signatory.

I certify that the attached documents marked () are a true copy of the original reports required to be lodged under s319 of the Corporations Act 2001.

Name

Kevin David O'Sullivan

Signature



Capacity

- Director
 Company secretary

Date signed

/ / /
[D] [D] [M] [M] [Y] [Y]

Lodgement

Send completed and signed forms to:
Australian Securities and Investments Commission,
PO Box 4000, Gippsland Mail Centre VIC 3841.

Or lodge the form electronically by:

- visiting the ASIC website www.asic.gov.au
- using Standard Business Reporting enabled software. See www.sbr.gov.au for more details.

For more information

Web www.asic.gov.au

Need help? www.asic.gov.au/question

Telephone 1300 300 630

SIMCOA OPERATIONS PTY LTD

ACN 009 064 653

SPECIAL PURPOSE FINANCIAL REPORT

**FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2013**

SIMCOA OPERATIONS PTY LTD

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SIMCOA OPERATIONS PTY LTD

DIRECTORS' REPORT

The directors of Simcoa Operations Pty Ltd ("the Company") submit herewith the annual financial report for the financial year ended 31 December 2013. In compliance with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

- E. E. Schroeder Mr Ervin Schroeder is the Vice-President of Shintech Inc, a United States subsidiary of Shin-Etsu Chemical Co., Ltd., which is the parent company of the Simcoa group of companies comprising Silicon Metal Company of Australia Pty Ltd, the Company, Simcoa International Pty Ltd and Microsilica Pty Ltd (together, "the Simcoa Group"). Mr. Schroeder joined Shintech in 1980 and prior to this worked for 23 years including as technical manager, for Firestone Tire Rubber Co. Mr. Schroeder serves on several boards in, and resides in, the United States of America. Mr. Schroeder was appointed as a director on 19 February 1996.
- S. Mori Mr Shunzo Mori is the President of Shin-Etsu Chemical Co., Ltd.. Mr. Mori has a degree in mechanical engineering, and has been in a senior executive role within the Shin-Etsu group of companies since 1985. Mr. Mori has been with Shin-Etsu since 1963 and resides in Japan. Mr. Mori was appointed as a director on 19 February 1996.
- T. Akimoto Mr Toshiya Akimoto is a Managing Director of Shin-Etsu Chemical Co., Ltd., and is the General Manager, Office of the Secretariat and in charge of the Office of the President and finance and accounting of Shin-Etsu. He joined Shin-Etsu in 1982 and worked for Shintech Inc, a United States subsidiary of Shin-Etsu from 1987 to 1994 as an accountant. He resides in Japan. Mr. Akimoto was appointed as a director on 17 April 1998.
- K. D. O'Sullivan Mr Kevin O'Sullivan is a solicitor and a partner of the law firm Clayton Utz. He acted for Shin-Etsu Chemical Co., Ltd. in relation to the acquisition of the Simcoa Group. Mr. O'Sullivan practices in the areas of corporate, energy and resources law. He resides in Perth, Western Australia. Mr. O'Sullivan served as a director from 19 June 1997 until he resigned as a director on 19 October 2000. He was re-appointed as a director on 31 March 2009.

The above named officers have held office during the year and since the end of the financial year.

SIMCOA OPERATIONS PTY LTD

DIRECTORS' REPORT

COMPANY SECRETARY

K.D. O'Sullivan Mr Kevin O'Sullivan is a solicitor and a partner of the law firm Clayton Utz. He acted for Shin-Etsu Chemical Co., Ltd. in relation to the acquisition of the Simcoa group of companies. Mr. O'Sullivan practices in the areas of corporate, energy and resources law. He resides in Perth, Western Australia. He is also the director of the Company.

PRINCIPAL ACTIVITIES

The Company, Silicon Metal Company of Australia Pty Ltd, Microsilica Pty Ltd and Simcoa International Pty Ltd, represent the "Simcoa Group".

The Simcoa Group's principal continuing activity is the production and marketing of silicon metal and by-products. The Simcoa Group operates a mine for the sourcing of quartz and a plant for the production of silicon metal and by-products.

DIVIDENDS

No dividends were declared or paid during the period and the directors have made no recommendation for payment of any dividend.

REVIEW OF OPERATIONS

Silicon metal sales of the Company for the year ended December 31, 2013 of 48,457 tonnes was 15,981 tonnes above 2012 levels of 32,476 tonnes with gross silicon revenues per tonne increase by \$119 per tonne from \$2,696 per tonne in 2012 to \$2,815 per tonne in 2013.

Gross silicon sales for the year were \$133,144,222 (2012: \$97,331,568), and the Company has continued to maintain a fully sold position in all products.

The net amount of the Company's profit after income tax for the financial year was \$6,866,535 (2012: \$14,494,107).

The cash flow has allowed the Company to meet essential capital expenditure of \$29,503,870 (\$56,752,311 in 2012).

SIMCOA OPERATIONS PTY LTD

DIRECTORS' REPORT

CHANGES IN STATE OF AFFAIRS

During the financial year there was no significant change in the state of affairs of the Company.

ENVIRONMENTAL REGULATION

The Company is a party to an agreement with the State of Western Australia ("State Agreement") ratified by the Silicon (Kemerton) Agreement Act 1987 (WA), and holds environmental licences for its premises and operations at Moora and Kemerton. During the relevant financial year, the Company satisfied the requirements of both the State Agreement and the environmental licences, including annual environmental reporting requirements.

SUBSEQUENT EVENTS

There has not been any matter or circumstance that has arisen since the end of the financial period that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in the financial year.

FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments in the operations of the Company in future financial years, and the expected results of those operations, is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During or since the financial year, the Company has paid premiums in respect of a contract insuring the above named directors and officers of each company in the Simcoa group against a liability incurred in their role as directors and officers of the Company to the extent permitted by the Corporations Act 2001.

The insurance contract prohibits disclosure of the nature of the insured liability cover and of the premium paid.

SIMCOA OPERATIONS PTY LTD

DIRECTORS' REPORT

On 17 July 2007, Shin-Etsu and the Simcoa Group entered into an officer protection deed with Mr Ervin Schroeder whereby they agreed to indemnify Mr Schroeder and his personal representatives against all losses and liabilities suffered, paid or incurred by Mr Schroeder in connection with his being a director and officer of the Simcoa Group, his employment with the Simcoa Group, or a breach by Simcoa Group of its obligations under the officer protection deed to the extent permitted by law.

On 17 July 2007, Shin-Etsu and the Simcoa Group entered into an officer protection deed with Mr Shunzo Mori whereby they agreed to indemnify Mr Mori and his personal representatives against all losses and liabilities suffered, paid or incurred by Mr Mori in connection with his being a director and officer of the Simcoa Group, his employment with the Simcoa Group, or a breach by the Simcoa Group of its obligations under the officer protection deed to the extent permitted by law.

On 17 July 2007, Shin-Etsu and the Simcoa Group entered into an officer protection deed with Mr Toshiya Akimoto whereby they agreed to indemnify Mr Akimoto and his personal representatives against all losses and liabilities suffered, paid or incurred by Mr Akimoto in connection with his being a director and officer of the Simcoa Group, his employment with the Simcoa Group, or a breach by the Simcoa Group of its obligations under the officer protection deed to the extent permitted by law.

On 11 March 2009, Shin-Etsu and the Simcoa Group entered into an officer protection deed with Mr Kevin O'Sullivan whereby they agreed to indemnify Mr O'Sullivan and his personal representative, and, Clayton Utz (the law firm of which Mr O'Sullivan is a partner), against all losses and liabilities suffered, paid or incurred by them in connection with Mr O'Sullivan being a director and officer of the Simcoa Group, his employment with Simcoa Group, or a breach by Simcoa Group of its obligations under the officer protection deed to the extent permitted by law.

SIMCOA OPERATIONS PTY LTD

DIRECTORS' REPORT

AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is attached.

Signed in accordance with a resolution of the directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the directors



Ervin Schroeder
Director

(Place) *Freeport, Tx USA*

(Date) *April 15, 2014*

Deloitte.

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The Board of Directors
Simcoa Operations Pty Ltd
Lot 22 Marriot Road
Wellesley WA 6233

16 April 2014

Dear Board Members

Simcoa Operations Pty Ltd

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Simcoa Operations Pty Ltd.

As lead audit partner for the audit of the financial statements of Simcoa Operations Pty Ltd for the financial ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Ross Jerrard
Partner
Chartered Accountant

Independent Auditor's Report to the members of Simcoa Operations Pty Ltd

We have audited the accompanying financial report, being a special purpose financial report, of Simcoa Operations Pty Ltd, which comprises the statement of financial position as at 31 December 2013, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 10 to 30.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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 report.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Simcoa Operations Pty Ltd would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion, the financial report of Simcoa Operations Pty Ltd is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2013 and of their performance for the year ended on that date; and
- (b) complying with International Accounting Standards to the extent described in Note 1, and the *Corporations Regulations 2001*.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Ross Jerrard
Partner
Chartered Accountants
Perth, 16 April 2014

SIMCOA OPERATIONS PTY LTD

**DIRECTORS' DECLARATION
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

As detailed in Note 1 to the financial statements, the Company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company.

Signed in accordance with a resolution of the directors made on 3 April 2014 pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors



Ervin Schroeder
Director

(Place) *Freeport, Tx USA*

(Date) *April 15, 2014*

SIMCOA OPERATIONS PTY LTD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Notes	2013 \$	2012 \$
Continuing operations			
Revenue	2	133,144,222	97,331,568
Cost of sales		(111,190,701)	(75,167,484)
Gross profit		----- 21,953,521	----- 22,164,084
Other income	2	1,715,276	3,844,671
Administration expenses		(5,013,425)	(5,335,443)
Freight expenses		(6,772,357)	(5,159,108)
Marketing expenses		(2,190,888)	(1,765,590)
Other expenses		(77,821)	(264,504)
Finance costs		(18,609)	(17,408)
Profit before tax		----- 9,595,697	----- 13,466,702
Income tax (expense)/benefit		(2,729,161)	1,027,405
PROFIT FOR THE YEAR	14	----- 6,866,535	----- 14,494,107
Other comprehensive income for the year, net of income tax		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		----- 6,866,535	----- 14,494,107

Notes to the financial statements are included on pages 14 to 30.

SIMCOA OPERATIONS PTY LTD
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

Assets	Notes	2013 \$	2012 \$
<i>Current assets</i>			
Cash and cash equivalents	16a	5,352,195	13,738,112
Trade and other receivables	5	56,232,610	45,055,518
Other financial assets	4	20,500,000	15,067,177
Inventory	6	45,176,802	58,048,892
Other current assets	7	1,183,027	1,485,975
Total current assets		128,444,635	133,395,674
<i>Non-current assets</i>			
Property, plant and equipment	8	217,233,215	201,409,202
Other non-current assets	10	5,868,755	5,891,819
Total non-current asset		223,101,970	207,301,021
Total assets		351,546,604	340,696,695
Liabilities			
<i>Current liabilities</i>			
Trade and other payables	11	40,317,024	37,517,008
Provisions	12	3,254,517	1,725,663
Total current liabilities		43,571,541	39,242,671
<i>Non-current liabilities</i>			
Provisions	12	941,502	875,201
Deferred tax liability	9	6,163,963	6,575,759
Total non-current liabilities		7,105,465	7,450,960
Total liabilities		50,677,005	46,693,631
Net assets		300,869,599	294,003,064
Equity			
<i>Capital and reserves</i>			
Issued capital	13	32,005,100	32,005,100
Retained earnings	14	268,864,499	261,997,964
Total equity		300,869,599	294,003,064

Notes to the financial statements are included on pages 14 to 30.

**SIMCOA OPERATIONS PTY LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

	Notes	Issued capital \$	Retained Earnings \$	Total \$
Balance at 1 January 2012	13&14	<u>32,005,100</u>	<u>247,503,857</u>	<u>279,508,957</u>
Profit for the year		-	14,494,107	14,494,107
Other comprehensive income for the year, net of income tax		-	-	-
Total comprehensive income for the year		-	<u>14,494,107</u>	<u>14,494,107</u>
Balance at 31 December 2012	13&14	<u>32,005,100</u>	<u>261,997,964</u>	<u>294,003,064</u>
Profit for the year		-	6,866,535	6,866,535
Other comprehensive income for the year, net of income tax		-	-	-
Total comprehensive income for the year		-	<u>6,866,535</u>	<u>6,866,535</u>
Balance at 31 December 2013	13&14	<u>32,005,100</u>	<u>268,864,499</u>	<u>300,869,599</u>

Notes to the financial statements are included on pages 14 to 30.

**SIMCOA OPERATIONS PTY LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	2013 \$	2012 \$
Cash flows from operating activities			
Receipts from customers		124,666,668	98,609,934
Payments to suppliers and employees		(95,771,114)	(76,220,055)
Interest received		721,600	2,399,365
Interest and other costs of finance paid		(18,609)	(17,408)
Payments to head entity under tax funding agreement		(3,140,957)	(4,496,597)
Net cash generated by operating activities	16(b)	26,457,589	20,275,239
Cash flows from investing activities			
Proceeds from term deposits		(5,566,682)	50,066,682
Payments for security deposits		-	(3,610,384)
Payments for property, plant & equipment		(29,503,870)	(56,752,311)
Proceeds from sale of property, plant & equipment		-	140,000
Payments for mine development		121,013	(251,366)
Net cash used in investing activities		(34,949,539)	(10,407,379)
Net increase/(decrease) in cash and cash equivalents		(8,491,950)	9,867,860
Cash and cash equivalents at the beginning of the year		13,738,112	3,705,663
Effects of exchange rate changes on the balance of cash and cash equivalents		106,033	164,589
Cash and cash equivalents at the end of the year	16(a)	5,352,195	13,738,112

Notes to the financial statements are included on pages 14 to 30.

**SIMCOA OPERATIONS PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

1. Summary of accounting policies

Financial reporting framework

The Company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, these special purpose financial statements have been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

For the purposes of preparing the financial statements, the Company is a for-profit entity.

Statement of compliance

The financial statements have been prepared in accordance with the Corporations Act 2001, the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of Accounting Standards AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' and AASB 1054 'Australian Additional Disclosures'.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. Unless otherwise indicated, all amounts are presented in Australian dollars.

Application of new and revised Accounting Standards

• Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The company has adopted all applicable new and revised Standards and Interpretations in the current period and these have affected the amounts reported in these financial statements. Details for other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set-out below.

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

• Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions and arrangements.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	31 December 2013
AASB 13 'Fair Value Measurement' and related AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	31 December 2013
AASB 127 'Separate Financial Statements (2011)' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	31 December 2013
AASB 1048 'Interpretation of Standards' (2013)	Period ending on or after 20 December 2013	31 December 2013

SIMCOA OPERATIONS PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. Summary of accounting policies (continued)

Application of new and revised Accounting Standards (continued)

- Standards and Interpretations adopted with no effect on financial statements (continued)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income' [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	1 July 2012	31 December 2013
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	31 December 2013
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'	1 January 2013	31 December 2013
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	Period ending on or after 20 December 2013	31 December 2013
Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and related AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'	1 January 2013	31 December 2013
AASB CF 2013-1 'Amendments to the Australian Conceptual Framework'	Period ending on or after 20 December 2013	31 December 2013

- Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments'(December 2010), AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 8 and Transition Disclosure' AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2017	31 December 2018

**SIMCOA OPERATIONS PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

1. Summary of accounting policies (continued)

Application of new and revised Accounting Standards (continued)

- **Standards and Interpretations in issue not yet adopted (continued)*

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 1031 'Materiality' (2013)	1 January 2014	31 December 2014
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	31 December 2014
AASB 2013-3 'Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	31 December 2014
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	31 December 2014

Critical accounting judgments and key sources of estimation uncertainty

In the application of Accounting Standards management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Cash equivalents are defined as short-term (original maturities of three months or less), highly liquid instruments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in values including certificates of deposit and time deposits with original maturities of three months or less.

**SIMCOA OPERATIONS PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

1. **Summary of accounting policies (continued)**

(b) **Income Tax**

The company is a subsidiary of Silicon Metal Company of Australia Pty Ltd and forms part of the tax consolidated group. The consolidated current and deferred tax amounts for the tax-consolidated group are allocated to the members of the tax-consolidated group (including Simcoa Operations Pty Ltd) using the 'separate taxpayer within group' approach, which deferred taxes being allocated by reference to the carrying amounts in the financial statements of each member entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits arising from this allocation process are then accounted for as immediately assumed by the head entity, as under Australian taxation law the head entity has the legal obligation (or right) to these amounts.

Entities within the tax-consolidated group have entered into a tax funding arrangement with the head entity. Under the terms of the tax funding arrangement, Simcoa Operations Pty Ltd and Silicon Metal Company of Australia Pty Ltd have agreed to pay a tax equivalent payment to or from the head entity equal to the tax liability or asset assumed by the head entity for that period as noted above. Such amounts are reflected in amounts receivable from or payable to the head entity. Accordingly, the amount arising under the tax funding arrangement for each period is equal to the tax liability or asset assumed by the head entity for that period and no contribution from (or distribution to) equity participants arises in relation to income taxes.

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognized as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognized as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognized directly in equity, or where it arises from the initial accounting for business combination, in which case it is taken into account in the determination of goodwill or excess.

**SIMCOA OPERATIONS PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

1. Summary of accounting policies (continued)

(c) Trade and Loan Receivables

Trade receivables, loans, and other receivables are recorded at amounts due less any allowance for doubtful debts.

(d) Inventories

Finished goods, raw materials, spares and consumable stocks are valued at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on the weighted average cost basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(e) Revenue Recognition

Sale of goods

Revenue from the sale of goods is recognized when the company has transferred to the buyer the significant risks and rewards of ownership of the goods.

Interest income

Interest income is recognized on a time proportionate basis that takes into account the effective yield on the financial asset.

(f) Property, Plant and Equipment

Property, plant and equipment other than freehold land are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amount payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

Buildings	16-20 years
Plant and Equipment	5-20 years

(g) Impairment

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair values less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

SIMCOA OPERATIONS PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. **Summary of accounting policies (continued)**
- (g) **Impairment (continued)**
An impairment loss is recognized in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.
Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.
- (h) **Exploration, Evaluation and Development**
Exploration, evaluation and development expenditure carried forward represents an accumulation of net costs incurred in relation to separate areas of interest for which rights or tenure are current and in respect of which;
- i. such costs are expected to be recouped through successful development and exploration of the area, or alternatively by its sales; or
 - ii. exploration and/or evaluation activities in the area have not yet reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves.
- Accumulated costs in respect of each area of interest are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Areas of interest which are abandoned or determined to be of no value are written off in the Income Statement in the year in which the area is abandoned or the decision is made to abandon an area.
- (i) **Payables**
Trade payables and other accounts payable are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services.
- (j) **Capital and Rotatable Spares Policy**
Plant and machinery spare parts are categorised as capital spares, rotatable spares and consumables. Provision is made for the depreciation of capital spares which were purchased at the time of purchase of the original plant. The cost of rotatable spares used during the financial period has been written off as an expense to the profit and loss account.
- (k) **Maintenance**
Day to day maintenance and repair costs are expensed as incurred.
- (l) **Foreign Exchange Transaction**
The financial statements of the company are presented in the currency of the primary economic environment in which the entity operates (its functional currency.) For the purpose of the financial statements, the results and financial position of the company are expressed in Australian dollars, which is the functional currency of Simcoa Operations Pty Ltd, and the presentation currency for the financial statements.
In preparing the financial statements of the company, transactions in currencies other than the company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are dominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

SIMCOA OPERATIONS PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. Summary of accounting policies (continued)

(l) Foreign Exchange Transaction (continued)

Exchange differences are recognized in profit and loss period in which they arise except for:

- i. exchange differences which relate to assets under construction for future productive use are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- ii. exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- iii. exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognized in the foreign currency translation reserve and recognized in profit or loss disposal of the net investment.

(m) Goods and Services Tax

Revenues, expenses and assets are recognized net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognized as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognized inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(n) Financial Assets

The company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loan and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

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 provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

SIMCOA OPERATIONS PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. Summary of accounting policies (continued)

(n) Financial Assets (continued)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognized on trade-date – the date on which the company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value on non-monetary securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statements as losses from investment securities.

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for held-to-maturity financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less an impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For equity instruments, including listed or unlisted shares, objective evidence of impairment includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment for unlisted shares classified as available-for-sale.

SIMCOA OPERATIONS PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. Summary of accounting policies (continued)

(n) Financial Assets (continued)

For all other financial assets, including redeemable notes classified as available-for-sale and finance lease receivables, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain category of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivable could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset including uncollectible trade receivables is reduced by the impairment loss through the use of the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

(o) Leased Assets

Operating lease payments are recognized as an expense on a basis which reflects the pattern in which economic benefits from leased asset are consumed.

(p) Provisions for Abandonment

Provision for environmental restoration, restructuring costs and legal claims are recognized when the company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

The amount recognized as the provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risk and uncertainties surrounding the obligation. Where the provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

SIMCOA OPERATIONS PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. Summary of accounting policies (continued)

(p) Provisions for Abandonment (continued)

Restoration provisions have been based on external studies which estimated the cost of restoration work required at the end of the useful life of the producing fields, including removal of facilities and equipment required or intended to be removed, together with abandonment of production wells. Where a restoration obligation is assumed as part of the acquisition of an asset or obligation, the liability is initially measured at the present value of the future cash flows to settle the present obligation as at the acquisition date. The unwinding of the discount implicit in the present value calculations is included in borrowing costs. Estimated are reassessed annually and the effects of change are recognized prospectively.

(q) Finance Cost

Interest and other debt servicing costs on loans raised to finance major projects that can be reasonably attributed to assets under construction or assets being prepared for productive use are recognized as an expense in the period in which they are incurred.

(r) Derivative Financial Instruments

The company enters into forward foreign exchange contracts, a form of derivative financial instrument which manages its exposure to foreign exchange rate risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

(s) Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long service leave which is not expected to be settled within 12 months is measured as the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to the reporting date.

(t) Comparative Amounts

The reclassification of comparative amounts occurs only when it is necessary to ensure comparability.

**SIMCOA OPERATIONS PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

	2013 \$	2012 \$
2. Profit for the year		
The profit for the year has been arrived at after crediting/charging the following items of revenue and expense:		
<i>Revenue</i>		
Sales Revenue	133,144,222	97,331,568
Other Income:		
Interest - other entities	689,356	1,489,769
Management fees charged to related party	540,000	540,000
Foreign exchange gains	323,510	1,559,792
Other	162,410	255,110
	1,715,276	3,844,671
	134,859,498	101,176,239
<i>Expenses</i>		
Depreciation of non-current assets:		
Plant & equipment	11,260,372	5,600,122
Buildings	2,419,486	66,471
Amortisation of non-current assets:		
Mine development	97,947	86,093
Employee benefits expense	14,245,845	15,237,380
	14,343,260	15,389,676
3. Remuneration of Auditors		
Audit or review of the financial report	150,500	142,000
Other non-audit services - financial report preparation, tax, etc.	127,176	225,000
	277,676	367,000

The auditor of Simcoa Operations Pty Ltd is Deloitte Touche Tohmatsu.
Audit fees relating to the parent entity are settled by Simcoa Operations Pty Ltd.

SIMCOA OPERATIONS PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	\$	\$
4. Other financial assets		
Derivative assets/liability - Foreign exchange forward contract	-	133,859
Term deposits	20,500,000	14,933,318
	20,500,000	15,067,177
	20,500,000	15,067,177
5. Trade and other receivables		
Trade receivables	46,862,550	28,790,387
Allowance for doubtful debts	(100,165)	(112,030)
	46,762,385	28,678,357
Other debtors	6,616,368	6,450,000
Related party debtors	447,493	55,423
Intercompany receivable	2,406,364	9,871,738
	56,232,610	45,055,518
	56,232,610	45,055,518
6. Inventories		
Raw materials	32,407,802	35,867,444
Raw materials - in transit	-	3,633,610
Finished goods	8,038,372	13,453,172
Supplies	4,730,628	5,094,666
	45,176,802	58,048,892
	45,176,802	58,048,892
7. Other current assets		
Prepayments	1,087,286	1,357,990
Accrued interest	95,741	127,985
	1,183,027	1,485,975
	1,183,027	1,485,975

SIMCOA OPERATIONS PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

8. Property, plant and equipment	2013	2012
	\$	\$
Cost	377,793,092	351,304,754
Accumulated depreciation and impairment	(160,559,878)	(149,895,552)
	<u>217,233,215</u>	<u>201,409,202</u>
Freehold land	2,749,887	2,749,887
Buildings	57,229,031	647,100
Property under construction	2,241,742	176,125,711
Plant and equipment	155,012,555	21,886,504
	<u>217,233,215</u>	<u>201,409,202</u>

	Freehold land at cost	Buildings at cost	Property under construction at cost	Plant and Equipment at cost (i)	TOTAL
	\$	\$	\$	\$	\$
Balance at 31 December 2012					
Cost	2,749,887	18,226,649	176,125,711	154,202,507	351,304,754
Accumulated depreciation and impairment	-	(17,579,549)	-	(132,316,003)	(149,895,552)
	<u>2,749,887</u>	<u>647,100</u>	<u>176,125,711</u>	<u>21,886,504</u>	<u>201,409,202</u>
Balance at 31 December 2013					
Cost	2,749,887	77,228,066	2,241,742	295,573,389	377,793,093
Accumulated depreciation and impairment	-	(19,999,035)	-	(140,560,843)	(160,559,878)
	<u>2,749,887</u>	<u>57,229,031</u>	<u>2,241,742</u>	<u>155,012,555</u>	<u>217,233,215</u>

(i) Aggregate depreciation allocated during the year is recognized as an expense and is disclosed in note 2 of the financial statements.

	2013	2012
	\$	\$
9. Deferred tax asset and liability		
Deferred tax asset	-	806,377
Deferred tax liability	(6,163,963)	(7,382,136)
Net deferred tax liability	<u>(6,163,963)</u>	<u>(6,575,759)</u>

SIMCOA OPERATIONS PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	\$	\$
10. Other non-current assets		
Exploration, evaluation & development costs carried forward in respect of mining areas of interest where production has commenced:		
Moora mine	2,174,478	2,099,593
Less: Accumulated amortisation	(1,002,517)	(904,568)
	1,171,961	1,195,025
	1,171,961	1,195,025
Aggregate amortisation allocated during the year is recognised as an expense and disclosed in note 2 to the financial statements.		
<i>Deposits</i>		
Security deposit	4,696,794	4,696,794
	4,696,794	4,696,794
	4,696,794	4,696,794
Total other non-current assets	5,868,755	5,891,819
11. Trade and other payables		
<i>Current</i>		
Accounts payable – trade	14,038,773	15,524,859
Accounts payable – other	225,966	256,516
Intercompany payable	14,900,000	14,900,000
Accrued expense	11,152,285	6,835,633
	40,317,024	37,517,008
	40,317,024	37,517,008
12. Provisions		
<i>Current</i>		
Employee benefits	1,569,709	1,725,663
Derivative liability	1,684,808	-
	3,254,517	1,725,663
	3,254,517	1,725,663
<i>Non-current</i>		
Employee benefits	557,656	509,634
Rehabilitation	383,846	365,567
	941,502	875,201
	941,502	875,201
Total provisions	4,196,019	2,600,864

SIMCOA OPERATIONS PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 \$	2012 \$
13. Issued capital		
37,100 fully paid ordinary shares (2012: 37,100)	32,005,100	32,005,100

	2013		2012	
	No.	\$	No.	\$
<i>Fully Paid Ordinary Share Capital</i>				
Balance at beginning of financial year	37,100	32,005,100	37,100	32,005,100
Movement	-	-	-	-
Balance at end of financial year	37,100	32,005,100	37,100	32,005,100

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Changes to the Corporations Law abolished the authorized capital and par value concept in relation to share capital from 1 July 1998. Therefore the company does not have a limited amount of authorized capital and issued shares do not have a par value.

	2013 \$	2012 \$
14. Retained earnings		
Balance at beginning of financial year	261,997,964	247,503,857
Profit for the year	6,866,535	14,494,107
Balance at end of financial year	268,864,499	261,997,964

15. Commitments for expenditure

(a) Capital Commitments

Aggregate capital expenditure contracted for at balance sheet date not provided for in the accounts

Not longer than 1 year	2,851,191	951,262
Longer than 1 year and not longer than 5 years		
Longer than 5 years	-	-
The majority of these capital commitments relate to the ongoing factory and furnace expansion.	2,851,191	951,262

(b) Lease Commitments

Commitments in relation to non-cancellable operating leases

Not longer than 1 year	153,741	144,708
Longer than 1 year but not longer than 5 years	215,124	242,656
Longer than 5 five years	-	-
	368,865	387,364

SIMCOA OPERATIONS PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

16. Cash and cash equivalents

	2013	2012
	\$	\$
<i>(a) Reconciliation of cash and cash equivalents</i>		
For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows.		
Cash and cash equivalents	5,352,195	13,738,112
<i>(b) Reconciliation of operating profit after income tax to net cash generated by operating activities</i>		
Operating profit after income tax	6,866,535	14,494,107
Depreciation and amortisation - property plant and equipment, mine development	13,581,908	5,752,686
Gain on disposal of property, plant and equipment	-	(140,000)
Foreign exchange gains	(106,033)	(164,589)
Changes in operating assets and liabilities:		
Decrease/ (Increase) in inventories	12,872,090	(9,905,261)
Increase in trade and sundry debtors	(8,770,728)	(11,016,068)
Decrease in accrued interest	32,244	909,596
(Increase)/ Decrease in deferred tax balances	(411,796)	4,347,736
Decrease in derivative assets	1,818,667	257,610
Decrease in prepayments	270,704	21,892
Increase in accounts payable and accruals	393,652	15,594,560
(Decrease)/Increase in provisions	(89,654)	122,970
Net cash generated by operating activities	<u>26,457,589</u>	<u>20,275,239</u>

17. Financing arrangements

The company has the following finance facility available:

Bank overdraft limit	1,500,000	1,500,000
Amounts used	-	-
Amounts unused	<u>1,500,000</u>	<u>1,500,000</u>

There are no restrictions on the use of the above facilities or withdrawal.

**SIMCOA OPERATIONS PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

18. Parent entities

The parent entity is Silicon Metal Company of Australia Pty Ltd and the ultimate parent entity is Shin-Etsu Chemical Co Ltd.

19. Events occurring after balance date

No subsequent events have occurred since the 31 December 2013 which are considered to have a material impact on the accounts.

20. Additional company information

Simcoa Operations Pty Ltd is a proprietary company, incorporated and operating in Australia.

Registered Office

Level 27
QV.1 Building
250 St Georges Terrace
PERTH WA 6000
Telephone (61 8) 9426 8000

Principal Place of Business

Lot 22 Marriott Road
Wellesley WA 6233

Telephone (08) 9780 6700

ATTACHMENT 6

Non-Confidential Attachment 7

Prepared from ABS raw data

SIMCOA' Exports.

	2012 Export Qty
Country	Tonnes
Bahrain	144
Belgium	60
Canada	-
Germany	7,092
India	1,156
Indon	-
Italy	72
Japan	1,777
Korea	-
Latvia	144
Nether	454
Norway	4
New Z	24
Poland	576
Qatar	2,352
Singapore	-
slovenia	288
Sth Afr	48
Thailand	120
UAE	1,464
UK	396
USA	16,182
TOTALS	32,353

Confidential Attachment 8 - PacAI 2013 Silicon Imports Investigated by ADC

