

OM HOLDINGS LIMITED

(ARBN 081 028 337)



No. of Pages Lodged: 7 Covering letter
24 ASX Appendix 4D & Interim Financial Report

29 August 2014

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

Dear Sir/Madam

The Board of OM Holdings Limited ("OMH" or the "Company", and together with its subsidiaries, the "Group") is pleased to report an increase in revenue for the half year ended 30 June 2014 from A\$158.9 million to A\$259.9 million.

HIGHLIGHTS

- **H1 2014 revenue of A\$259.9 million achieved, on the back of higher tonnages traded despite the weak manganese ore and ferro-manganese alloy prices**
- **Gross operating margin declined from 14% in H1 2013 to 6% in H1 2014 in line with weak product prices**
- **Operating cash flows before tax of A\$21.9 million generated during the six-month period ended 30 June 2014, and cash reserves of A\$69.6 million as at 30 June 2014**
- **Loss per share narrowed to A\$0.026 per share in H1 2014 from A\$0.033 per share in the same corresponding period in 2013**
- **Progress payment associated with the construction activities of OM Sarawak is the main contributor to the increase in property, plant and equipment to A\$387.0 million**
- **Production and shipments of Bootu Creek ore during H1 2014 were 446,785 tonnes (H1 2013: 403,790 tonnes) and 492,536 dry tonnes (H1 2013: 375,071 dry tonnes)**
- **Bootu Creek's cash operating cost was A\$4.36/dmtu during H1 2014 (H1 2013: A\$4.57/dmtu)**
- **Sales of 43,721 tonnes of High Carbon Ferro Manganese achieved in H1 2014 (H1 2013: 43,453 tonnes) on a production volume of 46,510 tonnes (H1 2013: 46,999 tonnes)**



OM HOLDINGS LIMITED – GROUP KEY FINANCIAL RESULTS

KEY DRIVERS (Tonnes)	Period Ended 30 Jun 2014	Period Ended 30 Jun 2013	Variance %
Sales volumes of Ores	1,291,780	552,184	134
Sales volumes of Alloys	46,745	47,947	(3)

FINANCIAL RESULTS			
Total sales	259.9	158.9	64
Gross profit	16.0	22.7	(30)
Gross profit margin (%)	6%	14%	
Other income	0.7	0.4	75
Distribution costs	(13.6)	(8.0)	70
Administration & other operating costs	(16.4)	(17.4)	(6)
Impairment charge	-	(23.0)	-
Finance costs	(8.3)	(4.2)	98
Share of results of associates, net of tax	2.6	0.4	N.M
Net loss before tax	(19.0)	(29.1)	35
Income tax credit	0.7	6.8	N.M
Net loss after tax	(18.3)	(22.3)	18
Minority interests	(0.5)	-	-
Net loss after tax attributable to owners of the Company	(18.8)	(22.3)	16

OPERATING RESULTS ADJUSTED FOR NON-CASH ITEMS		
Net loss after tax	(18.3)	(22.3)
Adjust for non-cash items, interest and taxation:		
Impairment charge	-	23.0
Share option expense	-	2.4
Inventory (write-back)/write-down, net	(0.2)	1.9
Depreciation & amortisation ⁽²⁾	9.0	7.6
Net finance costs	8.2	3.9
Income tax credit	(0.7)	(6.8)
Adjusted EBITDA ⁽¹⁾	(2.0)	9.7

(1) Adjusted EBITDA is defined as operating profit before depreciation and amortisation, impairment write-back/expense, non-cash inventory write-downs, deferred stripping, and other non-cash items. Adjusted EBITDA is not a uniformly defined measure and other companies in the mining industry may calculate this measure differently. Consequently, the Group's presentation of Adjusted EBITDA may not be readily comparable to other companies' figures.

(2) Inclusive of depreciation and amortisation charges recorded through cost of sales.



FINANCIAL ANALYSIS

The Group achieved revenue of A\$259.9 million in H1 2014, representing a 64% increase from the A\$158.9 million recorded for H1 2013. All three operating segments of the Group contributed to the higher revenue as the tonnage of ores traded from Bootu Creek Manganese Mine, third party ores (including ores from the Tshipi Borwa Mine) and ferro-manganese alloys increased more than twofold from 600,131 tonnes in H1 2013 to 1,338,525 tonnes in H1 2014.

Despite increased sales volume, the challenging market environment in manganese ores and ferro-manganese alloys have caused prices to be rather subdued. As an indication, the Metal Bulletin manganese index ore price (44% Mn grade) declined from US\$5.10/dmtu in January 2014 to US\$4.20/dmtu CIF China in June 2014. Gross profit margins across all product groups were impacted, and the Group's overall margin declined from 14% in 2013 to 6% in 2014.

Distribution costs and finance costs increased in 2014 in line with higher sales volume and revenue. As announced in March 2014, the Group refinanced various term loans with a non-amortising debt facility of US\$60 million (US\$50 million with one of the Company's financiers and another US\$10 million with a group of investors and managers). These non-amortising loans were more expensive, resulting in higher finance charges in 2014.

Administration & other operating costs declined marginally to A\$16.4 million from A\$17.4 million (H1 2013) due to the cessation of share option expense. A\$2.4 million of share option expense was incurred in 2013.

Share of results of associates for H1 2014 came from the Group's 13% effective interest in Tshipi é Ntle Manganese Mining (Pty) Ltd ("Tshipi"), the owner of the the Tshipi Borwa Mine and 33.3% interest in OM Tshipi Pte Ltd, a Singapore-based marketing vehicle. Both these entities generated a total of A\$2.6 million for the Group.

The tax credit arose from the recognition of tax losses carried forward, which can be utilised to offset future tax liabilities. The tax credit would have been slightly higher if not for the A\$2.1 million of tax expense levied by the Australian Tax Office in respect of prior years, but recognised in H1 2014.

The Group's loss per share narrowed to A\$0.026 in H1 2014 from A\$0.033 in H1 2013. The net tangible asset backing per share as at 30 June 2014 was A\$0.39 per share (31 December 2013: A\$0.41 per share).



Results Contributions

The contributions from the OMH Group business segments were as follows:

A\$ million	Period ended 30 Jun 2014		Period ended 30 Jun 2013	
	Revenue*	Contribution	Revenue*	Contribution
Mining	73.8	(11.0)	54.3	(13.8)
Smelting	56.8	(3.4)	69.0	4.8
Marketing, logistics and trading	234.8	2.4	169.8	7.0
Others	-	(1.4)	-	(23.6)
Net loss before finance costs		(13.4)		(25.6)
Share of results of associates		2.6		0.4
Net finance costs		(8.2)		(3.9)
Income tax credit		0.7		6.8
Net loss after tax **		(18.3)		(22.3)
Minority interests		(0.5)		-
Net loss attributable to owners of the Company		(18.8)		(22.3)

* revenue contribution from segments is subsequently adjusted for intercompany sales on consolidation

** numbers may not add due to rounding

Mining

This category is the contribution from the Bootu Creek Manganese Mine.

The Bootu Creek Manganese Mine (100% owned and operated by the Company's wholly owned subsidiary OM (Manganese) Ltd ("OMM")) produced 446,785 tonnes grading 35.55% Mn in the six months ended 30 June 2014 as compared to 403,790 tonnes grading 34.71% Mn for the same corresponding period in 2013. OMM shipped 492,536 dry tonnes of ore grading 35.64% in H1 2014 compared to 375,071 dry tonnes of ore grading 34.71% during H1 2013.

Revenue for H1 2014 amounted to A\$73.8 million compared to A\$54.3 million for H1 2013, a direct result of increased tonnages shipped but impacted by the lower realised prices. This downward price trend is also reflected in the Metal Bulletin manganese index ore price (44% Mn grade), which declined from US\$5.10/dmtu in January 2014 to US\$4.20/dmtu CIF China in June 2014.

OMM's H1 2014 C1 unit cash operating cost was A\$4.36/dmtu as compared to A\$4.57/dmtu during the same period in H1 2013.

Smelting

This business segment currently covers the operations of the Qinzhou manganese sinter plant and alloy smelter operated by OM Materials (Qinzhou) Co Ltd ("OMQ"). OM Sarawak has yet to commence production.

The smelting operations recorded revenue of A\$56.8million for H1 2014 against A\$69.0 million recorded in H1 2013. Despite higher sales of 43,721 tonnes in H1 2014 (H1 2013: 43,453 tonnes), revenue decreased due to (i) the cessation of manganese sinter ores sales to third parties, and (ii) the weak ferro-manganese alloy prices. In addition, a foreign exchange loss of A\$2.7 million contributed negatively to the segment.



Marketing, logistics and trading

The revenue from the Group's trading operations increased by 38% from A\$169.8 million (H1 2013) to A\$234.8 million (H1 2014), primarily due to the higher volume of manganese ores traded in H1 2014. Overall trading margin was impacted by the weaker realised prices.

Others

This segment included the corporate activities of OMH as well as the engineering, design and technical marketing services of OM Hujin Science & Trade (Shanghai) Co. Ltd.

The loss in H1 2014 included all the professional charges related to the new debt facility taken during the half year. The loss in H1 2013 was mainly from the marked-to-market impairment charge on the Company's investments in NFE and SRR.

FINANCIAL POSITION

The Group's property, plant and equipment increased from A\$324.8 million (31 December 2013) to A\$387.0 million (30 June 2014) as progress payments associated with the construction and procurement activities at OM Sarawak continued to be made during the period. Funds were drawn from the project finance loan facility for these payments.

The Group's consolidated cash position was \$69.6 million (including cash collateral of A\$28.3 million) as at 30 June 2014 as compared to A\$67.3 million (including cash collateral of A\$31.3 million) as at 31 December 2013. During the six months ended 30 June 2014, the Group generated operating cash flows before tax of A\$21.9 million (H1 2013: A\$44.0 million).

Inventories increased marginally to A\$125.8 million as at 30 June 2014 from A\$119.7 million as at 31 December 2013. Despite the challenging market environment in manganese ores and ferro-manganese alloys, the Group managed to adjust its procurement practices for smelting and even temporarily ceased production of manganese sinter ores designated for external sales in OMQ.

Receivables (including trade and other receivables and prepayments) decreased to A\$82.2 million as at 30 June 2014 from A\$127.1 million as at 31 December 2013. This decline is consistent with the cyclical nature of ore sales where volumes are generally higher in the second half-year (July to December period).

Available for sale financial assets as at 30 June 2014 totalled A\$8.0 million (31 Dec 2013: A\$11.7 million) and comprised the following:

- 11% of NFE's ordinary shares valued at A\$7.9 million based upon a market price of A\$0.15 per share as at 30 June 2014.
- 4% of SRR's shares valued at A\$0.1 million based upon a market price of A\$0.003 per share as at 30 June 2014.

The above investments were marked to market based upon the closing share prices on the ASX as at the financial period end date. No further impairment charge was recognised through the profit and loss account of the Group during the six-month period ended 30 June 2014 after a total of A\$76 million of impairment charge was recognised in 2012 and 2013.

The Company's total borrowings increased to A\$375.0 million as at 30 June 2014 from A\$326.9 million as at 31 December 2013, mainly from further draw down on the project finance loan facility. The refinancing of certain term loans with a non-amortising debt facility of US\$60 million (US\$50 million with one of the Company's financiers and another US\$10 million with a group of investors and managers) improved the debt profile of the Group and enhanced the Group's financial flexibility to execute its strategic and operational objectives.



Trade and other payables decreased to A\$128.0 million as at 30 June 2014 from A\$135.8 million as at 31 December 2013 with additional liquidity provided by the new debt facility.

Capital Structure

As at 30 June 2014, the Company had 733,423,337 ordinary shares, 25,000,000 convertible notes and 31,200,000 unlisted warrants on issue.

No interim dividend has been declared.

Yours faithfully
OM HOLDINGS LIMITED

Heng Siow Kwee/Julie Wolseley
Company Secretary

Important note from page 1

Earnings before interest, taxation, depreciation and amortisation (ie 'EBITDA') is a non-IFRS profit measures based on statutory net profit after tax adjusted for significant items and changes in the fair value of financial instruments. The Company believes that such a measure provide a better understanding of its financial performance and allows for a more relevant comparison of financial performance between financial periods.

The Company believes that EBITDA is a useful measure as it removes significant items that are material items of revenue or expense that are unrelated to the underlying performance of the Company's various businesses thereby facilitating a more representative comparison of financial performance between financial periods. In addition, these profit measures remove changes in the fair value of financial instruments recognised in the statement of comprehensive income to remove the volatility caused by such changes.

While the Company's EBITDA result is presented in this announcement having regard to the presentation requirements contained in Australian Securities and Investment Commission Regulatory Guide 230 titled 'Disclosing non-IFRS financial information' (issued in December 2011) investors are cautioned against placing undue reliance on such measures as they are not necessarily presented uniformly across the various listed entities in a particular industry or generally.



BACKGROUND PROFILE OF OM HOLDINGS LIMITED

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

OMH is involved in mining manganese product in Australia and South Africa and is currently constructing a smelter in Sarawak, Malaysia to produce ferrosilicon and ferro-manganese intermediate products. The smelter project is owned 80% by OMH.

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

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

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

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

OM HOLDINGS LIMITED

A.R.B.N 081 028 337

Appendix 4D

Half Yearly Report

For the period ended 30 June, 2014

(previous corresponding period being the period ended 30 June, 2013)

OM Holdings Limited and Controlled Entities
Half Yearly Report
APPENDIX 4D

Results for Announcement to the Market

OM Holdings Limited
For the period ended 30 June 2014

Name of Entity:	OM Holdings Limited	
ARBN:	081 028 337	
1. Details of the current and prior reporting period		
Current Period:	1 Jan 2014 to 30 Jun 2014	
Prior Period:	1 Jan 2013 to 30 Jun 2013	
2. Results for announcement to the market		
		A\$'000
2.1 Revenue	Up 64% to	259,934
2.2 Loss after taxation	Down 18% to	(18,288)
2.3 Net loss for the period attributable to owners of the Company	Down 16% to	(18,740)
2.4 Dividend distributions	Amount per security	Franked amount per security
	Nil	Nil
2.5 Record date for determining entitlements to the dividend	Nil	
3. Consolidated statement of comprehensive income	Refer Interim Financial Report	
4. Consolidated statements of financial position	Refer Interim Financial Report	
5. Consolidated statement of cash flows	Refer Interim Financial Report	
6. Details of dividends or distributions	N/A	
7. Consolidated statement of changes in equity	Refer Interim Financial Report	
	Current Period A\$	Previous Corresponding Period A\$
8. Net tangible asset backing per ordinary security	39.40 cents	48.20 cents

OM Holdings Limited and Controlled Entities
Preliminary Half Yearly Report

9. Control gained over entities during the period	N/A	
10. Other matters	Refer Interim Financial Report	
11. Accounting Standards used by foreign entities	N/A	
12. Commentary on the result for the period		
	Current Period A\$	Previous Corresponding Period A\$
12.1 Loss per share	2.58 cents	3.34 cents
12.2 Segment results	Refer Interim Financial Report	
13. Status of audit or review	The accounts have been subject to review	
14. Dispute or qualification – account not yet audited	N/A	
15. Qualifications of audit/review	N/A	

OM Holdings Limited
ARBN 081 028 337
(Incorporated in Bermuda)
and its subsidiaries

Interim Financial Report
For the six months ended 30 June 2014

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2013 and any public announcements made by OM Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Australian Securities Exchange (“ASX”) Listing Rules.

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Directors' report

The Directors present their report and the interim financial statements of OM Holdings Limited (the "Company") and its controlled entities (together the "Group") for the six months ended 30 June 2014.

DIRECTORS

The Directors of the Company during the period were as follows:

Low Ngee Tong	(Executive Chairman)
Peter Ivan Toth	(Chief Executive Officer) (Resigned on 4 April 2014)
Zainul Abidin Rasheed	(Independent Deputy Chairman)
Julie Anne Wolseley	(Non-Executive Director and Joint Company Secretary)
Tan Peng Chin	(Independent Non-Executive Director)
Thomas Teo Liang Huat	(Independent Non-Executive Director)
Peter Church OAM	(Independent Non-Executive Director)
Ivo Philipps	(Independent Non-Executive Director) (Appointed on 20 May 2014)

REVIEW OF OPERATIONS

The Board of OM Holdings Limited (ASX Code: OMH) reported a consolidated net loss after tax and non-controlling interests of A\$18.3 million for the six months ended 30 June 2014, compared with a consolidated net loss after tax and non-controlling interests of A\$22.3 million for the previous corresponding period.

Signed in accordance with a resolution of the Directors.

On Behalf of the Directors



.....
LOW NGEE TONG
Executive Chairman
Singapore

Dated: 29 August 2014

Statement by Directors

In the opinion of the Directors, the accompanying consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Group as at 30 June 2014 and of the results of the business, changes in equity and cash flows of the Group for the six month period ended on that date and as at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors



.....
LOW NGEE TONG
Executive Chairman

Dated: 29 August 2014

Review report to the members of OM Holdings Limited

Introduction

We have reviewed the accompanying consolidated statement of financial position of OM Holdings Limited. (“the Company”) and its subsidiaries (“the Group”) as at 30 June 2014, and the related statements of consolidated comprehensive income, consolidated changes in equity and consolidated cash flows for the six months period then ended, and selected explanatory notes. Management is responsible for the preparation and fair presentation of this consolidated interim financial information in accordance with the provisions of the International Financial Reporting Standards. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not present fairly, in all material respects, the financial position of the Group as at 30 June 2014, and of the Group’s financial performance for the six months then ended and its cash flows for the six months then ended in accordance with the International Financial Reporting Standards.



Foo Kon Tan Grant Thornton LLP
Public Accountants and
Chartered Accountants

Partner in charge: Mr Ong Soo Ann
(with effect from the financial year ended 31 December 2011)

Singapore,
29 August 2014

Consolidated statement of financial position

		The Group	
	Notes	30 June 2014	31 December 2013
		A\$'000	A\$'000
Assets			
Non-Current			
Property, plant and equipment		387,006	324,784
Land use rights		35,686	37,476
Exploration and evaluation costs		2,133	1,660
Mine development costs		16,450	16,910
Goodwill		2,065	2,065
Deferred tax assets		35,817	31,031
Interests in associates		104,146	100,336
		583,303	514,262
Current			
Inventories		125,757	119,704
Trade and other receivables		67,719	125,574
Prepayments		14,464	1,504
Available-for-sale financial assets		7,981	11,691
Cash collateral		28,326	31,274
Cash and bank balances		41,286	36,052
		285,533	325,799
Total assets		868,836	840,061
Equity			
Capital and Reserves			
Share capital	7	36,671	36,671
Treasury shares		(2,330)	(2,330)
Reserves		223,788	241,504
		258,129	275,845
Non-controlling interests		32,145	26,437
Total equity		290,274	302,282
Liabilities			
Non-Current			
Borrowings	8	275,243	188,335
Lease obligation		6,183	7,612
Derivative financial liabilities		17,552	27,410
Trade and other payables		27,736	14,247
Provisions		6,928	5,724
Deferred tax liabilities		1	6
		333,643	243,334
Current			
Trade and other payables		127,982	135,763
Derivative financial liabilities		2,713	2,713
Borrowings	8	99,795	138,558
Lease obligation		1,387	1,017
Income tax payables		13,042	16,394
		244,919	294,445
Total equity and liabilities		868,836	840,061

Consolidated statement of comprehensive income

	Notes	6 months to 30 June 2014 A\$'000	6 months to 30 June 2013 A\$'000
Revenue		259,934	158,948
Cost of sales		(243,902)	(136,269)
Gross profit		16,032	22,679
Other revenue		683	405
Distribution costs		(13,591)	(7,967)
Administrative expenses		(5,322)	(3,913)
Other operating expenses		(11,142)	(13,512)
Impairment loss of available-for-sale financial assets		-	(23,002)
Finance costs		(8,298)	(4,145)
Loss from operations		(21,638)	(29,455)
Share of results of associates		2,647	424
Loss before income tax		(18,991)	(29,031)
Income tax benefit		703	6,761
Loss after taxation		(18,288)	(22,270)
Other comprehensive income/(expense), net of tax:			
Net fair value loss on available-for-sale financial assets and financial derivative	12	(3,710)	-
Currency translation differences		(5,201)	19,333
Cash flow hedges	13	10,008	-
Other comprehensive income for the period, net of tax		1,097	19,333
Total comprehensive expense for the period		(17,191)	(2,937)
(Loss)/profit attributable to:			
Owners of the Company		(18,740)	(22,270)
Non-controlling interests		452	-
		(18,288)	(22,270)
Total comprehensive (expense)/income attributable to:			
Owners of the Company		(18,095)	(5,512)
Non-controlling interests		904	2,575
		(17,191)	(2,937)
Loss per share	9	Cents	Cents
- Basic		(2.58)	(3.34)
- Diluted		(2.58)	(3.34)

Consolidated statement of changes in equity

	Share capital A\$'000	Share premium A\$'000	Treasury shares A\$'000	Non- distributable reserve A\$'000	Capital reserve A\$'000	Share option reserve A\$'000	Fair value reserve A\$'000	Hedging reserve A\$'000	Exchange fluctuation reserve A\$'000	Retained profits A\$'000	Total attributable to equity holders of the parent A\$'000	Non- controlling interests A\$'000	Total equity A\$'000
Balance at 1 January 2014	36,671	176,563	(2,330)	5,553	139	5,975	5,809	(20,123)	(7,176)	74,764	275,845	26,437	302,282
Other comprehensive income/ (expense) for the period (Note 12)	-	-	-	-	-	-	(3,710)	8,006	(3,651)	-	645	452	1,097
Loss for the period	-	-	-	-	-	-	-	-	-	(18,740)	(18,740)	452	(18,288)
Total comprehensive income/ (expense) for the period	-	-	-	-	-	-	(3,710)	8,006	(3,651)	(18,740)	(18,095)	904	(17,191)
Issue of warrants	-	-	-	-	401	-	-	-	-	-	401	-	401
Share option lapsed	-	-	-	-	-	(5,975)	-	-	-	5,975	-	-	-
Dividend forfeited	-	-	-	-	-	-	-	-	-	9	9	-	9
Capital injection from non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	4,773	4,773
Transfer to statutory reserve	-	-	-	-	55	-	-	-	22	(108)	(31)	31	-
Balance at 30 June 2014	36,671	176,563	(2,330)	5,553	595	-	2,099	(12,117)	(10,805)	61,900	258,129	32,145	290,274
Balance at 1 January 2013	33,671	155,884	(2,330)	4,074	69	12,814	-	-	(15,520)	115,951	304,613	17,757	322,370
Other comprehensive income for the period (Note 12)	-	-	-	-	-	-	-	-	16,758	-	16,758	2,575	19,333
Loss for the period	-	-	-	-	-	-	-	-	-	(22,270)	(22,270)	-	(22,270)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	16,758	(22,270)	(5,512)	2,575	(2,937)
Issue of ordinary shares	3,000	20,708	-	-	-	-	-	-	-	-	23,708	-	23,708
Share option lapsed	-	-	-	-	-	(5,294)	-	-	-	5,294	-	-	-
Value for employee services received for grant of share options	-	-	-	-	-	2,440	-	-	-	-	2,440	-	2,440
Capital injection from non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	9,984	9,984
Transfer to statutory reserve	-	-	-	501	16	-	-	-	(16)	(501)	-	-	-
Balance at 30 June 2013	36,671	176,592	(2,330)	4,575	85	9,960	-	-	1,222	98,474	325,249	30,316	355,565

Consolidated statement of cash flows

	6 months to 30 June 2014 A\$'000	6 months to 30 June 2013 A\$'000
Cash Flows from Operating Activities		
Loss before taxation	(18,991)	(29,031)
Adjustments for:		
Amortisation land use rights	334	303
Amortisation of mine development costs	1,399	909
Depreciation of property, plant and equipment	7,303	6,388
Equity-settled share-based payments	-	2,440
Property, plant and equipment written off	-	149
Write off of exploration and evaluation costs	355	262
Write-down of inventories to net realisable value	407	1,860
Loss on disposal of property, plant and equipment	59	-
Fair value loss on financial assets through the profit or loss	-	20
Impairment loss of available-for-sale financial assets	-	23,002
Interest expense	12,971	3,282
Interest income	(173)	(227)
Share of results of associates	(2,647)	(424)
Operating profit before working capital changes	1,017	8,933
Increase in inventories	(18,617)	(67,909)
Decrease in trade receivables	28,883	58,750
Increase in prepayments, deposits and other receivables	(6,242)	(1,112)
(Decrease)/increase in trade and bill payables	(17,594)	17,814
(Decrease)/increase in other payables and accruals	(3,741)	27,170
Long term liabilities:		
- Decrease in lease obligation	(4,115)	-
- Increase in provision for restoration	3,395	175
- Increase in retirement benefit obligation	78	169
- Increase in other long term payables	38,876	-
Cash generated from operations	21,940	43,990
Overseas income tax paid	(7,442)	(7,176)
Net cash generated from operating activities	14,498	36,814
Cash Flows from Investing Activities		
Payments for exploration and evaluation costs	(828)	(742)
Payments for mine development costs	(940)	(326)
Purchase of property, plant and equipment	(83,792)	(102,146)
Proceeds from disposal of property, plant and equipment	147	-
Loan to an associate	(1,163)	(4,287)
Interest received	173	227
Net cash used in investing activities	(86,403)	(107,274)
Cash Flows from Financing Activities		
Repayment of bank and other loans	(35,165)	(8,551)
Draw down from loans	120,828	13,003
Payment to finance lease creditors	(78)	(18)
Capital contribution by non-controlling interests	4,773	9,984
Decrease/(increase) in cash collateral	2,948	(18,479)
Proceeds from the issue of shares	-	24,000
Payment of transaction costs on share issue	-	(292)
Interest paid	(12,971)	(3,282)
Net cash generated from financing activities	80,335	16,365
Net increase/(decrease) in cash and cash equivalents	8,430	(54,095)
Cash and cash equivalents at the beginning of period	36,052	73,890
Exchange differences on translation of cash and bank balances at beginning of period	(3,196)	8,640
Cash and cash equivalents at the end of period	41,286	28,435

Notes to the Interim Consolidated Financial Statements

1 Nature of operations

The interim financial report of OM Holdings Limited (“the Company”) and its subsidiaries (“the Group”) for the period ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 28 August 2014.

The principal activities of the Company and the Group comprise the following:

- production of manganese product from the Bootu Creek Manganese Mine
- processing and sales of sinter ore and ferro alloy products
- trading of ore and ferro alloy products
- exploration and development activities aimed at further extending the mine life of the Bootu Creek Manganese Mine
- evaluation and assessment of strategic investment and project opportunities
- investment holdings, including the 13% effective interest in the Tshipi Borwa mine and other investments in ASX listed entities
- development of smelters and sintering projects in Malaysia

2 General information and basis of preparation

The interim consolidated financial statements are for the six months ended 30 June 2014 and are presented in Australian Dollars (AUD), which is the functional currency of the parent company. They have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with IFRS, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2013.

OM Holdings Limited is the Group’s ultimate parent company. The company is a limited liability company and domiciled in Bermuda. The address of OM Holdings Limited’s registered office is located at Clarendon House, 2 Church Street Hamilton, HM11 Bermuda. OM Holdings Limited’s shares are listed on the Australian Securities Exchange (“ASX”).

3 Significant accounting policies

The interim consolidated financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year ended 31 December 2013, except for the adoption of the following accounting standards that became effective from 1 January 2014:

Amendments to IAS 32	Financial instruments: Presentation on asset and liability offsetting
Amendments to IFRS 10,12 and IAS 27	Consolidation for investment entities
Amendments to IAS 36	Impairment of assets
Amendment to IAS 39	Financial instruments recognition and measurement
IFRIC 21	Levies
IFRS 9	Financial instruments
Improvements to IFRSs 2014	

The adoption of these new or amended IFRSs and IAS, where relevant to the Group, did not result in substantial changes to the Group's accounting policies or any significant impact on the Group's financial statements.

4 Estimates

The fair values of unquoted employee share options issued to certain of the Directors and employees of the Group are estimated using the binomial model based on a range of share price and conversion probabilities at the date of grant by an independent valuer. The estimation requires input of subjective assumptions and changes in the subjective inputs may materially affect the fair value estimates.

The fair value of the Hanwa convertible rights are recognised as derivative financial liabilities and are estimated using the Black Scholes Option Pricing Model. The estimation requires input of subjective assumptions and changes in the subjective inputs may materially affect the fair value estimates.

5 Segment reporting

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

- *mining* - exploration and mining of manganese ore
- *smelting* - production of manganese ferroalloys and manganese sinter ore
- *marketing and trading* - trading of manganese ore, manganese ferroalloys and sinter ore, chrome ore and iron ore

The revenues and (loss)/profit generated by each of the Group's operating segments and segment assets are summarised as follows:

	Mining	Smelting	Marketing and trading	Others*	Total
6 months to June 2014	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Revenue					
From external customers	-	56,809	203,125	-	259,934
From other segments	73,781	-	31,658	5,538	110,977
Segment revenues	73,781	56,809	234,783	5,538	370,911
Segment operating (loss)/profit before tax	(11,044)	(3,378)	2,362	(1,405)	(13,465)
Segment assets	153,030	495,511	104,258	116,037	868,836
	Mining	Smelting	Marketing and trading	Others*	Total
6 months to June 2013	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Revenue					
From external customers	-	69,042	89,877	29	158,948
From other segments	54,269	-	79,912	15	134,196
Segment revenues	54,269	69,042	169,789	44	293,144
Segment operating (loss)/profit before tax	(13,817)	4,758	7,081	(23,559)	(25,537)
Segment assets	167,144	334,360	135,162	106,424	743,090

* Others relate to the corporate activities of the Company as well as the engineering, design and technical marketing services of one of its subsidiaries. None of these segments meet any of the quantitative thresholds for determining reportable segments.

5 Segment reporting (cont'd)

The Group's segment operating loss reconciles to the Group's loss before tax as presented in its financial statement as follows:

	6 months to 30 June 2014 A\$'000	6 months to 30 June 2013 A\$'000
Group loss before tax		
Segment results	(13,465)	(25,537)
Share of associate's result	2,647	424
Finance costs	(8,298)	(4,145)
Finance income	125	227
Group loss before tax	(18,991)	(29,031)

6 Analysis of selected items of the consolidated interim financial statements

The Group achieved revenue of A\$259.9 million in H1 2014, representing a 64% increase from the A\$158.9 million recorded for H1 2013. All three operating segments of the Group contributed to the higher revenue as the tonnage of ores traded from Bootu Creek Manganese Mine, third party ores (including ores from the Tshipi Borwa Mine) and ferro-manganese alloys increased more than twofold from 600,131 tonnes in H1 2013 to 1,338,525 tonnes in H1 2014.

Despite increased sales volume, the challenging market environment in manganese ores and ferro-manganese alloys have caused prices to be rather subdued. Gross profit margins across all product groups were impacted, and the Group's overall margin declined from 14% in 2013 to 6% in 2014.

Distribution costs and finance costs increased in 2014 in line with higher sales volume and revenue. The Group refinanced various term loans with a non-amortising debt facility of US\$60 million. These non-amortising loans were more expensive, resulting in higher finance charges in 2014.

Administration & other operating costs declined marginally to A\$16.5 million from A\$17.4 million (H1 2013) due to the cessation of share option expense. A\$2.4 million of share option expense was incurred in 2013.

Share of results of associates for H1 2014 came from the Group's 13% effective interest in Tshipi é Ntle Manganese Mining (Pty) Ltd ("Tshipi"), the owner of the the Tshipi Borwa Mine and 33.3% interest in OM Tshipi Pte Ltd, a Singapore-based marketing vehicle. Both these entities generated a total of A\$2.6 million for the Group.

The tax credit arose from the recognition of tax losses carried forward, which can be utilised to offset future tax liabilities. The tax credit would have been slightly higher if not for the A\$2.1 million of tax expense levied by the Australian Tax Office in respect of prior years, but recognised in H1 2014.

The Group's loss per share narrowed to A\$0.026 in H1 2014 from A\$0.033 in H1 2013.

The Group's property, plant and equipment increased from A\$324.8 million (31 December 2013) to A\$387.0 million (30 June 2014) as progress payments associated with the construction and procurement activities at OM Sarawak continued to be made during the period. Funds were drawn from the project finance loan facility for these payments.

The Group's consolidated cash position was \$69.6 million (including cash collateral of A\$28.3 million) as at 30 June 2014 as compared to A\$67.3 million (including cash collateral of A\$31.3 million) as at 31 December 2013. During the six months ended 30 June 2014, the Group generated operating cash flows before tax of A\$21.9 million (H1 2013: A\$44.0 million).

6 Analysis of selected items of the consolidated interim financial statements (cont'd)

Inventories increased marginally to A\$125.8 million as at 30 June 2014 from A\$119.7 million as at 31 December 2013. Despite the challenging market environment in manganese ores and ferro-manganese alloys, the Group managed to adjust its procurement practices for smelting and even temporarily ceased production of manganese sinter ores designated for external sales.

Receivables (including trade and other receivables and prepayments) decreased to A\$82.2 million as at 30 June 2014 from A\$127.1 million as at 31 December 2013. This decline is consistent with the cyclical nature of ore sales where volumes are generally higher in the second half-year (July to December period).

Available for sale financial assets as at 30 June 2014 totalled A\$8.0 million (31 Dec 2013: A\$11.7 million) and comprised the following:

- 11% of NFE's ordinary shares valued at A\$7.9 million based upon a market price of A\$0.15 per share as at 30 June 2014.
- 4% of SRR's shares valued at A\$0.1 million based upon a market price of A\$0.003 per share as at 30 June 2014.

The above investments were marked to market based upon the closing share prices on the ASX as at the financial period end date. No further impairment charge was recognised through the profit and loss account of the Group during the six-month period ended 30 June 2014 after a total of A\$76 million of impairment charge was recognised in 2012 and 2013.

Trade and other payables decreased to A\$128.0 million as at 30 June 2014 from A\$135.8 million as at 31 December 2013 with additional liquidity provided by the new debt facility.

7 Share capital

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

Shares issued and authorised are summarised as follows:

	No. of ordinary shares (amounts in thousand shares)		Amount	
	As at 30 June 2014 '000	As at 31 December 2013 '000	As at 30 June 2014 A\$'000	As at 31 December 2013 A\$'000
Authorised:				
Ordinary shares of A\$0.05 (2013 - A\$0.05) each	2,000,000	2,000,000	100,000	100,000
Issued and fully paid:				
Ordinary shares of A\$0.05 (2013 - A\$0.05) each as at beginning of period/year	733,423	673,423	36,671	33,671
Issue of ordinary shares during the period	-	60,000	-	3,000
Ordinary shares of A\$0.05 (2013 - A\$0.05) each as at end of period/year	733,423	733,423	36,671	36,671

8 Borrowings

	As at 30 June 2014 A\$'000	As at 31 December 2013 A\$'000
Non-Current		
Obligations under finance leases (Note 8.1)	453	91
Bank loans, secured (Note 8.2)	233,397	156,499
Other loans (Note 8.3)	23,416	13,303
5% convertible notes (Note 8.4)	18,834	18,442
	276,100	188,335
Structuring and arrangement fee	(857)	-
	275,243	188,335
Current		
Obligations under finance leases (Note 8.1)	173	74
Bank loans, secured (Note 8.2)	100,597	138,484
	100,770	138,558
Structuring and arrangement fee	(975)	-
	99,795	138,558
	375,038	326,893

8.1 Obligations under finance leases

	As at 30 June 2014 A\$'000	As at 31 December 2013 A\$'000
The Group		
Minimum lease payments payable:		
Due not later than one year	212	79
Due later than one year and not later than five years	540	98
	752	177
Less: Finance charges allocated to future periods	(85)	(12)
Present value of minimum lease payments	667	165
Present value of minimum lease payments:		
Due not later than one year	173	74
Due later than one year and not later than five years	453	91
	626	165

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

8.2 Bank loans

	As at 30 June 2014 A\$'000	As at 31 December 2013 A\$'000
The Group		
Bank loans, secured [note (a)]	10,953	44,447
Bank loans, secured [note (b)]	51,684	-
Bank loans, secured [note (c)]	22,943	73,211
Bank loan, secured [note (d)]	12,976	14,647
Bank loans, secured [note (e)]	44,554	43,823
Bank loans, secured [note (f)]	20,357	8,261
Bank loans, secured [note (g)]	170,527	110,594
	333,994	294,983
Amount repayable within one year	100,597	138,484
Amount repayable after one year	233,397	156,499
	333,994	294,983

8 Borrowings (cont'd)

8.2 Bank loans (cont'd)

Note:

- (a) The loans are secured by a charge over certain bank deposits, holdings in NFE, OMH (Mauritius) Corp and its holding in Main Street 774 (Proprietary) Limited, and corporate guarantees from the Company and a subsidiary.
- (b) The loans are secured by a charge over certain bank deposits, holdings in NFE, certain subsidiaries and an associated company and corporate guarantees from the Company and a subsidiary.
- (c) The loans are secured by charges over certain bank deposits and bills receivables.
- (d) The loan is secured by a charge over leasehold land, and an irrevocable and unconditional corporate guarantee provided by the Company.
- (e) The loans are secured by charges over certain bank deposits.
- (f) The loans are secured by charges over certain inventories.
- (g) The project finance loans are secured by the Company's holding of 80% shares of OM Materials (Sarawak) Sdn Bhd, charge over bank deposits and land use rights, debenture, borrower assignment, assignment of insurances and reinsurances and corporate guarantees from the Company and Cahya Mata Sarawak Berhad.

8.3 Other loans

	As at 30 June 2014 A\$'000	As at 31 December 2013 A\$'000
The Group		
Loan, secured [note (a)]	10,784	-
Loan, secured [note (b)]	9,540	10,170
Loan, unsecured [note (c)]	3,092	3,133
	23,416	13,303

Note:

- (a) The loan has similar security as disclosed in Note 8.2 (b).
- (b) The loan is repayable on 31 December 2015. The loan is guaranteed by the Company.
- (c) The loan is unsecured. Until all the secured borrowings as disclosed in Note 8.2(g) have been irrevocably paid in full, neither shareholders shall demand or receive payment or any distribution in respect of these loans.

8.4 5% convertible notes

On 7 March 2012 the Company issued to Hanwa Co. Ltd 25,000,000 convertible notes at an aggregate principal amount of A\$19,945,953 (US\$21,447,261) with a nominal interest of 5.0%, due on 6 March 2016 and convertible in accordance with the terms and conditions of issue including an initial conversion price of A\$0.80 per share. The convertible notes were recorded as long-term borrowing and derivative financial liabilities, which amounted to A\$18,834,000 (2013 - A\$18,442,000) and A\$2,713,000 (2013 - A\$2,713,000) respectively.

9 Loss per share

The calculations of the basic and diluted loss per share attributable to owners of the Company are based on the following data:

	6 months to 30 June 2014	6 months to 30 June 2013
Loss		
Net loss attributable to owners of the Company	18,740	22,270
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	725,478	667,552
Effect of dilutive potential ordinary shares in respect of share options	-	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	725,478	667,552

10 Dividend

There were no dividends paid during the six months to 30 June 2014.

11 Related parties transactions

During the interim period, Group entities entered into the following transactions with related parties:

(A) Related parties transactions

	6 months to 30 June 2014 A\$'000	6 months to 30 June 2013 A\$'000
Legal fees paid to a firm of which a Director is a director and beneficial shareholder	62	22

(B) Compensation of directors and key management personnel

The remuneration of directors being members of key management is set out below:

	6 months to 30 June 2014 A\$'000	6 months to 30 June 2013 A\$'000
Directors		
- Directors of the Company	670	660
- Directors of the subsidiaries	844	904
- Defined contribution plans	67	53
Key management personnel (other than directors)		
- Salaries, wages and other related costs	1,028	973
- Defined contribution plans	94	76

12 Other components of equity

The following tables show the movements in other components of equity:

	Hedging reserve A\$'000	Exchange fluctuation reserve A\$'000	Fair value reserve A\$'000	Total A\$'000
Balance at 1 January 2014	(20,123)	(7,176)	5,809	(21,490)
Transfer to statutory reserve	-	22	-	22
Other comprehensive income for the period (all attributable to the parent)	8,006	(3,651)	(3,710)	645
Balance at 30 June 2014	(12,117)	(10,805)	2,099	(20,823)

	Exchange fluctuation reserve A\$'000	Fair value reserve A\$'000	Total A\$'000
Balance at 1 January 2013	(15,520)	-	(15,520)
Transfer to statutory reserve	(16)	-	(16)
Other comprehensive income for the period (all attributable to the parent)	16,758	-	16,758
Balance at 30 June 2013	1,222	-	1,222

13 Cash flow hedges

	6 months to 30 June 2014 A\$'000	6 months to 30 June 2013 A\$'000
The Group		
Cash flow hedges:		
Gain arising during the period	8,006	-
Non-controlling interest*	2,002	-
	10,008	-

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

14 Contingent liabilities

GWA (North) Pty Ltd Wagon Derailment

On 7 June 2012 a train derailment event occurred near the Muckaty Rail Siding in the Northern Territory on rail track owned and operated by GWA (North) Pty Ltd ("GWAN"). GWAN had suggested that wagons provided by a subsidiary caused damage to a section of the railway track and issued the subsidiary with a demand for damages totalling A\$5,470,352. The subsidiary had denied liability and notified the owner of the wagons - CFCL Australia Pty Ltd ("CFCLA") - who had in turn notified the wagon maintenance subcontractor - Downer EDI Rail. These notifications are to the effect that CFCLA and/or Downer EDI are considered to be the parties responsible for the damage to GWAN's track and they should be dealing with GWAN to resolve the claim without involving the subsidiary.

14 Contingent liabilities (cont'd)

Based on the facts known at the current point of time, indemnity has been granted by insurers to the subsidiary for any liability that it may have to GWAN for the claim being made against the subsidiary. The subsidiary's insurers have instructed lawyer's to assume conduct of the claim to protect the interests of both the insurer and the subsidiary.

Northern Territory Mineral Royalties

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

The subsidiary, in consultation with its professional advisers, has proposed a valuation policy and provided supporting annual transfer pricing reports to the Territory Revenue Office to derive a gross realisation that the subsidiary believes accords with the requirements of the Northern Territory MRA. The subsidiary has paid royalty assessments and made payments on account of Northern Territory mineral royalties under the Mineral Royalty Act (NT). To date the Territory Revenue Office has not accepted such calculations and has provided alternative transfer pricing proposals.

Royalty Years 2006 to 2009

For the 4 years from 2006 to 2009 (inclusive) the subsidiary paid royalty assessments and made payments on account of Northern Territory mineral royalties under the MRA. On 14 September 2012 the Territory Revenue Office issued amended royalty assessments for the 2006 and 2007 royalty years and royalty assessments for the 2008 and 2009 royalty years which required the subsidiary to pay a further amount of A\$9,349,461.

Pursuant to the MRA and the Taxation Administration Act (NT) the subsidiary has formally objected to the amended royalty assessments and the assessments. Notwithstanding the formal objection by the subsidiary the revised and new assessments remain payable and the subsidiary has entered into a payment plan with the Territory Revenue Office in relation the outstanding amount. Once the subsidiary's objection is determined any overpayment by the subsidiary will be refunded (plus any interest) and any shortfall in payment by the subsidiary will be payable (with interest). As at the reporting date it is not possible to advise of the date by which the subsidiary's royalty objections may be determined.

Royalty Years 2010 to 2011

On 25 July 2013 the Territory Revenue office issued royalty assessments for the 2010 and 2011 royalty years. The royalty assessment for 2010 resulted in a further royalty payable of A\$2,728,095 and a negative net value of A\$24,121,965 for the 2011 royalty year. On 2 October 2013 the Territory Revenue Office issued the subsidiary with an additional royalty for the 2010 royalty year imposed under Section 40(3) of the MRA which requires a further royalty payable of A\$443,721.

The subsidiary has formally objected to the TRO's assessments for 2010 and 2011 and the additional royalty payable for 2010. Notwithstanding the formal objection by the subsidiary the royalty assessments for 2010 have been incorporated into the payment plan along with the assessments for 2006 to 2009 which have also been formally objected to by the subsidiary.

During the year, the subsidiary made payments to the TRO in respect of the assessed royalty obligations for a total of A\$6,436,656.

14 Contingent liabilities (cont'd)

Royalty Years 2012 to June 2014

For the years 2012, 2013 and half year to 30 June 2014 the subsidiary conducted mining operations which will be assessed under the MRA. As at the end of the reporting period, the subsidiary has not received a royalty assessment under the MRA in respect to these operations. The subsidiary has filed royalty returns under the MRA for the 2012 and 2013 years and an interim return for the half year ending 30 June 2014.

If the Northern Territory assesses the subsidiary's royalty liability for the 2012, 2013 and half year to 30 June 2014 years based on similar methodologies that the Northern Territory adopted for the 6 years from 2006 to 2011 (inclusive) the subsidiary does not believe that there will be any additional royalty amounts payable for the 2012 and 2013 years and half year to 30 June 2014.

As at the end of the reporting period, the subsidiary estimates that a net negative value for royalty exists which has led to a deferred tax asset in respect of the net value losses carried forward. Based on the gross realisation methodology adopted by the TRO; the subsidiary has calculated the negative net value for royalty to be A\$45,969,484, at 30 June 2014 which represents a deferred tax asset of A\$9,193,897 in the subsidiary's books.

15 Comparative figures

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

The Group	6 months to 30 June 2013	
	As restated	As previously reported
<u>Consolidated statement of comprehensive income</u>		
Administrative expenses	(3,913)	(4,776)
Finance costs	(4,145)	(3,282)

The reclassification was made to provide more relevant information on the financial performance of the Group.

16 Other matters

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

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

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

16 Other matters (cont'd)

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

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

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

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

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