OM HOLDINGS LIMITED

(ARBN 081 028 337)

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	25	ASX Appendix 4D

24 August 2018

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 provide a copy of its consolidated interim financial statements and the Group Appendix 4D for the half-year ended 30 June 2018.

HIGHLIGHTS

- **Strong profit after tax for the half-year ended 30 June 2018 ("1H 2018") of A$106.4 million as compared to a net loss after tax of A$21.4 million for the half-year ended 30 June 2017 ("1H 2017")**
- **Earnings Before Interest, Tax and Depreciation ("EBITDA") of A$174.5 million for 1H 2018 compared with A$41.5 million for 1H 2017, with the Group's Australian subsidiary, OM (Manganese) Ltd ("OMM") in full mining operation for the entire 6 month period, and the Group's 75% owned smelter, operated by OM Materials (Sarawak) Sdn. Bhd. ("OM Sarawak") with 16 furnaces running on full operating capacity as at 30 June 2018**
- **Basic and diluted earnings per share of the Group of 12.32 cents and 12.12 cents respectively for 1H 2018 as compared to a loss per ordinary share of 1.87 cents for 1H 2017**
- **Revenue from operating activities for 1H 2018 was A$828.3 million, representing a 215% increase over 1H 2017 (where revenue from operating activities was A$263.1 million). This increase was underpinned by higher tonnages of ores and alloys traded, and continued robust manganese ore and ferroalloy prices in 1H 2018**
- **Gross profit margin improved to approximately 22.3% in 1H 2018 from 18.8% in 1H 2017. This was predominantly attributed to the continued strong ore and alloy prices, and higher volumes of ferroalloy and manganese ore traded**
- **Total borrowings decreased from A$510.7 million as at 31 December 2017 to A$496.6 million as at 30 June 2018 which included the full repayment of the Group's restructured loans of US$39.3 million during 1H 2018. However, additional trade facilities were drawn down of approximately A$20.0 million to support raw material purchases for OM Sarawak at balance date. As a result, total borrowings to equity ratio decreased from 1.77 times as at 31 December 2017 to 1.22 times as at 30 June 2018**
- **Net cash generated from operating activities of A$98.4 million for 1H 2018 as compared to net cash generated from operating activities of A$22.1 million for 1H 2017**

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HIGHLIGHTS (CONT'D)

- **Consolidated cash position of A$73.2 million as at 30 June 2018 as compared to A$34.4 million as at 31 December 2017**
- **Net asset backing per ordinary share of the Group was 55.43 cents per ordinary share as at 30 June 2018 as compared to 23.73 cents and 39.34 cents per ordinary share as at 30 June 2017 and 31 December 2017 respectively**
- **The significant sustainable turnaround in the Group's operations and surplus cash flow generated has resulted in the Board agreeing to seek shareholder's approval for a dividend to be declared of A$0.03 per fully paid ordinary share. The Board will be convening a Special General Meeting to be held by the end of September 2018 which will also include seeking shareholder's approval to update the Company's Bye-laws so as to enable the dividend to be declared and paid. Subject to the receipt of shareholder approval, the Record Date for the dividend will be 5 October 2018 and the Payment Date will be 26 October 2018. The resumption of the Company's dividend policy is acknowledgement for the solid performance of all the Group's operations**
- **Agreement has been reached between the Company's 100% owned subsidiary OMH (Mauritius) Corp. and Ntsimbintle Mining Proprietary Limited to consider a potential listing on the JSE Limited of Main Street 774 Proprietary Limited ("Main Street"). Main Street holds a beneficial 50.1% interest in the Tshipi Borwa Manganese Mine in South Africa and OMH holds a 26% interest in Main Street. OMH currently intends to retain its strategic investment holding and its existing marketing rights over its share of manganese ore from the Tshipi Borwa Manganese Mine**

OM HOLDINGS LIMITED – GROUP KEY FINANCIAL RESULTS

KEY DRIVERS (Tonnes)	**Period Ended 30 June 2018**	**Period Ended 30 June 2017**	**Variance %**
Sales volumes of Ores	**1,279,835**	301,415	>100
Sales volumes of Alloys	**244,131**	145,400	68

FINANCIAL RESULTS (A$ million)			
Total sales	**828.3**	263.1	>100
Gross profit	**184.6**	49.6	>100
Gross profit margin (%)	**22.3%**	18.8%	
Other income	**0.9**	2.8	(68)
Distribution costs	**(26.1)**	(14.8)	76
Administrative expenses	**(19.7)**	(11.2)	76
Other operating expenses	**(8.9)**	(16.1)	(45)
Exchange loss	**(8.0)**	(11.5)	(30)
Finance costs	**(21.7)**	(24.8)	(13)
Share of results of associates(3)	**24.7**	5.1	>100
Profit/(Loss) before income tax	**125.8**	(20.9)	NM
Income tax	**(19.4)**	(0.5)	>100
Profit/(Loss) for the period	**106.4**	(21.4)	NM
Non-controlling interests	**(16.0)**	7.7	NM
Profit/(Loss) after tax attributable to owners of the Company	**90.4**	(13.7)	NM

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (A$ million)		
Net profit/(loss) after tax	**106.4**	(21.4)
Adjustments:		
Depreciation/amortisation(2)	**21.3**	24.3
Unrealised exchange loss	**5.8**	13.4
Finance costs (net of income)	**21.6**	24.7
Income tax expenses	**19.4**	0.5
Adjusted EBITDA(1)	**174.5**	41.5

(1) Adjusted EBITDA is defined as operating profit before depreciation and amortisation, impairment write-back/expense, non-cash inventory write-downs, deferred mine stripping, net finance costs, income tax, 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' disclosures.

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

(3) Represents equity accounting the profit of OMH (Mauritius) Corp. and its ultimate 13% effective interest in Tshipi é Ntle Manganese Mining Pty Ltd.

FINANCIAL ANALYSIS

The Group recorded revenue of A$828.3 million for 1H 2018, representing a 215% increase from the A$263.1 million recorded for 1H 2017. This increase in revenue was predominantly attributed to higher total volume of products traded and continued robust ore and alloy prices in 1H 2018. With improved daily production volumes of ferrosilicon ("FeSi") coupled with the last FeSi furnace which commenced production in June 2018, FeSi volumes produced and traded from the Group's 75% owned smelter in Sarawak increased by approximately 21% to 104,927 tonnes with a corresponding revenue contribution of A$213.8 million for 1H 2018. In addition, with all 6 modified furnaces in full production producing manganese alloy (high carbon ferromanganese and silico manganese) in 1H 2018, there was an approximately 138% increase in tonnages of manganese alloys produced and traded of 139,204 tonnes. This resulted in a revenue contribution of A$224.3 million from manganese alloys for 1H 2018 as compared to A$79.2 million for 1H 2017. As at 30 June 2018, all 16 furnaces were operating above design capacity.

Manganese ore volumes traded (including from the Group's wholly-owned Bootu Creek Manganese Mine and other third party ores) also increased in 1H 2018. Total manganese ore volumes traded increased by 973,153 tonnes to 1,260,267 tonnes, with a revenue contribution of A$381.2 million in 1H 2018 (as compared to 287,114 tonnes with a revenue contribution of A$63.1 million in 1H 2017).

The substantial increase in the volume of ore and alloys traded as well as the steady increase in manganese ore and ferroalloy prices in FY2017 which remained strong in 1H 2018 had a positive impact on the Group's sales revenue and gross profit margins in 1H 2018. The Group recorded a gross profit of A$184.6 million for 1H 2018 as compared to A$49.6 million for 1H 2017, with an improved gross profit margin of approximately 22% for 1H 2018 as compared to approximately 19% for 1H 2017. Index ore prices (44% Mn published by Metal Bulletin) increased to US$8.76/dmtu CIF China as at 31 March 2018 before stabilising in 2Q 2018, and closed at US$6.83/dmtu CIF China as at 30 June 2018 as compared to US$5.87/dmtu CIF China as at 30 June 2017.

Platts reported that prices of FeSi to Japan closed at US$1,435 per metric tonne at the end of June 2018, up from US$1,385 per metric tonne at the end of March 2018, as compared to US$1,215 per metric tonne at the end of June 2017. The strengthening price of FeSi remained sustainable with solid support from the increase in steel production and demand, coupled with restricted Chinese output as a result of continued environmental inspections in China.

Distribution costs increased by approximately 76% in 1H 2018 and this was in line with the corresponding increase in sales volumes for the current period.

Administrative expenses for 1H 2018 increased by approximately 76% to A$19.7 million mainly due to the expensing of legal and professional fees of A$4.6 million that were previously incurred and capitalized associated with the loan restructuring undertaken in 4Q 2017. The resultant expensing of these costs over the restructured loan tenure in 1H 2018 was reflected within the income statement during the period following the accelerated full repayment of the restructured loans in June 2018.

Other operating expenses decreased to A$8.9 million for 1H 2018 from A$16.1 million for 1H 2017 mainly due to lower depreciation and amortisation expenses from the Australian subsidiary with the extension of the mine life by approximately 2 years to the middle of 2021. In addition, there were no shut-down costs incurred in 1H 2018 at OM Sarawak as all the modified furnaces to produce manganese alloy were ramped up by the middle of 2017.

The foreign exchange loss in 1H 2018 of A$8.0 million was mainly attributed to the translation of Malaysia Ringgit ("**MYR**") denominated payables and borrowings to United States dollar ("**USD**") as a result of the strengthening of the MYR against the USD during the current period.

The tax expense for 1H 2018 of A$19.4 million was mainly attributed to the crystallisation of deferred taxation from the Australian subsidiary for the six months period to June 2018.

With the continued strengthening prices of manganese ore and ferroalloys in 1H 2018, coupled with the production capabilities and efficiency of the Group's smelter in Sarawak with all 16 furnaces in production, the Group recorded a profit after tax of A$106.4 million for 1H 2018 (against a loss after tax of A$21.3 million for 1H 2017). The Group's basic and diluted profit per ordinary share for 1H 2018 was 12.32 cents and 12.12 cents respectively as compared to a loss per ordinary share of 1.87 cents for 1H 2017.

The Group also recorded a strong positive EBITDA of A$174.5 million for 1H 2018 as compared with A$41.5 million for 1H 2017, an increase of more than 100%. The EBITDA of A$174.5 million for 1H 2018 also exceeded the EBITDA of A$144.6 million recorded in the 6 month period ended 31 December 2017, during which a significant turnaround in operating and financial performance was recorded.

Results Contributions

The contributions from the Group's business segments were as follows:

A$ million	**Period ended 30 June 2018**		**Period ended 30 June 2017**	
	Revenue*	**Contribution**	Revenue*	Contribution
Mining	**91.6**	**37.0**	42.6	4.8
Smelting	**424.7**	**87.5**	189.3	(16.7)
Marketing, logistics and trading	**806.6**	**8.8**	236.6	5.3
Other	**10.5**	**(10.6)**	15.9	5.3
Net profit/(loss) before finance costs		**122.7**		(1.3)
Finance costs (net of income)		**(21.6)**		(24.7)
Share of results of associates		**24.7**		5.1
**Profit/(Loss) before tax ** **		**125.8**		(20.9)

** revenue contribution from segments is subsequently adjusted for intercompany sales on consolidation*
*** numbers may not add due to rounding*

Mining

This category includes the contribution from the Bootu Creek Manganese Mine (the "**Mine**").

The Mine (100% owned and operated by the Company's wholly owned subsidiary OMM) produced 343,878 tonnes of manganese ore with an average grade of 35.76% Mn in 1H 2018 as compared to 287,830 tonnes of manganese ore with an average grade of 35.97% Mn in 1H 2017. This increase of approximately 19% was due to the Mine being fully operational in 1H 2018. For 1H 2017, the Mine only commenced mining and production activities in late February 2017 following a care and maintenance period. OMM shipped 312,029 tonnes of ore with an average grade of 35.88% Mn in 1H 2018, an increase of approximately 48% as compared to 211,429 tonnes of ore with an average grade of 35.97% Mn in 1H 2017.

Revenue for 1H 2018 amounted to A$91.6 million and OMM achieved a strong positive contribution of A$37.0 million for the period ended 30 June 2018. This was mainly contributed by the continued solid price of manganese ore and higher volumes of ores traded in the current period.

Smelting

This business segment covers the operations of the FeSi and manganese alloy smelter operated by OM Sarawak and the Qinzhou manganese alloy smelter operated by OM Materials (Qinzhou) Co Ltd ("**OMQ**").

The operations within OM Sarawak and OMQ recorded revenue of A$424.7 million for 1H 2018 as compared to A$189.3 million for 1H 2017. The increase in revenue was mainly due to higher tonnages of FeSi and manganese alloy produced by OM Sarawak in 1H 2018 of 104,602 tonnes and 124,979 tonnes respectively (1H 2017: 80,564 tonnes of FeSi and 48,897 tonnes of manganese alloy) with a total revenue contribution of A$393.5 million for 1H 2018 as compared to A$167.6 million for 1H 2017. As at 30 June 2018, OM Sarawak had all 16 furnaces in operation with 10 furnaces producing FeSi and 6 furnaces producing manganese alloy (as compared to 8 furnaces producing FeSi and 5 furnaces producing manganese alloy as at 30 June 2017).

OMQ produced 18,966 tonnes of manganese alloy and 18,425 tonnes of manganese sinter ore in 1H 2018 (1H 2017: 18,082 tonnes of manganese alloy and 22,916 tonnes of manganese sinter ore) and had a revenue contribution of A$31.2 million for 1H 2018 as compared to A$29.9 million for 1H 2017.

The strong positive contribution of A$87.5 million for 1H 2018 from this segment was mainly due to the higher volumes of FeSi and manganese alloy produced and traded in 1H 2018 coupled with the improved prices for ferroalloys during the current period. The negative contribution in 1H 2017 of A$16.7 million was mainly attributable to unrealised foreign exchange losses in OM Sarawak due to the translation of MYR denominated payables and borrowings to USD as a result of the strengthening of the MYR against the USD during the 6 months period in 2017.

Marketing, logistics and trading

Revenue from the Group's trading operations increased by 241% from A$236.6 million for 1H 2017 to A$806.6 million for 1H 2018. This increase was primarily due to higher FeSi, manganese alloy and manganese ore volumes traded in 1H 2018 as well as the continued robust prices of manganese ores and ferroalloys achieved in 1H 2018. Despite a greater than twofold increase in revenue for 1H 2018, the profit contribution from the Group's trading operations only increased by approximately 66% to A$8.8 million. This was because OM Tshipi (S) Pte Ltd ("**OM Tshipi**") became a wholly owned subsidiary of the Company since July 2017 and revenue from the Group's trading operations for 1H 2018 included its revenue of A$235.4 million (none in 1H 2017 as it was still an associated company as at 30 June 2017) earning a fixed commission income of 3%.

Other

The revenue recognised in this segment relates to procurement fees received for services rendered. The negative contribution of A$10.6 million in this segment for 1H 2018 was mainly the result of unrealised foreign exchange losses, and A$4.6 million of restructuring legal and professional fees previously capitalised and since expensed following the accelerated full repayment of the restructured loans.

FINANCIAL POSITION

The Group's property, plant and equipment ("PPE") increased from A$608.9 million as at 31 December 2017 to A$639.6 million as at 30 June 2018 mainly due to the translation of the Sarawak smelter's PPE from USD to Australian dollar ("**AUD**") at consolidation due to the weakening of the AUD against the USD.

The Group's consolidated cash position was A$73.2 million (including cash collateral of A$9.6 million) as at 30 June 2018 as compared to A$34.4 million (including cash collateral of A$4.5 million) as at 31 December 2017. For 1H 2018, the net cash generated from operating activities was A$98.4 million as compared to net cash generated of A$22.1 million for 1H 2017.

Inventories increased to A$295.0 million as at 30 June 2018 from A$252.5 million as at 31 December 2017. This was mainly a result of an increase in raw materials at the Sarawak smelter to cater for the production requirements of all 16 furnaces as well as an increase in finished goods (FeSi and manganese alloys) due to 2 local festivals in Sarawak in June 2018 which had an impact on delaying shipments post June 2018.

Trade and other receivables and prepayments decreased to A$68.2 million as at 30 June 2018 from A$97.1 million as at 31 December 2017.

Trade and other payables decreased to A$318.5 million as at 30 June 2018 from A$353.3 million as at 31 December 2017.

The Group's total borrowings decreased from A$510.7 million as at 31 December 2017 to A$496.6 million as at 30 June 2018. The decrease was mainly attributed to the full repayment of the restructured loan balance as at 31 December 2017 of A$39.3 million during the half year ended 30 June 2018. This was offset by an increased utilisation of OM Sarawak's trade facilities by approximately A$20.0 million for raw material purchases. The Group's total borrowings to equity ratio decreased from 1.77 times as at 31 December 2017 to 1.22 times as at 30 June 2018. The borrowings as at 30 June 2018 comprised A$459.1 million of Sarawak Project Finance loans associated with the smelter operations.

The Group's net asset backing per ordinary share was 55.43 cents per ordinary share as at 30 June 2018 as compared to 23.73 cents and 39.34 cents per ordinary share as at 30 June 2017 and 31 December 2017 respectively. This represented more than 100% and approximately 41% (or 31.70 cents and 16.09 cents) increase as compared to 30 June 2017 and 31 December 2017 respectively.

Capital Structure

During the 6 months period ended 30 June 2018, movements in the share capital structure of the Company were as follows:

(1) The Company received notices to exercise a total of 5,200,000 warrants at an exercise price of A$0.40. Accordingly, the Company has issued 5,200,000 ordinary shares and received proceeds of A$2,080,000.

(2) In February 2018, the Company undertook a selective buy-back of 26,000,000 unlisted warrants from a financier for US$500,000 (equivalent to approximately A$620,000).

(3) In March 2018, the convertible notes on issue were reduced from 25,000,000 to 20,000,000 following the redemption by the Company of 20% of the convertible notes for US$4.29 million (equivalent to approximately A$5.50 million).

(4) In April 2018, the convertible notes on issue were reduced further from 20,000,000 to 17,435,500 following the redemption by the Company of a further 10.258% of the original convertible notes for US$2.2 million (equivalent to approximately A$2.90 million).

As at 30 June 2018, the Company had 738,623,337 ordinary shares, 17,435,500 unsecured convertible notes and 26,000,000 unlisted warrants on issue.

INVESTMENT IN MAIN STREET 774 PROPRIETARY LIMITED ("MAIN STREET")

Agreement has been reached between the Company's 100% subsidiary OMH (Mauritius) Corp. and Ntsimbintle Mining Proprietary Limited to consider a potential listing of Main Street on the securities exchange of the JSE Limited. Main Street holds a 50.1% interest in Tshipi é Ntle Manganese Mining Pty Ltd ("Tshipi").

Tshipi ultimately owns the Tshipi Borwa Manganese Mine located in the world class Kalahari manganese field in South Africa. OMH holds a 26% interest in Main Street. If the listing does proceed by way of an initial public offering of Main Street on the securities exchange of the JSE Limited, OMH currently intends to retain its strategic investment holding and its existing marketing rights over its share of manganese ore from the Tshipi Borwa Manganese Mine.

The Tshipi Borwa Manganese Mine anticipates producing at a rate of 3.3 million tonnes per annum in the current year. The Company has a 13% effective beneficial interest in this project via its Main Street investment holding.

INTERIM DIVIDEND

The significant sustainable turnaround in the Group's operations and surplus cash flow generated has resulted in the Board agreeing to seek shareholder approval for a dividend to be declared of A$0.03 per fully paid ordinary share. Accordingly, the Board will be convening a Special General Meeting to be held by the end of September 2018 which will also include seeking shareholder approval to update the Company's Bye-laws so as to enable the dividend to be declared and paid. Subject to the receipt of shareholder approval to amend the Bye-laws, the Record Date for the dividend will be 5 October 2018 and the Payment Date will be 26 October 2018. The resumption of the Company's dividend policy is acknowledgement for the solid performance of all the Group's operations.

Yours faithfully
OM HOLDINGS LIMITED

Heng Siow Kwee/Julie Wolseley
Joint Company Secretary

Important note from page 3

Earnings before interest, taxation, depreciation and amortisation (ie 'EBITDA') and earnings before interest and tax (ie 'EBIT') are 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 measures 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 and EBIT are useful measures as they remove 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 also 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 and EBIT results are 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 not necessarily presented uniformly across the various listed entities in a particular industry or generally.

OM HOLDINGS LIMITED

A.R.B.N 081 028 337

Appendix 4D

Half Yearly Report

For the period ended 30 June, 2018

(previous corresponding period being the period ended 30 June, 2017)

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 2018

Name of Entity:	OM Holdings Limited	
ARBN:	081 028 337	
1. Details of the current and prior reporting period		
Current Period:	1 Jan 2018 to 30 Jun 2018	
Prior Period:	1 Jan 2017 to 30 Jun 2017	
2. Results for announcement to the market		
	A$'000	A$'000
2.1 Revenue	Up 565,245 to	828,296
2.2 Profit after taxation	Up 127,758 to	106,432
2.3 Net profit for the period attributable to owners of the Company	Up 104,043 to	90,389
2.4 Dividend distributions	Amount per security	Franked amount per security
	A$0.03*	Nil
2.5 Record date for determining entitlements to the dividend	5 October 2018*	
3. Consolidated statement of comprehensive income	Refer Interim Financial Report	
4. Consolidated statements of financial position	Refer Interim Financial Report	
5. Consolidated statement of cash flows	Refer Interim Financial Report	
6. Details of dividends or distributions	N/A	
7. Consolidated statement of changes in equity	Refer Interim Financial Report	
	Current Period A$	Previous Corresponding Period A$
8. Net asset backing per ordinary security	**55.43 cents**	23.73 cents

* Pursuant to the Company's Bye-laws, a general meeting of shareholders will be held by the end of September 2018 to seek approval to the proposed dividend. If approved by shareholders, the Record Date will be 5 October 2018 and the Payment Date will be 26 October 2018.

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 Profit/(loss) per share	**12.32 cents**	(1.87 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 2018

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 2017 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.

Contents

Directors' statement

The Directors present their statement 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 2018.

In the opinion of the directors,

(a) the accompanying consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the financial position of the Group as at 30 June 2018 and of the financial performance of the business, changes in equity and cash flows of the Group for the six month period ended on that date; and

(b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

DIRECTORS

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

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

REVIEW OF OPERATIONS

The Board of OM Holdings Limited (ASX Code: OMH) reported a consolidated net profit after tax and non-controlling interests of A$90.4 million for the six months ended 30 June 2018, compared with a consolidated net loss after tax and non-controlling interests of A$13.7 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: 24 August 2018

Review report to the members of OM Holdings Limited

<u>Introduction</u>

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 2018, 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 these interim consolidated financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed consolidated financial information based on our review.

<u>Scope of Review</u>

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.

<u>Conclusion</u>

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial information does not give a true and fair view of the financial position of the Group as at 30 June 2018, and of the Group's financial performance, its changes in equity and its cash flows for the six months period then ended in accordance with IAS 34 *Interim Financial Reporting*.

Foo Kon Tan LLP

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Partner in charge: Mr Ho Teik Tiong
(with effect from the financial year ending 31 December 2018)

Singapore, 24 August 2018

Consolidated statement of financial position

	Note	30 June 2018 A$'000	31 December 2017 A$'000
Assets			
Non-Current			
Property, plant and equipment		**639,556**	608,915
Land use rights		**9,763**	9,370
Exploration and evaluation costs		**2,420**	2,167
Mine development costs		**28,032**	32,026
Deferred tax assets		**13,975**	24,076
Interests in associates		**126,393**	116,544
		820,139	793,098
Current			
Inventories		**294,950**	252,480
Trade and other receivables		**64,255**	91,025
Prepayments		**3,898**	6,076
Cash collateral		**9,600**	4,463
Cash and cash equivalents		**63,640**	29,913
		436,343	383,957
Total assets		**1,256,482**	1,177,055
Equity			
Capital and Reserves			
Share capital	7	**36,931**	36,671
Treasury shares		**(2,330)**	(2,330)
Reserves	12	**295,289**	193,625
		329,890	227,966
Non-controlling interests		**78,492**	59,782
Total equity		**408,382**	287,748
Liabilities			
Non-Current			
Borrowings	8	**437,013**	468,859
Trade and other payables		**127,380**	139,725
Provisions		**5,971**	6,032
Deferred tax liabilities		**1,789**	1,677
Deferred capital grant		**13,099**	12,776
		585,252	629,069
Current			
Trade and other payables		**191,101**	213,600
Borrowings	8	**59,554**	41,822
Deferred capital grant		**808**	726
Income tax payables		**11,385**	4,090
		262,848	260,238
Total liabilities		**848,100**	889,307
Total equity and liabilities		**1,256,482**	1,177,055

Consolidated statement of comprehensive income

	Note	**6 months to 30 June 2018 A$'000**	6 months to 30 June 2017 A$'000
Revenue		**828,296**	263,051
Cost of sales		**(643,642)**	(213,483)
Gross profit		**184,654**	49,568
Other income		**934**	2,849
Distribution costs		**(26,144)**	(14,845)
Administrative expenses		**(19,637)**	(11,238)
Other operating expenses		**(8,873)**	(16,102)
Exchange loss		**(8,042)**	(11,445)
Finance costs		**(21,712)**	(24,761)
Profit/(loss) from operations		**101,180**	(25,974)
Share of results of associates		**24,684**	5,119
Profit/(loss) before tax		**125,864**	(20,855)
Income tax		**(19,432)**	(471)
Profit/(loss) after taxation		**106,432**	(21,326)
Other comprehensive income/(expenses), net of tax:			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences arising from foreign subsidiaries		**13,018**	(8,421)
Cash flow hedges	13	**193**	832
Other comprehensive income/(expenses) for the period, net of tax		**13,211**	(7,589)
Total comprehensive income/(expenses) for the period		**119,643**	(28,915)
Profit/(loss) attributable to:			
Owners of the Company		**90,389**	(13,654)
Non-controlling interests		**16,043**	(7,672)
		106,432	(21,326)
Total comprehensive income/(expenses) attributable to:			
Owners of the Company		**100,933**	(19,565)
Non-controlling interests		**18,710**	(9,350)
		119,643	(28,915)
Profit/(loss) per share		**Cents**	Cents
- Basic	9	**12.32**	(1.87)
- Diluted	9	**12.12**	(1.87)

Consolidated statement of changes in equity

	Share capital A$'000	Treasury shares A$'000	Share premium A$'000	Non-distributable reserve A$'000	Capital reserve A$'000	Hedging reserve A$'000	Exchange translation 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 2018	**36,671**	**(2,330)**	**176,563**	**5,552**	**16,513**	**(6,886)**	**10,073**	**(8,190)**	**227,966**	**59,782**	**287,748**
Total comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	**90,389**	**90,389**	**16,043**	**106,432**
Other comprehensive income for the period (Note 12)	-	-	-	-	-	**145**	**10,399**	-	**10,544**	**2,667**	**13,211**
	-	-	-	-	-	**145**	**10,399**	**90,389**	**100,933**	**18,710**	**119,643**
Transactions with equity holders											
Buy-back of warrants	-	-	-	-	**(1,069)**	-	-	-	**(1,069)**	-	**(1,069)**
Issue of ordinary shares, net of issue costs	**260**	-	**1,800**	-	-	-	-	-	**2,060**	-	**2,060**
Balance at 30 June 2018	**36,931**	**(2,330)**	**178,363**	**5,552**	**15,444**	**(6,741)**	**20,472**	**82,199**	**329,890**	**78,492**	**408,382**

	Share capital A$'000	Treasury shares A$'000	Share premium A$'000	Non-distributable reserve A$'000	Capital reserve A$'000	Hedging reserve A$'000	Exchange translation reserve A$'000	Accumulated losses A$'000	Total attributable to equity holders of the parent A$'000	Non-controlling interests A$'000	Total equity A$'000
Balance at 1 January 2017	36,671	(2,330)	176,563	5,534	16,513	(7,906)	15,493	(100,827)	139,711	62,748	202,459
Total comprehensive (expense)/income for the period											
Loss for the period	-	-	-	-	-	-		(13,654)	(13,654)	(7,672)	(21,326)
Other comprehensive (expense)/income for the period (Note 12)	-	-	-	-	-	624	(6,535)	-	(5,911)	(1,678)	(7,589)
	-	-	-	-	-	624	(6,535)	(13,654)	(19,565)	(9,350)	(28,915)
Transactions with equity holders											
Dividend forfeited	-	-	-	-	-	-	-	14	14	-	14
Transfer	-	-	-	18	-	-	7	(33)	(8)	8	-
Balance at 30 June 2017	36,671	(2,330)	176,563	5,552	16,513	(7,282)	8,965	(114,500)	120,152	53,406	173,558

Consolidated statement of cash flows

	6 months to 30 June 2018 A$'000	6 months to 30 June 2017 A$'000
Cash Flows from Operating Activities		
Profit/(loss) before taxation	**125,864**	(20,855)
Adjustments for:		
Amortisation of land use rights	**94**	95
Amortisation of deferred capital grant	**(369)**	(376)
Amortisation of mine development costs	**3,994**	5,129
Depreciation of property, plant and equipment	**17,257**	19,476
Write off of exploration and evaluation costs	**22**	17
Write off of property, plant and equipment	**70**	-
Write-back of inventories to net realisable value	**-**	(36)
Loss on disposal of property, plant and equipment	**-**	7
Unwinding of interest income	**756**	-
Reclassification adjustments from hedging reserve to profit or loss	**193**	832
Interest expense	**21,713**	24,761
Interest income	**(151)**	(89)
Share of results of associates	**(24,684)**	(5,119)
Operating profit before working capital changes	**144,759**	23,842
(Increase)/decrease in inventories	**(39,170)**	19,353
Decrease in trade receivables	**23,080**	18,561
Decrease/(increase) in prepayments, deposits and other receivables	**8,117**	(6,504)
(Decrease)/increase in trade and bill payables	**(19,347)**	5,246
(Decrease)/increase in other payables and accruals	**(4,948)**	2,880
Long term liabilities:		
Decrease in other long term payables	**(12,138)**	(38,989)
Cash generated from operations	**100,353**	24,389
Income tax paid	**(1,924)**	(2,320)
Net cash generated from operating activities	**98,429**	22,069
Cash Flows from Investing Activities		
Payments for exploration and evaluation	**(275)**	(98)
Purchase of property, plant and equipment	**(16,172)**	(13,019)
Repayment from a related party	**14,835**	6,583
Interest received	**151**	89
Net cash used in investing activities	**(1,461)**	(6,445)
Cash Flows from Financing Activities		
Repayment of bank and other loans	**(63,837)**	(6,112)
Proceeds from loans	**19,872**	8,232
Payment to finance lease creditors	**(568)**	(615)
Buy-back of warrants	**(620)**	-
Issue of ordinary shares, net of issue costs	**2,060**	-
(Increase)/decrease in cash collateral	**(5,137)**	4,277
Interest paid	**(16,203)**	(14,064)
Net cash used in financing activities	**(64,433)**	(8,282)
Net increase in cash and cash equivalents	**32,535**	7,342
Cash and cash equivalents at the beginning of period	**29,913**	20,571
Exchange differences on translation of cash and bank balances at beginning of period	**1,192**	(1,477)
Cash and cash equivalents at the end of period	**63,640**	26,436

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 2018 was authorised for issue in accordance with a resolution of the Directors on 24 August 2018.

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, ferrosilicon and ferro alloy products
- trading of ore, ferrosilicon 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 and operation 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 2018 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 2017.

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

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

The Group has adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments with effect from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have material effect on the Group's financial statements.

IFRS 15 "Revenue from Contracts with Customers"
IFRS 15 establishes a comprehensive principle for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The core principle of IFRS 15 is that an entity recognises revenue related to the transfer of promised goods or services when control of the goods or services passes to the customer. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group sells a significant proportion of its products on Cost and Freight (CFR) or Cost, Insurance & Freight (CIF) Incoterms, where the total sales price is allocated to the separate performance obligations; the first being the product and the second being the other costs, insurance and freight. The sales price allocated to the product is recognised at the point in time at which control of the goods passes to the customer at the loading port, which does not differ significantly from the current standard, IAS 18. The sales price for the costs, insurance and freight are required to be accounted for as separate performance obligations with revenue recognised over time as the service is rendered whereas under IAS 18, the Group recognises such shipping and other freight revenue and accrues the associated costs in full on loading.

The Group has not restated the comparative information as the impact to the Group is insignificant. The Group has quantified the amount to be A$1,729,000.

IFRS 9 "Financial Instruments"
IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

Classification and measurement of financial assets and financial liabilities
IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminated the previous IAS 39 categories for financial asset of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

3 Significant accounting policies (Cont'd)

Under IFRS 9, on initial recognition, a financial asset is classified and measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

3 Significant accounting policies (Cont'd)

The following accounting policies apply to the subsequent measurement of financial assets.

- financial assets at FVTPL - these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
- financial assets at amortised cost - these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- debt investments at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
- equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 as at 1 January 2018	New carrying amount under IFRS 9 as at 1 January 2018
Financial assets			**A$'000**	**A$'000**
Trade and other receivables	Loans and receivables	Amortised cost	91,025	91,025
Cash and cash equivalents	Loans and receivables	Amortised cost	34,376	34,376
Total financial assets			125,401	125,401

The Group has adopted IFRS 9 and has concluded that the impact to the Group's financial statements is insignificant.

4 Estimates

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

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, ferrosilicon and manganese sinter ore
- *marketing and trading* - trading of manganese ore, manganese ferroalloys, ferrosilicon and sinter ore, chrome ore and iron ore

The revenues and profit/(loss) 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 30 June 2018	**A$'000**	**A$'000**	**A$'000**	**A$'000**	**A$'000**
Revenue					
From external customers	**-**	**118,107**	**710,189**	**-**	**828,296**
Inter-segment sales	**91,610**	**306,552**	**96,390**	**10,503**	**505,055**
Segment revenues	**91,610**	**424,659**	**806,579**	**10,503**	**1,333,351**
Segment operating Profit/(loss) before tax	**37,032**	**87,535**	**8,773**	**(10,599)**	**122,741**
Segment assets	**90,220**	**966,703**	**70,470**	**129,089**	**1,256,482**

	Mining	Smelting	Marketing and trading	Others*	Total
6 months to 30 June 2017	A$'000	A$'000	A$'000	A$'000	A$'000
Revenue					
From external customers	-	69,016	193,672	363	263,051
Inter-segment sales	42,614	120,333	42,926	15,511	221,384
Segment revenues	42,614	189,349	236,598	15,874	484,435
Segment operating Profit/(loss) before tax	4,814	(16,735)	5,310	5,309	(1,302)
Segment assets	76,440	889,404	25,208	120,468	1,111,520

5 Segment reporting (Cont'd)

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

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

	6 months to 30 June 2018 A\$'000	6 months to 30 June 2017 A\$'000
Group profit/(loss) before tax		
Segment results	**122,741**	(1,302)
Share of associate's result	**24,684**	5,119
Finance costs	**(21,712)**	(24,761)
Finance income	**151**	89
Group profit/(loss) before tax	**125,864**	(20,855)

6 Analysis of selected items of the consolidated interim financial statements

The Group achieved revenue of A\$828.3 million in the current period ended 30 June 2018 ("1H 2018"), representing a 215% increase from the A\$263.1 million achieved in the previous corresponding period ended 30 June 2017 ("1H 2017"). The increase in revenue was mainly from the Smelting and Marketing and Trading segments, predominantly from a higher total volume of products traded and from the continued robust ore and alloy prices for 1H 2018. With improved daily production volumes of ferrosilicon and an additional ferrosilicon furnace which commenced production in June 2018, ferrosilicon volumes produced and traded from the Group's 75% owned smelter in Sarawak increased by 21% to 104,927 tonnes with a corresponding revenue contribution of A\$213.8 million. In addition, with all 6 modified furnaces at the smelter in Sarawak in full production producing manganese alloy (high carbon ferromanganese and silico manganese) in the current period, there was an increase in tonnages of manganese alloys produced and traded of 139,204 tonnes. This resulted in a revenue contribution of A\$224.3 million from manganese alloys as compared to only A\$79.2 million in the previous corresponding period in 2017. As at 30 June 2018 all 16 furnaces were operating above design capacity.

Manganese ore volumes traded from the Group's wholly-owned Bootu Creek Manganese Mine (the "Mine") and other third party ores also increased for 1H 2018 by 973,153 tonnes to 1,260,267 tonnes, with a revenue contribution of A\$381.2 million (as compared to 287,114 tonnes for 1H 2017, with a revenue contribution of A\$63.1 million).

The substantial increase in the volume of ore and alloys traded as well as the steady increase in manganese ore and ferroalloy prices in FY2017 which remained strong in 1H 2018 had a positive impact on the Group's sales revenue and gross profit margins in 1H 2018. The Group recorded a gross profit of A\$184.6 million for 1H 2018 as compared to A\$49.6 million for 1H 2017, with an improved gross profit margin achieved of approximately 22% in 1H 2018 as compared to approximately 19% for the same corresponding period in 2017. As an indication, the index ore prices (44% Mn published by Metal Bulletin) increased to US\$8.76/dmtu CIF China as at 31 March 2018 before stabilising and closed at US\$6.83/dmtu CIF China as at 30 June 2018 as compared to US\$5.87/dmtu CIF China as at 30 June 2017.

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

Platts reported that prices of ferrosilicon to Japan closed at US$1,435 per metric tonne at the end of June 2018, an increase from US$1,385 per metric tonne at the end of March 2018, as compared to US$1,215 per metric tonne at the end of June 2017. The strengthening price of ferrosilicon remained sustainable with solid support from the increase in steel production and demand in the current period, coupled with restricted Chinese output as a result of continued environmental inspections in China.

Distribution costs increased by approximately 76% in 1H 2018 and this was in line with the corresponding increase in sales volume for the current period. Finance costs decreased from A$24.8 million for 1H 2017 to A$21.7 million for 1H 2018 mainly from the full repayment of the restructured loans that was executed on 23 October 2017.

Administrative expenses for 1H 2018 increased to A$19.7 million mainly due to the expensing of legal and professional fees of A$4.6 million that were previously incurred and capitalised associated with the loan restructuring undertaken in the quarter ended 31 December 2017. The resultant expensing of these costs over the restructured loan tenure in 1H 2018 was reflected in the income statement in the current period following the accelerated full repayment of the restructured loans in June 2018.

Other operating expenses decreased to A$8.9 million for 1H 2018 from A$16.1 million for 1H 2017 mainly due to lower depreciation and amortisation expenses from the Company's Australian subsidiary with the extension of the mine life by approximately 2 years to the middle of 2021. In addition, there were no shut-down costs incurred in 1H 2018 at OM Sarawak as all the modified furnaces to produce manganese alloy were ramped up by the middle of 2017.

The foreign exchange loss in 1H 2018 of A$8.0 million was mainly attributed to the translation of Malaysian Ringgit ("MYR") denominated payables and borrowings to United States dollars ("USD") as a result of the strengthening of the MYR against the USD during the current period.

Tax expense for 1H 2018 of A$19.4 million was mainly attributed to the crystallisation of deferred taxation from the Company's Australian subsidiary for the six months period to June 2018.

With the continued strengthening prices of manganese ore and ferroalloys in 1H 2018, coupled with the production capabilities and efficiency of the Group's smelter in Sarawak with all 16 furnaces in production, the Group recorded a profit after tax of A$106.4 million for 1H 2018 against a loss after tax of A$21.3 million for 1H 2017. The Group's basic and diluted earnings per share for 1H 2018 was 12.32 cents and 12.12 cents respectively as compared to a loss per ordinary share of 1.87 cents for 1H 2017.

The Group's property, plant and equipment ("PPE") increased from A$608.9 million as at 31 December 2017 to A$639.6 million as at 30 June 2018 mainly due to the translation of the Sarawak smelter's PPE from USD to Australian dollar ("AUD") for consolidation as a result of the weakening of the AUD against the USD.

The Group's consolidated cash position was A$73.2 million (including cash collateral of A$9.6 million) as at 30 June 2018 as compared to A$34.4 million (including cash collateral of A$4.5 million) as at 31 December 2017. For 1H 2018, the net cash generated from operating activities was A$98.4 million as compared to net cash generated of A$22.1 million for 1H 2017.

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

Inventories increased to A$295.0 million as at 30 June 2018 from A$252.5 million as at 31 December 2017. This was mainly a result of an increase in raw materials at the Sarawak smelter to cater for the production requirements of all 16 furnaces as well as an increase in finished goods (ferrosilicon and manganese alloys) due to 2 local festivals in Sarawak in June 2018 which had an impact on delaying shipments post June 2018.

Trade and other receivables and prepayments decreased to A$68.2 million as at 30 June 2018 from A$97.1 million as at 31 December 2017.

Trade and other payables decreased to A$318.5 million as at 30 June 2018 from A$353.3 million as at 31 December 2017.

The Group's total borrowings decreased to A$496.6 million as at 30 June 2018 from A$510.7 million as at 31 December 2017. The decrease was mainly attributed to the full repayment of the restructured loan balance as at 31 December 2017 of A$39.3 million during the half year ended 30 June 2018. This was offset by an increased utilisation of OM Sarawak's trade facilities by approximately A$20.0 million for raw material purchases.

The Group's net asset backing per ordinary share was 55.43 cents per ordinary share as at 30 June 2018 as compared to 23.73 cents and 39.34 cents per ordinary share as at 30 June 2017 and 31 December 2017 respectively. This represented more than 100% and approximately 41% (or 31.70 cents and 16.09 cents) increase as compared to 30 June 2017 and 31 December 2017 respectively.

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 authorised and issued are summarised as follows:

	No. of ordinary shares (*amounts in thousand shares*)		Amount	
	As at 30 June 2018 '000	As at 31 December 2017 '000	**As at 30 June 2018 A$'000**	As at 31 December 2017 A$'000
Authorised:				
Ordinary shares of A$0.05 (2017 - A$0.05) each	**2,000,000**	2,000,000	**100,000**	100,000
Issued and fully paid:				
Ordinary shares of A$0.05 (2017 - A$0.05) each as at beginning of period	**733,423**	733,423	**36,671**	36,671
Issue of ordinary shares	**5,200**	-	**260**	-
Ordinary shares of A$0.05 (2018 - A$0.05) each as at end of period	**738,623**	733,423	**36,931**	36,671

8 Borrowings

The Group	**As at 30 June 2018 A$'000**	As at 31 December 2017 A$'000
Non-current		
Obligations under finance leases (Note 8.1)	**698**	698
Bank loans, secured (Note 8.2)	**412,503**	427,438
5% Convertible Note (Note 8.3)	**13,366**	20,492
Other loans (Note 8.4)	**13,855**	28,270
	440,422	476,898
Structuring and arrangement fee	**(3,409)**	(8,039)
	437,013	468,859
Current		
Obligations under finance leases (Note 8.1)	**748**	1,315
Bank loans, secured (Note 8.2)	**46,553**	36,715
5% Convertible Note (Note 8.3)	**5,729**	5,499
Other loans (Note 8.4)	**8,118**	906
	61,148	44,435
Structuring and arrangement fee	**(1,594)**	(2,613)
	59,554	41,822
	496,567	510,681

8.1 Obligations under finance leases

The Group	**As at 30 June 2018 A$'000**	As at 31 December 2017 A$'000
Minimum lease payments payable:		
Due not later than one year	**819**	1,390
Due later than one year and not later than five years	**747**	727
	1,566	2,117
Less: Finance charges allocated to future periods	**(120)**	(104)
Present value of minimum lease payments	**1,446**	2,013
Present value of minimum lease payments:		
Due not later than one year	**748**	1,315
Due later than one year and not later than five years	**698**	698
	1,446	2,013

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

8 Borrowings (cont'd)

8.2 Bank loans

The Group	**As at 30 June 2018 A$'000**	As at 31 December 2017 A$'000
Bank loans, secured [Note (a)]	**-**	7,048
Bank loans, secured [Note (b)]	**459,056**	415,464
Bank loans, secured [Note (c)]	**-**	41,641
	459,056	464,153
Amount repayable not later than one year	**46,553**	36,715
Amount repayable after one year	**412,503**	427,438
	459,056	464,153

Notes:

(a) The loans are secured by charges over certain bank deposits.

(b) These loans are secured by:

- shares of OM Materials (Sarawak) Sdn. Bhd., a company incorporated in Malaysia;
- charge over certain bank deposits;
- charge over certain land use rights;
- debenture;
- borrower assignment;
- assignment of insurances;
- shareholder assignment;
- assignment of reinsurances; and
- corporate guarantee from the Company and Cahya Mata Sarawak Berhad (hold 25% ownership interest in OM Materials (Sarawak) Sdn Bhd).

(c) The loans are secured by:

- charge over certain bank deposits; and
- certain subsidiaries and associated companies and corporate guarantees from the Company and a subsidiary.

8.3 5% Convertible Note

On 7 March 2012 the Company issued to Hanwa Co. Ltd ("Hanwa") 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. On 4 March 2016, the Company executed an amendment and restatement agreement with Hanwa Co. Ltd to extend the Convertible Note for 4 years from the original maturity date of 6 March 2016 to 6 March 2020.

In March 2018, the convertible notes on issue were reduced from 25,000,000 to 20,000,000 following the redemption of 20% of the convertible notes for US$4.29 million (equivalent to approximately A$5.50 million).

8 Borrowings (cont'd)

8.3 5% Convertible Note (cont'd)

In April 2018, the convertible notes on issue were reduced further from 20,000,000 to 17,435,500 following the redemption by the Company of a further 10.258% of the original convertible notes for US$2.20 million (equivalent to approximately A$2.90 million). Hence, the total outstanding note is US$14.91 million.

8.4 Other loans

The Group	**As at 30 June 2018 A$'000**	As at 31 December 2017 A$'000
Shareholder loan, unsecured [Note (a)]	**13,855**	12,768
Loan, secured [Note (b)]	**8,118**	7,693
Loan, secured [Note (c)]	**-**	8,715
	21,973	29,176
Amount repayable not later than one year	**8,118**	906
Amount repayable after one year	**13,855**	28,270
	21,973	29,176

(a) The loan is unsecured. None of the shareholders are entitled to demand or receive payment or any distribution in respect of any shareholders' loans from the Group. Commencing from year 2019, repayment may be made subject to satisfaction of pre-agreed tests typical for a project financing of this nature.

(b) The loan is repayable on 4 January 2019 and is guaranteed by the Company.

(c) The loan has similar securities as disclosed in Note 8.2 (c).

9 Profit/(loss) per share

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

	6 months to 30 June 2018 A$'000	6 months to 30 June 2017 A$'000
Profit/(loss)		
Net profit/(loss) attributable to owners of the Company for the purpose of:		
- basic earnings per share	**90,389**	(13,654)
- diluted earnings per share	**91,316**	(13,654)
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of:		
- basic earnings per share	**733,590**	731,490
- diluted earnings per share	**753,590**	731,490

10 Dividend

The Board will be seeking shareholder approval for a dividend to be declared of A$0.03 per fully paid ordinary share. Accordingly, the Board will be convening a Special General Meeting to be held by the end of September 2018 which will also include seeking shareholder approval to update the Company's Bye-laws so as to enable the dividend to be declared and paid. Subject to the receipt of shareholder approval to amend the Bye-laws, the Record Date for the dividend will be 5 October 2018 and the payment date will be 26 October 2018.

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 2018 A$'000	6 months to 30 June 2017 A$'000
Purchase of goods from an associate	**-**	2,810
Services rendered to an associate	**-**	664
Commission charged by an associate	**229**	224

(B) Compensation of directors and key management personnel

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

	6 months to 30 June 2018 A$'000	6 months to 30 June 2017 A$'000
Salaries, wages and other related costs	**5,568**	2,927
Defined contribution plans	**174**	148

12 Other components of equity

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

	Non - distributable reserve (a) A$'000	Capital reserve (b) A$'000	Hedging reserve (c) A$'000	Exchange translation reserve (d) A$'000	Retained profits (e) A$'000	Share premium (f) A$'000	Total A$'000
Balance at 1 January 2018	**5,552**	**16,513**	**(6,886)**	**10,073**	**(8,190)**	**176,563**	**193,625**
Other comprehensive income for the period (all attributable to the parent)	**-**	**-**	**145**	**10,399**	**90,389**	**-**	**100,933**
Issue of ordinary shares, net of issue costs	**-**	**-**	**-**	**-**	**-**	**1,800**	**1,800**
Buy-back of warrants	**-**	**(1,069)**	**-**	**-**	**-**	**-**	**(1,069)**
Balance at 30 June 2018	**5,552**	**15,444**	**(6,741)**	**20,472**	**82,199**	**178,363**	**295,289**

	Non - distributable reserve (a) A$'000	Capital reserve (b) A$'000	Hedging reserve (c) A$'000	Exchange translation reserve (d) A$'000	Accumulated losses (e) A$'000	Share premium (f) A$'000	Total A$'000
Balance at 1 January 2017	5,534	16,513	(7,906)	15,493	(100,827)	176,563	193,625
Other comprehensive income for the period (all attributable to the parent)	-	-	624	(6,535)	(13,654)	-	(19,565)
Dividend forfeited	-	-	-	-	14	-	14
Transfer	18	-	-	7	(33)	-	(8)
Balance at 30 June 2017	5,552	16,513	(7,282)	8,965	(114,500)	176,563	85,811

12 Other components of equity (cont'd)

Notes:

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

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

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

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

(c) The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge recognised in other comprehensive income and accumulated hedging reserves is reclassified to the profit or loss when the forecast transaction is ultimately recognised in the profit or loss.

(d) The translation reserve comprises all foreign exchange differences arising on the translation of the financial statements of foreign subsidiaries and associates stated in a currency different from the Group's presentation currency.

(e) Retained earnings comprise the distributable reserves recognised in the preceding year less any dividend declared. The total of such profits brought forward and the profit derived during the period constitute the total distributable reserves, that is maximum amount available for distribution to the shareholders.

(f) The share premium comprises the value of shares that have been issued at a premium, meaning the price paid was in excess of the share's quotient value. The amount received in excess of the quotient value was transferred to the share premium reserve.

13 Cash flow hedges

The Group	**6 months to 30 June 2018 A$'000**	6 months to 30 June 2017 A$'000
Cash flow hedges:		
Gain arising during the period	**193**	832

14 Commitments

Capital commitments

The following table summarises the Group's capital commitments:

The Group	**As at 30 June 2018 A$'000**	As at 31 December 2017 A$'000
Capital expenditure contracted but not provided for in the financial statements – Capital works and equipment	**14,219**	1,496

Environmental bonds

A subsidiary had environmental bonds to the value of A$9,861,000 lodged with the Northern Territory Government (Department of Resources) to secure environment rehabilitation commitments. The A$9,861,000 of bonds were secured by A$7,451,000 of bonds issued under financing facilities which is secured by a corporate guarantee by the Company with certain cash backed.

15 Other matters

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

Pursuant to the execution of the Amended Power Purchase Agreement ("PPA") between a subsidiary and Syarikat Sesco Berhad ("SSB"), the Company issued sponsor guarantees to SSB for its 75% interest of the subsidiaries' obligations under the PPA.

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 Company in the event that there are any unpaid claims arising from the PPA owed to SSB. There are no bank loans involved in these guarantees. As such, there is no need for the guarantees to be fair valued.

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

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

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

The PSA will lapse on the later of 29 September 2019 or 18 months after the satisfaction of pre-agreed project completion tests typical for a project financing facility of this nature.