OM HOLDINGS LIMITED

(ARBN 081 028 337)

No. of Pages Lodged: 8 Covering letter
30 ASX Appendix 4D

26 August 2019

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 2019.

HIGHLIGHTS

- **Profit after tax for the half-year ended 30 June 2019 ("1H 2019") of A$50.0 million as compared to a profit after tax of A$106.4 million for the half-year ended 30 June 2018 ("1H 2018"). This was predominantly attributed to weaker ore and ferroalloy prices, in particular ferrosilicon which fell by 23%, with an estimated impact of approximately A$43.6 million**
- **Earnings Before Interest, Tax and Depreciation ("EBITDA") of A$109.0 million for 1H 2019 compared with A$174.5 million for 1H 2018**
- **Basic and diluted earnings per share of the Group of 6.49 cents and 6.45 cents respectively for 1H 2019 as compared to basic and diluted earnings per share of 12.32 cents and 12.12 cents for 1H 2017**
- **Revenue from operating activities for 1H 2019 was A$534.6 million, representing a 35% decrease over 1H 2018 (where revenue from operating activities was A$828.3 million). This decrease was a result of lower tonnages of ores and alloys traded, and a softening of the manganese ore and ferroalloy prices in 1H 2019**
- **Gross profit margin decreased to approximately 20% in 1H 2019 from 22% in 1H 2018. This was predominantly attributed to weaker ore and alloy prices, and lower volumes of ferroalloy and manganese ore traded**
- **Total borrowings decreased from A$511.8 million as at 31 December 2018 to A$491.7 million as at 30 June 2019 which included a scheduled repayment of the Sarawak Project Finance loan of US$18.8 million and the part redemption of the Hanwa convertible note of A$5.8 million during 1H 2019. As a result, total borrowings to equity ratio decreased from 1.14 times as at 31 December 2018 to 1.01 times as at 30 June 2019**
- **Property, plant and equipment ("PPE") increased from A$660.7 million as at 31 December 2018 to A$680.4 million as at 30 June 2019 from the construction of OM Sarawak's sintering plant, storage warehouses, laboratory, canteen and offices, and OMM's Tailings Retreatment Plant as construction-in-progress as at 30 June 2019**
- **Net cash generated from operating activities of A$50.3 million for 1H 2019**

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HIGHLIGHTS (CONT'D)

- **Consolidated cash position of A$56.0 million as at 30 June 2019 as compared to A$91.8 million as at 31 December 2018**
- **Net asset backing per ordinary share of the Group was 66.31 cents per ordinary share as at 30 June 2019 as compared to 55.43 cents and 61.24 cents per ordinary share as at 30 June 2018 and 31 December 2018 respectively**
- **With the Group having recorded a net profit after tax of A$50.0 million for 1H 2019, the Board has resolved to declare an interim dividend of A$0.01 per share for the 6 months ended 30 June 2019. The Record Date for the dividend will be 8 November 2019 and the Payment Date will be 29 November 2019**
- **Subsequent to the end of 30 June 2019, Ntsimbintle Mining Limited declared and paid to a net dividend of A$16.8 million**

OM HOLDINGS LIMITED – GROUP KEY FINANCIAL RESULTS

KEY DRIVERS (Tonnes)	Period Ended 30 June 2019	Period Ended 30 June 2018	Variance %
Sales volumes of Ores	**523,946**	1,279,835	(59)
Sales volumes of Alloys	**241,158**	244,131	(1)

FINANCIAL RESULTS (A$ million)			
Total sales	**534.6**	828.3	(35)
Gross profit	**106.2**	184.6	(42)
Gross profit margin (%)	**19.9%**	22.3%	
Other income	**1.7**	0.9	89
Distribution costs	**(26.0)**	(26.1)	<1
Administrative expenses	**(10.3)**	(19.7)	(47)
Other operating expenses	**(11.5)**	(8.9)	29
Exchange loss	**(0.6)**	(8.0)	(93)
Finance costs	**(21.4)**	(21.7)	(1)
Share of results of associates[3]	**20.3**	24.7	(18)
Profit before income tax	**58.4**	125.8	(54)
Income tax	**(8.4)**	(19.4)	(57)
Profit for the period	**50.0**	106.4	(53)
Non-controlling interests	**(2.2)**	(16.0)	(86)
Profit after tax attributable to owners of the Company	**47.8**	90.4	(47)

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (A$ million)		
Net profit after tax	**50.0**	106.4
Adjustments:		
Depreciation/amortisation[2]	**26.4**	21.3
Unrealised exchange loss	**3.4**	5.8
Finance costs (net of income)	**20.8**	21.6
Income tax expenses	**8.4**	19.4
Adjusted EBITDA[1]	**109.0**	174.5

(1) Adjusted EBITDA is defined as operating profit before depreciation and amortisation, impairment write-back/expense, non-cash inventory write-downs, 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.

FINANCIAL ANALYSIS

The Group recorded revenue of A$534.6 million for 1H 2019, representing a 35% decrease from the A$828.3 million recorded for 1H 2018. The decrease in revenue was predominantly attributed to lower total volumes of products traded and a global market softening of ore and alloy prices in 1H 2019. With the global market impacted by the on-going trade war on tariffs and the currency market fallout between the United States ("USA") and China, ferrosilicon ("FeSi") volumes traded from the Group's 75% owned smelter in Sarawak increased only marginally by approximately 5% to 109,898 tonnes with a corresponding revenue contribution of A$180.2 million for 1H 2019 (1H 2018: 104,927 tonnes with a revenue contribution of A$213.8 million). Manganese alloy (high carbon ferromanganese and silicomanganese) volumes traded in 1H 2019 decreased by approximately 6%. A total of 131,260 tonnes of manganese alloy was traded in 1H 2019 with a revenue contribution of A$196.6 million as compared to 139,204 tonnes of manganese alloy in 1H 2018 with a revenue contribution of A$224.3 million.

Manganese ore volumes traded (including from the Group's wholly-owned Bootu Creek Manganese Mine and other third party ores) decreased in 1H 2019. Total manganese ore volumes traded decreased by 753,937 tonnes (approximately 60%) to 506,330 tonnes, with a revenue contribution of A$153.0 million in 1H 2019 (as compared to 1,260,267 tonnes with a revenue contribution of A$381.2 million in 1H 2018). The decline was mainly due to reduced third party manganese ore volumes traded during the current period from a supplier in South Africa.

The softening of manganese ore and ferroalloy prices in 1H 2019, coupled with the decrease in total ore and ferroalloy volumes traded in the current period had an impact on the Group's sales revenue and gross profit in 1H 2019. The Group recorded a gross profit of A$106.2 million in 1H 2019 as compared to A$184.7 million in 1H 2018, with a corresponding gross profit margin of approximately 20% for 1H 2019 as compared to approximately 22% for 1H 2018. The Group's FeSi margins were impacted the most with the 23% drop in FeSi prices.

Platts reported that prices of FeSi to Japan closed lower at US$1,110 per metric tonne at the end of June 2019 as compared to US$1,435 per metric tonne at the end of June 2018 and US$1,260 per metric tonne at the end of December 2018. The fall in the price of FeSi during the period was mainly due to an increased production rate by Chinese FeSi producers which resulted in higher inventory levels in China, and also from the USA China trade war which had a negative impact on Asian currencies against the United States Dollar ("USD"). This has in turn exerted further downward pressure on ferroalloy prices and impacted the global price in USD.

Index ore prices (44% Mn published by Metal Bulletin) trended downwards throughout the 6 month period and closed at US$5.74/dmtu CIF China as at 30 June 2019 as compared to US$6.83/dmtu CIF China as at 30 June 2018 and US$6.96/dmtu CIF China as at 31 December 2018.

Despite a 50% decrease in total product volumes traded in 1H 2019 as compared to 1H 2018, total distribution costs were similar to 1H 2018 at approximately A$26 million. This was mainly because the decrease in volumes traded was impacted by a reduction in third party manganese ores (including ores from South Africa). Excluding the third party ores, Mn ore sales (from the Group's wholly owned Bootu Creek Manganese Mine) actually increased compared to 1H 2018 by 31%, but distribution costs remained in line with 1H 2018 due to the change in geographical sales allocation with more ore sourced from Australia offset by lower freight rates obtained for the comparable period.

Administrative expenses for 1H 2019 decreased by approximately 47% to A$10.3 million. The higher administrative expenses incurred in 1H 2018 were mainly due to the expensing of legal and professional fees of A$4.6 million following the accelerated full repayment of the restructured loans in June 2018. These costs were associated with the loan restructuring undertaken in the fourth quarter of FY2017.

Other operating expenses increased to A$11.5 million for 1H 2019 from A$8.9 million for 1H 2018 mainly due to exploration expenditure incurred of A$0.75 million under the Farm-In and Joint Venture Agreement signed with Bryah Resources Limited in April 2019. In addition, the Company wrote off an amount of A$0.6 million (equivalent to US$0.5 million) as a result of the expiry of the 26,000,000 unlisted warrants on 25 March 2019.

The foreign exchange loss in 1H 2019 was A$0.6 million as compared to a foreign exchange loss of A$8.0 million in 1H 2018. The foreign exchange loss was mainly attributed to the translation of Malaysia Ringgit ("MYR") denominated payables and borrowings to USD as a result of the strengthening of the MYR against the USD during 1H 2019 and 1H 2018. However, the appreciation of the MYR against the USD was smaller in 1H 2019 as compared to 1H 2018 which resulted in a smaller exchange loss in the current period.

The Group's share of results from an associate of A$20.3 million relates to the operating profit from its 13% effective interest in Tshipi é Ntle Manganese Mining (Pty) Ltd.

Tax expense for 1H 2019 decreased to A$8.4 million, a decrease of approximately 57% as compared to 1H 2018, which was in line with the decrease in taxable income for 1H 2019.

With the softening of manganese ore and ferroalloy prices in 1H 2018 (in particular ferrosilicon which fell by 23%, with an estimated impact of approximately A$43.6 million), coupled with the decrease in the total product volumes traded, the Group recorded a profit after tax of A$50.0 million for 1H 2019 (against a profit after tax of A$106.4 million for 1H 2018). The Group's basic and diluted profit per ordinary share for 1H 2019 was 6.49 cents and 6.45 cents respectively.

The Group recorded a positive EBITDA of A$109.0 million for 1H 2019 as compared with A$174.5 million for 1H 2018, a decrease of approximately 38%, on the back of weaker prices and reduced product volumes traded.

Results Contributions

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

A$ million	**Period ended 30 June 2019**		**Period ended 30 June 2018**	
	Revenue*	**Contribution**	Revenue*	Contribution
Mining	**95.8**	**28.5**	91.6	37.0
Smelting	**366.1**	**24.0**	424.7	87.5
Marketing, logistics and trading	**482.7**	**8.5**	806.6	8.8
Others	**17.0**	**(2.1)**	10.5	(10.6)
Net profit before finance costs		**58.9**		122.7
Finance costs (net of income)		**(20.8)**		(21.6)
Share of results of associates		**20.3**		24.7
Profit before tax		**58.4**		125.8

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

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 360,378 tonnes of manganese ore with an average grade of 35.61% Mn in 1H 2019 as compared to 343,878 tonnes of manganese ore with an average grade of 35.76% Mn in 1H 2018, an increase of approximately 5%. The lower tonnes produced in 1H 2018 was mainly due to the breakdown of the primary jaw crusher grizzly drive and drive beam, coupled with lightning strikes on the heavy media separation ("HMS") plant transformer which resulted in the loss of ten production days during the first quarter of FY2018. OMM shipped 372,602 tonnes of manganese ore with an average grade of 35.11% Mn in 1H 2019, an increase of approximately 19% as compared to 312,029 tonnes of manganese ore with an average grade of 35.88% Mn in 1H 2018. In addition, 5,138 tonnes of manganese ore was sold domestically in 1H 2019.

Revenue for 1H 2019 amounted to A$95.8 million and OMM achieved a positive contribution of A$28.5 million for the period ended 30 June 2019. Despite higher tonnages produced and sold in 1H 2019, OMM's contribution decreased by 23% mainly due to the softening price of manganese ore in 1H 2019 as compared to 1H 2018.

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$366.1 million for 1H 2019 as compared to A$424.7 million for 1H 2018. The decrease in revenue was mainly due to the softening of FeSi and manganese alloy prices in 1H 2019 as compared to 1H 2018. OM Sarawak produced a total of 114,312 tonnes and 121,925 tonnes of FeSi and manganese alloy respectively in 1H 2019 (1H 2018: 104,602 tonnes of FeSi and 124,979 tonnes of manganese alloy) with a total revenue contribution for 1H 2019 of A$338.1 million as compared to A$393.5 million for 1H 2018.

OMQ produced 18,837 tonnes of manganese alloy and 22,231 tonnes of manganese sinter ore in 1H 2019 (1H 2018: 18,966 tonnes of manganese alloy and 18,425 tonnes of manganese sinter ore) and had a revenue contribution of A$27.9 million for 1H 2019 as compared to A$31.2 million for 1H 2018.

The smelting segment recorded a lower contribution of A$24.0 million for 1H 2019 mainly from the softening of market prices for FeSi and manganese alloy in the 6 months period ended 30 June 2019.

Marketing, logistics and trading

Revenue from the Group's trading operations decreased by 40% from A$806.6 million for 1H 2018 to A$482.7 million for 1H 2019. This decrease was primarily due to lower total volumes of other third party manganese ores traded in 1H 2019 as well as the collective weakened prices of manganese ores and ferroalloys in 1H 2019. The profit contribution from the Group's trading operations also decreased to A$8.5 million in the current period.

Others

This segment includes the corporate activities of OMH as well as procurement services rendered by one of its subsidiaries.

The revenue recognised in this segment mainly relates to procurement fees received for services rendered by OMA. The negative contribution of A$2.1 million in this segment for 1H 2019 was mainly related to administrative and operating expenses for corporate activities incurred at the OMH level. For 1H 2018, the negative contribution of $10.6 million was mainly the result of unrealised foreign exchange losses, and A$4.6 million of restructuring legal and professional fees previously capitalised at OMH and since expensed following the accelerated full repayment of the restructured loans during the period in 2018.

FINANCIAL POSITION

The Group's property, plant and equipment ("**PPE**") increased from A$660.7 million as at 31 December 2018 to A$680.4 million as at 30 June 2019 mainly due to the construction of OM Sarawak's sintering plant, storage warehouses, laboratory, canteen and offices, and OMM's Tailings Retreatment Plant as construction-in-progress as at 30 June 2019.

The Group adopted IFRS 16 “Leases”, which became effective on 1 January 2019. Consequently, an amount of A$5.6 million was recognised as Right-of-Use assets as at 30 June 2019.

As at 30 June 2019, the Group’s consolidated cash position was A$56.0 million (including cash collateral of A$14.3 million) as compared to A$91.8 million (including cash collateral of A$12.8 million) as at 31 December 2018. For 1H 2019, the net cash generated from operating activities was A$50.3 million as compared to net cash generated of A$98.4 million for 1H 2018.

Inventories increased to A$298.8 million as at 30 June 2019 from A$267.0 million as at 31 December 2018. This was mainly a result of increased inventory of raw materials and finished goods (FeSi and manganese alloys) from OM Sarawak as a result of slower inventory turnover in 1H 2019.

Trade and other receivables and prepayments decreased to A$59.4 million as at 30 June 2019 from A$90.6 million as at 31 December 2018 which was in line with the decrease in sales revenue and total product volumes traded.

Trade and other payables decreased to A$253.1 million as at 30 June 2019 from A$277.2 million as at 31 December 2018.

The Group’s total borrowings decreased from A$511.8 million as at 31 December 2018 to A$491.7 million as at 30 June 2019. The decrease was mainly attributed to a scheduled repayment of the Sarawak Project Finance loan during the 6 month period ended 30 June 2019 of approximately US$18.8 million (equivalent to approximately A$26.7 million) and the part redemption of Hanwa convertible notes of approximately A$5.8 million. This was offset by an increased utilisation of trade facilities by approximately A$7.9 million for the purchase of raw materials for alloy production and products for trading. The Group’s total borrowings to equity ratio decreased from 1.22 times and 1.14 times as at 30 June 2018 and 31 December 2018 respectively, to 1.01 times as at 30 June 2019. The borrowings as at 30 June 2019 comprised A$444.5 million of Sarawak Project Finance loans associated with the smelter operations as compared to A$472.2 million as at 31 December 2018.

The Group’s net asset backing per ordinary share was 66.31 cents per ordinary share as at 30 June 2019 as compared to 55.43 cents and 61.24 cents per ordinary share as at 30 June 2018 and 31 December 2018 respectively. This represented a 20% and 8% (or 10.88 cents and 5.07 cents) increase as compared to 30 June 2018 and 31 December 2018 respectively.

Capital Structure

As at 30 June 2019, the Company had on issue 738,623,337 ordinary shares and 12,500,000 unsecured convertible notes.

The 26,000,000 unlisted warrants lapsed on 25 March 2019.

INVESTMENT IN NTSIMBINTLE MINING LIMITED (FORMERLY KNOWN AS MAIN STREET 774 PROPRIETARY LIMITED)

Ntsimbintle Mining Limited (“NML”) holds a 50.1% interest in Tshipi é Ntle Manganese Mining (Pty) Ltd (“Tshipi”), an independently operated and managed black-empowered manganese mining company that operates the Tshipi Borwa Manganese Mine located in the world class Kalahari Manganese field in South Africa. The Tshipi Borwa Manganese Mine currently has a production target of approximately 3.3 to 3.6 million tonnes per annum. The Company has a 13% effective beneficial interest in this project via its NML investment holding.

The Group equity accounts its 13% effective interest in Tshipi’s results which equated to a contribution of A$20.3 million for 1H 2019 compared to A$24.7 million for 1H 2018.

In June 2019, Tshipi paid to NML a special dividend of ZAR 576 million (approximately US$40.9 million) for the 4 months ended 30 June 2019. It is expected that Tshipi will declare a further dividend for the remainder of the first half of FY2020, subject to manganese prices.

Subsequent to the end of 30 June 2019, NML declared and paid a net dividend to the Group of A$16.8 million.

INTERIM DIVIDEND

With the Group having recorded a net profit after tax of A$50.0 million, the Board has resolved to declare an interim dividend of A$0.01 per share for the 6 months ended 30 June 2019. The Record Date for the dividend will be 8 November 2019 and the Payment Date will be 29 November 2019.

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 are 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, 2019

(previous corresponding period being the period ended 30 June, 2018)

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 2019

Name of Entity:	OM Holdings Limited	
ARBN:	081 028 337	
1. Details of the current and prior reporting period		
Current Period:	1 Jan 2019 to 30 Jun 2019	
Prior Period:	1 Jan 2018 to 30 Jun 2018	
2. Results for announcement to the market		
	A$'000	A$'000
2.1 Revenue	Down 293,725 to	534,571
2.2 Profit after taxation	Down 56,475 to	49,957
2.3 Net profit for the period attributable to owners of the Company	Down 42,580 to	47,809
2.4 Dividend distributions	Amount per security	Franked amount per security
	A$0.01	Nil
2.5 Record date for determining entitlements to the dividend	8 November 2019	
3. Consolidated statement of comprehensive income	Refer Interim Financial Report	
4. Consolidated statements of financial position	Refer Interim Financial Report	
5. Consolidated statement of cash flows	Refer Interim Financial Report	
6. Details of dividends or distributions	N/A	
7. Consolidated statement of changes in equity	Refer Interim Financial Report	
	Current Period A$	Previous Corresponding Period A$
8. Net asset backing per ordinary security	**66.31 cents**	55.43 cents

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 per share	**6.49 cents**	12.32 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 2019

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 2018 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 2019.

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 2019 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$47.8 million for the six months ended 30 June 2019, compared with a consolidated net profit after tax and non-controlling interests of A$90.4 million for the previous corresponding period.

Signed in accordance with a resolution of the Directors.

On Behalf of the Directors

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LOW NGEE TONG
Executive Chairman
Singapore

Dated: 26 August 2019

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 2019, 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 2019, 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 ended 31 December 2018)

Singapore, 26 August 2019

Consolidated statement of financial position

	Note	**30 June 2019 A$'000**	31 December 2018 A$'000
Assets			
Non-Current			
Property, plant and equipment		**680,358**	660,743
Land use rights		**10,033**	10,070
Exploration and evaluation costs		**1,864**	1,808
Mine development costs		**20,093**	23,988
Right-of-use assets		**5,576**	-
Investment property	7	**647**	-
Deferred tax assets		**7,130**	-
Interests in associates		**132,643**	126,339
		858,344	822,948
Current			
Inventories		**298,802**	267,042
Trade and other receivables		**59,425**	90,570
Capitalised contract costs		**1,152**	2,759
Prepayments		**3,991**	3,035
Cash collateral		**14,308**	12,773
Cash and bank balances		**41,700**	79,046
		419,378	455,225
Total assets		**1,277,722**	1,278,173
Equity			
Capital and Reserves			
Share capital	8	**36,931**	36,931
Treasury shares		**(2,330)**	(2,330)
Reserves	13	**389,927**	354,016
		424,528	388,617
Non-controlling interests		**63,948**	62,508
Total equity		**488,476**	451,125
Liabilities			
Non-Current			
Borrowings	9	**377,934**	436,120
Lease liabilities		**2,091**	-
Trade and other payables		**113,777**	112,879
Provisions		**9,868**	9,931
Deferred capital grant		**12,996**	13,315
Deferred tax liabilities		**2,589**	3,301
		519,255	575,546
Current			
Trade and other payables		**139,311**	164,288
Contract liabilities		**1,335**	3,011
Borrowings	9	**113,756**	76,806
Lease liabilities		**3,293**	-
Deferred capital grant		**808**	803
Income tax payables		**11,488**	6,594
		269,991	251,502
Total liabilities		**789,246**	827,048
Total equity and liabilities		**1,277,722**	1,278,173

Consolidated statement of comprehensive income

	Note	**6 months to 30 June 2019 A$'000**	6 months to 30 June 2018 A$'000
Revenue	5	**534,571**	828,296
Cost of sales		**(428,408)**	(643,642)
Gross profit		**106,163**	184,654
Other income		**1,720**	934
Distribution costs		**(26,005)**	(26,144)
Administrative expenses		**(10,313)**	(19,637)
Other operating expenses		**(11,463)**	(8,873)
Foreign exchange loss		**(648)**	(8,042)
Finance costs		**(21,383)**	(21,712)
Profit from operations		**38,071**	101,180
Share of results of associates		**20,299**	24,684
Profit before tax		**58,370**	125,864
Income tax		**(8,413)**	(19,432)
Profit after tax		**49,957**	106,432
Other comprehensive income, net of tax:			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences arising from foreign subsidiaries		**2,286**	13,018
Cash flow hedges	14	**467**	193
Other comprehensive income for the period, net of tax		**2,753**	13,211
Total comprehensive income for the period		**52,710**	119,643
Profit attributable to:			
Owners of the Company		**47,809**	90,389
Non-controlling interests		**2,148**	16,043
		49,957	106,432
Total comprehensive income attributable to:			
Owners of the Company		**50,026**	100,933
Non-controlling interests		**2,684**	18,710
		52,710	119,643
Profit per share		**Cents**	Cents
- Basic	10	**6.49**	12.32
- Diluted	10	**6.45**	12.12

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
At 1 January 2019	**36,931**	**(2,330)**	**178,363**	**8,868**	**15,444**	**(6,540)**	**29,769**	**128,112**	**388,617**	**62,508**	**451,125**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**47,809**	**47,809**	**2,148**	**49,957**
Other comprehensive income for the period (Note 13)	**-**	**-**	**-**	**-**	**-**	**350**	**1,867**	**-**	**2,217**	**536**	**2,753**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**350**	**1,867**	**47,809**	**50,026**	**2,684**	**52,710**
Dividends (Note 11)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(14,734)**	**(14,734)**	**(1,244)**	**(15,978)**
Write off of warrants	**-**	**-**	**-**	**-**	**619**	**-**	**-**	**-**	**619**	**-**	**619**
Transactions with owners	**-**	**-**	**-**	**-**	**619**	**-**	**-**	**(14,734)**	**(14,115)**	**(1,244)**	**(15,359)**
At 30 June 2019	**36,931**	**(2,330)**	**178,363**	**8,868**	**16,063**	**(6,190)**	**31,636**	**161,187**	**424,528**	**63,948**	**488,476**

	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
At 1 January 2018	36,671	(2,330)	176,563	5,552	16,513	(6,886)	10,073	(8,190)	227,966	59,782	287,748
Profit for the period	-	-	-	-	-	-	-	90,389	90,389	16,043	106,432
Other comprehensive income for the period (Note 13)	-	-	-	-	-	145	10,399	-	10,544	2,667	13,211
Total comprehensive income for the period	-	-	-	-	-	145	10,399	90,389	100,933	18,710	119,643
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
Transactions with owners	260	-	1,800	-	(1,069)	-	-	-	991	-	991
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

Consolidated statement of cash flows

	6 months to 30 June 2019 A$'000	6 months to 30 June 2018 A$'000
Cash Flows from Operating Activities		
Profit before tax	**58,370**	125,864
Adjustments for:		
Amortisation of land use rights	**97**	94
Amortisation of deferred capital grant	**(380)**	(369)
Amortisation of mine development costs	**3,895**	3,994
Depreciation of property, plant and equipment	**20,208**	17,257
Depreciation of right-of-use assets	**2,178**	-
Depreciation of investment property	**5**	-
Write off of exploration and evaluation costs	**853**	22
Write off of property, plant and equipment	**-**	70
Write off of warrants	**619**	-
Loss on disposal of property, plant and equipment	**183**	-
Unwinding of discount on non-current payables	**650**	756
Reclassification from hedging reserve to profit or loss	**467**	193
Interest expense	**21,383**	21,712
Interest income	**(452)**	(151)
Share of results of associates	**(20,299)**	(24,684)
Operating profit before working capital changes	**87,777**	144,758
Increase in inventories	**(31,471)**	(39,170)
Decrease in trade receivables	**24,170**	23,080
Decrease in capitalised contract cost	**1,607**	2,759
Decrease in prepayments, deposits and other receivables	**6,308**	5,359
Decrease In contract liabilities	**(1,676)**	(3,011)
Decrease in trade payables	**(8,297)**	(19,347)
Decrease in other payables and accruals	**(11,567)**	(1,937)
Increase/(decrease) in provisions	**186**	(12,138)
Cash generated from operations	**67,037**	100,353
Income tax paid	**(16,699)**	(1,924)
Net cash generated from operating activities	**50,338**	98,429
Cash Flows from Investing Activities		
Payments for exploration and evaluation costs	**(909)**	(275)
Purchase of property, plant and equipment	**(37,932)**	(16,172)
Proceeds from disposal of property, plant and equipment	**9**	-
Loan repayment and dividend received from an associate	**14,053**	14,835
Interest received	**452**	151
Net cash used in investing activities	**(24,327)**	(1,461)
Cash Flows from Financing Activities		
Repayments of bank and other loans (Note A)	**(32,572)**	(63,837)
Proceeds from bank and other loans (Note A)	**8,546**	19,872
Payments of lease liabilities (Note A)	**(2,294)**	-
Payments to finance lease creditors (Note A)	**-**	(568)
Buy-back of warrants	**-**	(620)
Issue of ordinary shares, net of issue costs	**-**	2,060
Increase in cash collateral	**(1,535)**	(5,137)
Dividend paid (Note 11)	**(14,734)**	-
Interest paid	**(21,096)**	(16,203)
Net cash used in financing activities	**(63,685)**	(64,433)
Net (decrease)/increase in cash and cash equivalents	**(37,674)**	32,535
Cash and cash equivalents at beginning of period	**79,046**	29,913
Exchange differences on translation of cash and cash equivalents at beginning of period	**328**	1,192
Cash and cash equivalents at end of period	**41,700**	63,640

Consolidated statement of cash flows (Cont'd)

Note A Reconciliation of liabilities arising from financing activities

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

				Non-cash changes			
	1 January 2019 A$'000	Cash inflows A$'000	Cash outflows A$'000	Adoption of IFRS 16 A$'000	Foreign exchange movement A$'000	Accruals A$'000	**30 June 2019** A$'000
Lease liabilities	**-**	**-**	**(2,294)**	**7,497**	**55**	**126**	**5,384**
Finance leases	**1,092**	**-**	**-**	**(1,092)**	**-**	**-**	**-**
Bank and other loans	**511,834**	**8,546**	**(32,572)**	**-**	**2,889**	**993**	**491,690**

				Non-cash changes		
	1 January 2018 A$'000	Cash inflows A$'000	Cash outflows A$'000	Foreign exchange movement A$'000	Accruals A$'000	30 June 2018 A$'000
Finance leases	2,013	-	(568)	-	-	1,445
Bank and other loans	508,668	19,872	(63,837)	27,981	2,438	495,122

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 2019 was authorised for issue in accordance with a resolution of the Directors on 26 August 2019.

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 2019 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 2018.

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 Group has adopted IFRS 16 *Leases* with effect from 1 January 2019. A number of other new or amended standards and interpretations are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ended 31 December 2019.

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 2018.

IAS 40 *Investment property*

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

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

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

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

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

IFRS 16 *Leases*

IFRS 16 *Leases* supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

3 Significant accounting policies (Cont'd)

IFRS 16 *Leases* (Cont'd)

The Group has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019 without restatement of comparative information on transition. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group has elected to use the transition practical expedient allowing the standard to be applied only to ('grandfathering') contracts previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group has also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The Group enters into lease contracts (as lessee) for motor vehicles, office premises, buildings, plant and machinery. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group. Otherwise, it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease based on the fair value at the inception date of the leased asset or, if lower, the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased asset was not capitalised and the lease payments were recognised as rental expense in profit or loss on a straight-line basis over the lease term. Upon adoption of IFRS 16, the Group has applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

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

The adoption of IFRS 16 has affected the following items on the consolidated statement of financial position on 1 January 2019 as follows:

	Increase/ (Decrease) A$'000
Assets:	
Property, plant and equipment	(1,296)
Right-of-use (ROU) assets	6,888
	5,592
Liabilities:	
Borrowings – finance lease obligations	(1,092)
Lease liabilities	6,684
	5,592
Equity:	
Reserves	-
Non-controlling interests	-
	-

3 Significant accounting policies (Cont'd)

IFRS 16 *Leases* (Cont'd)

Leases previously classified as finance leases

The Group does not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 has been applied to these leases from 1 January 2019. As at 1 January 2019, the Group's leased assets of motor vehicles and plant and machinery recognised previously under finance leases of A$1,296,000 have been reclassified from property, plant and equipment to right-of-use assets, and the corresponding lease obligations of A$1,092,000 have been reclassified from borrowings to lease liabilities, on the consolidated statement of financial position.

Lease previously classified as operating leases

The Group has recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. Lease liabilities have been recognised based on the present value of the remaining lease payments discounted using the incremental borrowing rate at the date of initial application and, correspondingly, right-of-use assets have been recognised based on the amount equal to the lease liabilities adjusted for any previously recognised prepaid or accrued lease payments. As at 1 January 2019, the Group has recognised additional lease liabilities of A$5,592,000 and right-of-use assets of A$5,592,000 respectively from its operating leases (as lessee) of office premises, buildings, plant and machinery.

The Group has also applied the available practical expedients, as and if applicable, wherein it has:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relied on its assessment of whether leases are onerous immediately before the date of initial application;
- applied the short-term leases exemptions to leases with a lease term that ends within 12 months from the date of initial application;
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group's lease liabilities are reconciled to the Group's operating lease commitments as follows:

	A$'000
Operating lease commitments as at 1 January 2019	6,865
Less:	
Commitments relating to short-term leases	(762)
Commitments relating to leases of low-value assets	(53)
	6,050
Weighted average incremental borrowing rate of 3.86% as at 1 January 2019	
Lease liabilities as at 1 January 2019	5,592

3 Significant accounting policies (Cont'd)

IFRS 16 *Leases* (Cont'd)
Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of assets (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value (i.e. below US$5,000). Lease payments on short-term leases and leases of low-value assets are recognised as operating leases expense in profit or loss on a straight-line basis over the lease term.

3 Significant accounting policies (Cont'd)

IFRS 16 *Leases* (Cont'd)

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets				
	Leasehold buildings and improvements A$'000	Plant and machinery A$'000	Motor vehicles A$'000	Total A$'000	Lease liabilities A$'000
At 1 January 2019	5,592	-	-	5,592	5,592
Reclassification	-	776	520	1,296	1,092
	5,592	776	520	6,888	6,684
Additions	813	29	-	842	813
Depreciation	(1,778)	(349)	(51)	(2,178)	-
Interest expense	-	-	-	-	126
Repayments	-	-	-	-	(2,294)
Exchange realignment	32	(7)	(1)	24	55
At 30 June 2019	4,659	449	468	5,576	5,384

The Group has also recognised rental expense from short-term leases of A$1,066,000 and leases of low-value assets of A$23,000 for the six months ended 30 June 2019.

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 2019	**A$'000**	**A$'000**	**A$'000**	**A$'000**	**A$'000**
Revenue					
From external customers	**1,679**	**151,451**	**381,441**	**-**	**534,571**
Inter-segment sales	**94,160**	**214,630**	**101,290**	**16,976**	**427,056**
Segment revenues	**95,839**	**366,081**	**482,731**	**16,976**	**961,627**
Segment operating Profit/(loss) before tax	**28,551**	**24,072**	**8,489**	**(2,110)**	**59,002**
Segment assets	**88,489**	**986,360**	**63,007**	**139,866**	**1,277,722**

	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

* 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 reconciles to the Group's profit before tax as presented in its financial statement as follows:

	6 months to 30 June 2019 A$'000	6 months to 30 June 2018 A$'000
Group profit before tax		
Segment results	**59,002**	122,741
Share of associate's result	**20,299**	24,684
Finance costs	**(21,383)**	(21,712)
Interest income	**452**	151
Group profit before tax	**58,370**	125,864

6 Analysis of selected items of the consolidated interim financial statements

The Group recorded revenue of A$534.6 million for the 6 months period ended 30 June 2019 ("1H 2019"), representing a 35% decrease from the A$828.3 million recorded for 6 months period ended 30 June 2018 ("1H 2018"). The decrease in revenue was predominantly attributed to lower total volumes of products traded and a global market softening of ore and alloy prices in 1H 2019. With the global market impacted by the on-going trade war on tariffs and the currency market fallout between the United States ("USA") and China, FeSi volumes traded from the Group's 75% owned smelter in Sarawak increased only marginally by approximately 5% to 109,898 tonnes with a corresponding revenue contribution of A$180.2 million for 1H 2019 (1H 2018: 104,927 tonnes with a revenue contribution of A$213.8 million). Manganese alloy (high carbon ferromanganese and silicomanganese) volumes traded in 1H 2019 decreased by approximately 6%. A total of 131,260 tonnes of manganese alloy was traded in 1H 2019 with a revenue contribution of A$196.6 million as compared to 139,204 tonnes of manganese alloy in 1H 2018 with a revenue contribution of A$224.3 million.

Manganese ore volumes traded (including from the Group's wholly-owned Bootu Creek Manganese Mine and other third party ores) decreased in 1H 2019. Total manganese ore volumes traded decreased by 753,937 tonnes (approximately 60%) to 506,330 tonnes, with a revenue contribution of A$153.0 million in 1H 2019 (as compared to 1,260,267 tonnes with a revenue contribution of A$381.2 million in 1H 2018). The decline was mainly due to reduced third party manganese ore volumes traded during the current period from a supplier in South Africa.

The softening of manganese ore and ferroalloy prices in 1H 2019, coupled with the decrease in total ore and ferroalloy volumes traded in the current period had an impact on the Group's sales revenue and gross profit in 1H 2019. The Group recorded a gross profit of A$106.2 million in 1H 2019 as compared to A$184.7 million in 1H 2018, with a corresponding gross profit margin of approximately 20% for 1H 2019 as compared to approximately 22% for 1H 2018.

Platts reported that prices of FeSi to Japan closed lower at US$1,110 per metric tonne at the end of June 2019 as compared to US$1,435 per metric tonne at the end of June 2018 and US$1,260 per metric tonne at the end of December 2018. The fall in the price of FeSi during the period was mainly due to an increased production rate by Chinese Fesi producers which resulted in higher inventory levels in China, and also from the USA China trade war which had a negative impact on Asian currencies against the United States Dollar ("USD"). This has in turn exerted further downward pressure on ferroalloy prices and impacted the global price in USD.

Index ore prices (44% Mn published by Metal Bulletin) trended downwards throughout the 6 months period and closed at US$5.74/dmtu CIF China as at 30 June 2019 as compared to US$6.83/dmtu CIF China as at 30 June 2018 and US$6.96/dmtu CIF China as at 31 December 2018.

Despite a 50% decrease in total product volumes traded in 1H 2019 as compared to 1H 2018, total distribution costs were similar to 1H 2018 at approximately A$26 million. This was mainly because the decrease in volumes traded was mainly from a reduction in third party manganese ores (including ores from South Africa). Excluding the third party ores, Mn ore sales (from the Group's wholly owned Bootu Creek Manganese Mine) actually increased compared to 1H 2018 by 31%, but distribution costs remained in line with 1H 2018 due to the change in geographical sales allocation with more ore sourced from Australia offset by lower freight rates obtained for the comparable period.

Administrative expenses for 1H 2019 decreased by approximately 47% from A$19.6 million to A$10.3 million. The higher administrative expenses incurred in 1H 2018 were mainly due to the expensing of legal and professional fees of A$4.6 million following the accelerated full repayment of the restructured loans in June 2018. These costs were associated with the loan restructuring undertaken in the fourth quarter of FY2017.

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

Other operating expenses increased to A$11.5 million for 1H 2019 from A$8.9 million for 1H 2018 mainly due to exploration expenditure incurred of A$0.75 million under the Farm-In and Joint Venture Agreement signed with Bryah Resources Limited in April 2019. In addition, the Company wrote off an amount of A$0.6 million (equivalent to US$0.5 million) as a result of the expiry of the 26,000,000 unlisted warrants on 25 March 2019.

The foreign exchange loss in 1H 2019 was A$0.6 million as compared to a foreign exchange loss of A$8.0 million in 1H 2018. The foreign exchange loss was mainly attributed to the translation of Malaysia Ringgit ("MYR") denominated payables and borrowings to USD as a result of the strengthening of the MYR against the USD during 1H 2019 and 1H 2018. However, the appreciation of the MYR against the USD was smaller in 1H 2019 as compared to 1H 2018 which resulted in a smaller exchange loss in the current period.

The Group's share of results from an associate of A$20.3 million relates to the operating profit from its 13% effective interest in Tshipi é Ntle Manganese Mining (Pty) Ltd ("Tshipi").

Tax expense for 1H 2019 decreased to A$8.4 million from A$19.4 million, a decrease of approximately 57% as compared to 1H 2018, which was in line with the decrease in taxable income for 1H 2019.

With the softening of manganese ore and ferroalloy prices in 1H 2019, coupled with the decrease in the total product volumes traded, the Group recorded a profit after tax of A$50.0 million for 1H 2019 (against a profit after tax of A$106.4 million for 1H 2018). The Group's basic and diluted profit per ordinary share for 1H 2019 was 6.49 cents and 6.45 cents respectively.

The Group's property, plant and equipment ("PPE") increased from A$660.7 million as at 31 December 2018 to A$680.4 million as at 30 June 2019 mainly due to the construction of OM Sarawak's sintering plant, storage warehouses, laboratory, canteen and offices, and OMM's Tailings Retreatment Plant as construction-in-progress as at 30 June 2019.

The Group adopted IFRS 16 "Leases", which became effective on 1 January 2019. Consequently, an amount of A$5.6 million was recognized as Right-of-Use assets as at 30 June 2019.

As at 30 June 2019, the Group's consolidated cash position was A$56.0 million (including cash collateral of A$14.3 million) as compared to A$91.8 million (including cash collateral of A$12.8 million) as at 31 December 2018. For 1H 2019, the net cash generated from operating activities was A$50.3 million as compared to net cash generated of A$98.4 million for 1H 2018.

Inventories increased to A$298.8 million as at 30 June 2019 from A$267.0 million as at 31 December 2018. This was mainly a result of increased inventory of raw materials and finished goods (FeSi and manganese alloys) from OM Sarawak as a result of slower inventory turnover in 1H 2019.

Trade and other receivables and prepayments decreased to A$63.4 million as at 30 June 2019 from A$93.6 million as at 31 December 2018 which was in line with the decrease in sales revenue and total product volumes traded. Trade and other payables decreased to A$253.1 million as at 30 June 2019 from A$277.2 million as at 31 December 2018.

The Group's total borrowings decreased from A$511.8 million as at 31 December 2018 to A$491.7 million as at 30 June 2019. The decrease was mainly attributed to the scheduled repayment of the Sarawak Project Finance loan during the 6 months period ended 30 June 2019 of approximately US$18.8 million (equivalent to approximately A$26.7 million) and redemption of Hanwa convertible notes of approximately A$5.8 million. This was offset by an increased utilisation of trade facilities of approximately A$7.9 million for the purchase of raw materials for alloy production and products for trading.

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

The Group's net asset backing per ordinary share was 66.31 cents per ordinary share as at 30 June 2019 as compared to 55.43 cents and 61.24 cents per ordinary share as at 30 June 2018 and 31 December 2018 respectively. This represented a 20% and 8% (or 10.88 cents and 5.07 cents) increase as compared to 30 June 2018 and 31 December 2018 respectively.

7 Investment property

The Group	**As at 30 June 2019 A$'000**
Cost	
Balance at beginning of period	**-**
Transfer from property, plant and equipment	**807**
Balance at end of period	**807**
Accumulated depreciation	
Balance at beginning of period	**-**
Transfer from property, plant and equipment	**155**
Depreciation for the period	**5**
Balance at end of period	**160**
Net book value	**647**
Rental income	**52**
Direct operating expenses arising from investment property that generates rental income	**(18)**
Gross profit arising from investment property	**34**

In January 2019, a leasehold building in property, plant and equipment with carrying value of A$652,000 was transferred to Investment Property as the Group rented out the office premises to a non-related tenant.

As of 30 June 2019, the fair value of investment property amounted to approximately A$2,634,000 as determined by management with reference to recent market transactions of comparable properties in close proximity, adjusted for differences in key attributes such as property size, which is based on the property's highest and best use.

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

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

8 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 regard 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 2019 '000	As at 31 December 2018 '000	**As at 30 June 2019 A$'000**	As at 31 December 2018 A$'000
Authorised:				
Ordinary shares of A$0.05 (2018 - A$0.05) each	**2,000,000**	2,000,000	**100,000**	100,000
Issued and fully paid:				
Ordinary shares of A$0.05 (2018 - A$0.05) each as at beginning of period	**738,623**	733,423	**36,931**	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**	738,623	**36,931**	36,931

9 Borrowings

The Group	**As at 30 June 2019 A$'000**	As at 31 December 2018 A$'000
Non-current		
Obligations under finance lease (Note 9.1)	**-**	439
Bank loans, secured (Note 9.2)	**360,387**	400,562
5% Convertible Note (Note 9.3)	**-**	14,441
Other loans (Note 9.4)	**19,847**	23,510
	380,234	438,952
Structuring and arrangement fee	**(2,300)**	(2,832)
	377,934	436,120
Current		
Obligations under finance lease (Note 9.1)	**-**	653
Bank loans, secured (Note 9.2)	**92,035**	71,684
5% Convertible Note (Note 9.3)	**14,720**	5,999
Other loans (Note 9.4)	**8,555**	-
	115,310	78,336
Structuring and arrangement fee	**(1,554)**	(1,530)
	113,756	76,806
Total	**491,690**	512,926
Less: Total obligations under finance leases	**-**	(1,092)
	491,690	511,834

9 Borrowings (Cont'd)

9.1 Obligations under finance leases

The Group	**As at 30 June 2019 A$'000**	As at 31 December 2018 A$'000
Minimum lease payments payable:		
Due not later than one year	**-**	701
Due later than one year and not later than five years	**-**	472
	-	1,173
Less: Finance charges allocated to future periods	**-**	(81)
Present value of minimum lease payments	**-**	1092
Present value of minimum lease payments:		
Due not later than one year	**-**	653
Due later than one year and not later than five years	**-**	439
	-	1,092

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

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

From 1 January 2019, finance leases are reclassified as lease liabilities and, correspondingly, the underlying assets are recognised as right-of-use assets.

9.2 Bank loans

The Group	**As at 30 June 2019 A$'000**	As at 31 December 2018 A$'000
Bank loans, secured [Note (a)]	**444,542**	472,246
Bank loans, secured [Note (b)]	**7,880**	-
	452,422	472,246
Amount repayable not later than one year	**92,035**	71,684
Amount repayable after one year:		
Later than one year and not later than five years	**222,848**	212,289
Later than five years	**137,539**	188,273
	360,387	400,562
	452,422	472,246

9 Borrowings (Cont'd)

9.2 Bank loans (Cont'd)

Notes:

(a) These loans are secured by:

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

(b) These loans are secured by:

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

9.3 5% Convertible Note

The Group	**As at 30 June 2019 A$'000**	As at 31 December 2018 A$'000
5% Convertible Note:		
Due not later than one year	**14,720**	5,999
Due later than one year and not later than five years	**-**	14,441
	14,720	20,440

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

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

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

9 Borrowings (Cont'd)

9.3 5% Convertible Note (Cont'd)

In February 2019, the convertible notes on issue were reduced further from 17,435,500 to 12,500,000 following the redemption by the Company of 19.74% of the original convertible notes for US$4,234,178 (equivalent to approximately A$5,825,782).

9.4 Other loans

The Group	**As at 30 June 2019 A$'000**	As at 31 December 2018 A$'000
Shareholder loan, unsecured [Note (a)]	**19,847**	15,009
Third party loan, secured [Note (b)]	**8,555**	8,501
	28,402	23,510
Amount repayable not later than one year	**8,555**	-
Amount repayable after one year:		
Later than one year and not later than five years	**-**	8,501
Later than five years	**19,847**	15,009
	19,847	23,510
	28,402	23,510

(a) These loans are unsecured. None of the shareholders are entitled to demand or receive payment or any distribution in respect of any shareholders' loans from the Group. Repayment may be made subject to satisfaction of pre-agreed tests typical for a project financing of this nature.

(b) The loan is repayable on 4 January 2020 and is guaranteed by the Company.

10 Profit per share

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

	6 months to 30 June 2019 A$'000	6 months to 30 June 2018 A$'000
Profit		
Net profit/(loss) attributable to owners of the Company for the purpose of:		
- basic earnings per share	**47,809**	90,389
- diluted earnings per share	**48,307**	91,316
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of:		
- basic earnings per share	**736,690**	733,590
- diluted earnings per share	**749,190**	753,590

11 Dividends

In April 2019, a partially-owned subsidiary of the Group, OM Hujin Science & Trade (Shanghai) Co. Ltd., declared a dividend of A$1,244,400 to its non-controlling interest shareholders.

In May 2019, a dividend of A$0.02 per share (total dividend of A$14,733,800) was paid to the Company's shareholders.

The Board has resolved to declare an interim dividend of A$0.01 per share for the six months ended 30 June 2019. The record date for the dividend will be 8 November 2019 and the payment date will be 29 November 2019.

12 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 2019 A$'000	6 months to 30 June 2018 A$'000
Commission charged by an associate	**324**	229
Purchase of goods from a related party	**37,083**	-
Sales of goods to an associate	**144**	-
Commission charged to a related party	**730**	-

(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 2019 A$'000	6 months to 30 June 2018 A$'000
Salaries, wages and other related costs	**5,480**	5,568
Defined contribution plans	**191**	174

13 Other components of equity

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

	Share premium (a) A$'000	Non - distributable reserve (b) A$'000	Capital reserve (c) A$'000	Hedging reserve (d) A$'000	Exchange translation reserve (e) A$'000	Retained profits (f) A$'000	Total A$'000
Balance at 1 January 2019	**178,363**	**8,868**	**15,444**	**(6,540)**	**29,769**	**128,112**	**354,016**
Other comprehensive income for the period (all attributable to the parent)	**-**	**-**	**-**	**350**	**1,867**	**47,809**	**50,026**
Dividend paid	**-**	**-**	**-**	**-**	**-**	**(14,734)**	**(14,734)**
Write off of warrants	**-**	**-**	**619**	**-**	**-**	**-**	**619**
Balance at 30 June 2019	**178,363**	**8,868**	**16,063**	**(6,190)**	**31,636**	**161,187**	**389,927**

	Share premium (a) A$'000	Non - distributable reserve (b) A$'000	Capital reserve (c) A$'000	Hedging reserve (d) A$'000	Exchange translation reserve (e) A$'000	Retained profits (f) A$'000	Total A$'000
Balance at 1 January 2018	176,563	5,552	16,513	(6,886)	10,073	(8,190)	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	178,363	5,552	15,444	(6,741)	20,472	82,199	295,289

13 Other components of equity (Cont'd)

Notes:

(a) 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.

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

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

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

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

The Company wrote off an amount of A$619,000 (equivalent to US$500,000) as a result of the expiry of the 26,000,000 unlisted warrants on 25 March 2019.

(d) 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.

(e) 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.

(f) 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 constitutes the total distributable reserves, which is the maximum amount available for distribution to shareholders.

14 Cash flow hedges

The Group	**6 months to 30 June 2019 A$'000**	6 months to 30 June 2018 A$'000
Cash flow hedges:		
Gain arising during the period	**467**	193

15 Commitments

Capital commitments

The following table summarises the Group's capital commitments:

The Group	**As at 30 June 2019 A$'000**	As at 31 December 2018 A$'000
Capital expenditure contracted but not provided for in the financial statements – Capital works and equipment	**46,228**	64,838

Environmental bonds

A subsidiary had environmental bonds to the value of A$12,068,000 (2018 – A$10,545,000) lodged with the Northern Territory Government (Department of Primary Industry and Resources) to secure environmental rehabilitation commitments. The A$12,068,000 (2018 – A$10,545,000) of bonds were secured by A$10,404,000 (2018 – A$8,881,000) of performance bonds guaranteed by financial institutions and certain are cash backed.

16 Subsequent Events

In August 2019, Ntsimbintle Mining Limited declared and paid a net dividend of A$16,781,000 (equivalent to ZAR174,220,000) to OMH (Mauritius) Corp., a wholly owned subsidiary of the Group. These interim financial statements do not reflect this dividend, which will be accounted for in the financial year ending 31 December 2019.