

OM HOLDINGS LIMITED

(ARBN 081 028 337)



No. of Pages Lodged: 9 Covering letter
25 ASX Appendix 4D & Interim Financial Report

19 August 2013

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") advises that the Company's consolidated attributable net result for the financial half year ended 30 June 2013, including the non-cash impairment charges of A\$23.0 million (related to the Company's investments in Northern Iron Limited (ASX Code: NFE) and Shaw River Manganese Limited (ASX Code: SRR)), was a loss after tax of A\$22.3 million.

Excluding the non-cash impairment charges noted above and other non-cash items, the operating divisions of the Group achieved an EBITDA of A\$8.9 million and corresponding EBIT of A\$1.3 million¹.

These results were achieved in a challenging operating and market environment taking into account the slow-down of the Chinese economy and operating challenges at the Company's Bootu Creek Manganese Mine, caused by lower than expected ore reconciliations due to localised faulting.

HIGHLIGHTS

GROUP

- **Excluding non-cash impairment charges and other non-cash items, an EBITDA of A\$8.9 million and corresponding EBIT of A\$1.3 million were achieved by the operating divisions of the Group**
- **Gross profit margin improved from 12% during H1 2012 to 14% in H1 2013**
- **H1 2013 revenue of A\$158.9 million, a decline of 23% over the same corresponding period in 2012, due to no iron ore shipments transacted to-date in 2013**
- **Non-cash impairment charge of A\$23.0 million associated with the re-valuation of the Company's investments in NFE and SRR**
- **First positive contribution of A\$0.4 million from the Company's 13% indirect investment in the Tshipi Borwa Mine following the mine's commencement of production and shipping in Q4 2012**
- **Cash reserves of A\$63.9 million (including cash collateral of A\$35 million) as at 30 June 2013**
- **Operating cash flow of A\$44.0 million generated during the six-month period ended 30 June 2013**
- **Basic loss per share narrowed from A\$0.06 per share in 2012 to A\$0.03 per share in 2013**

¹ Please see the note on page 8 for further information.



MINING

- Production and shipments of Bootu Creek ore during H1 2013 were 403,790 tonnes (H1 2012: 413,240 tonnes) and 375,071 dry tonnes (H1 2012: 238,342 dry tonnes) respectively
- Bootu Creek's cash operating costs were A\$4.57/dmtu during H1 2013 (H1 2012: A\$3.39/dmtu). This was due to higher operating cost attributable to the expensing of the development costs for the new Zulu pit as well as variations in ore reconciliations caused by localised faulting
- An updated assessment of Northern Territory ("NT") royalties was received from the Territory Revenue Office ("TRO") in July 2013 for the Years of Assessment ("YA") 2010 to 2011, which accorded the Group with a net tax credit of A\$2.1 million

FERROALLOY PROCESSING

- Record H1 2013 production of 46,999 tonnes (H1 2012: 38,808 tonnes) and record H1 2013 sales of 43,453 tonnes (H1 2012: 38,091 tonnes) of High Carbon Ferro Manganese by OM Qinzhou, representing a 21% and 14% increase, respectively

MARKETING, LOGISTICS AND TRADING

- The average manganese ore benchmark price in H1 2013 was US\$5.68/dmtu CIF China, compared to US\$4.86/dmtu CIF China in H1 2012
- 447,605 tonnes (H1 2012: 398,374 tonnes) of equity and third party ores (excluding any iron ore shipments) and 2,054 tonnes (H1 2012: 25,573 tonnes) of equity and third party alloys were transacted during H1 2013. Tshipi ores were introduced into the China market during H1 2013
- Inventories increased from A\$119.3 million in Dec 2012 to A\$192.9 million as at 30 June 2013, reflecting variable market and challenging liquidity conditions in the China market in recent months, as well as OMS being the principal for a sizeable portion of Tshipi's sales during H1 2013

PROJECTS

- Total investment costs for the Company's 13% effective interest in the Tshipi Borwa Mine increased to A\$96.3 million, which included the Group's original investment costs and continued cash contributions towards mine development and working capital
- Progress payments associated with the construction and procurement activities at OM Sarawak contributed to the increase in property, plant and equipment from A\$130.0 million to A\$235.5 million. The Group has fully funded its share of equity contribution as part of the project finance facility of OM Sarawak and subsequently made the first draw down on the project finance loan facility on 4 July 2013



OM HOLDINGS LIMITED – GROUP KEY FINANCIAL RESULTS

KEY DRIVERS (Tonnes)	Period Ended 30 Jun 2013	Period Ended 30 Jun 2012	Variance %
Sales volumes of Ores (Manganese, Chrome and Iron Ore)	552,184	772,277	(28)
Sales volumes of Alloys	47,947	65,699	(27)

FINANCIAL RESULTS			
Total sales	158.9	206.5	(23)
Gross profit	22.7	24.8	(8)
Gross profit margin (%)	14%	12%	
Other income	0.4	1.3	(69)
Distribution costs	(8.0)	(10.5)	(24)
Administration & other operating costs	(18.3)	(14.2)	29
Impairment charge	(23.0)	(32.1)	(28)
Finance costs	(3.3)	(3.3)	-
Share of results of associates	0.4	-	
Net loss before tax	(29.1)	(34.0)	(14)
Income tax credit	6.8	4.6	48
Net loss after tax	(22.3)	(29.4)	(24)
Minority interests	-	-	
Net loss after tax attributable to owners of the Company	(22.3)	(29.4)	(24)

OPERATING RESULTS ADJUSTED FOR NON-CASH ITEMS			
Net loss after tax	(22.3)	(29.4)	(24)
Adjust for non-cash items, interest and taxation:			
Impairment charge	23.0	32.1	(28)
Share option expense	2.4	-	100
Inventory write-down	1.9	-	100
Depreciation & amortisation ⁽²⁾	7.6	7.0	9
Net finance costs	3.1	2.8	11
Income tax credit	(6.8)	(4.6)	48
Adjusted EBITDA ⁽¹⁾	8.9	7.9	13
Less Depreciation & amortisation ⁽²⁾	(7.6)	(7.0)	9
Adjusted EBIT	1.3	0.9	44

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

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



FINANCIAL ANALYSIS

Total sales decreased by A\$47.6 million from A\$206.5 million for H1 2012 to A\$158.9 million for H1 2013. During the same corresponding period in 2012, there were approximately 300,000 tonnes of iron ore shipment amounting to A\$45.2 million. There was also a marginal increase in ore sales, arising from higher manganese ore sales from both the Bootu Creek Manganese Mine and the Tshipi Borwa Mine offsetting the decline in other ore sales, specifically iron ore. The increase in gross profit margin from 12% to 14% was primarily due to the lack of low margin iron ore shipments in H1 2013.

During H1 2013, published benchmark prices for manganese ore ranged from US\$5.20/dmtu CIF China to US\$5.95/dmtu CIF China (averaging US\$5.68/dmtu), compared to a range of US\$4.75/dmtu CIF China to US\$5.15/dmtu CIF China during H1 2012 (averaging US\$4.86/dmtu).

Distribution costs decreased from A\$10.5 million in H1 2012 to A\$8.0 million in H1 2013, largely in line with the downward trend of the freight costs.

Administrative and other operating costs increased by A\$4.1 million from A\$14.2 million in H1 2012 to A\$18.3 million in H1 2013. The H1 2013 costs included an inventory write-down charge of A\$1.9 million and share option expense of A\$2.4 million.

The Group's net finance costs were incurred for (i) working capital borrowings (through pledging of bank drafts for short-term loans), (ii) other short-term stock financing and (iii) other term loans.

For the six-month period ended 30 June 2013, the Group recorded for the first time its share of profits of A\$0.4 million from its investment in the Tshipi Borwa Mine. The mine produced its first ore in October 2012 and shipments commenced in December 2012.

Tax credits increased by A\$2.2 million from A\$4.6 million in H1 2012 to A\$6.8 million in H1 2013. In H1 2013, the Group recognised a net tax credit arising from the assessments issued by the Territory Revenue Office ("TRO") of A\$2.1 million for YA 2010 and YA 2011. These new assessments were based on the revised methodology adopted by the TRO which resulted in the Group having to incur an additional A\$9.3 million in royalty expense and reversed A\$5.9 million of royalty credits previously recognised for YA 2010 and YA 2011 during H2 2012.

The Group's operating result equated to a basic loss per share of A\$0.03 in H1 2013 as compared to a basic loss per share of A\$0.06 in H1 2012 (both periods inclusive of non-cash impairment charges of A\$23.0 million in H1 2013 and A\$32.1 million in H1 2012, respectively). The net tangible asset backing per share remained the same at A\$0.48 for both periods as at 30 June 2013 and 31 December 2012.



Results Contributions

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

A\$ million	Period ended 30 Jun 2013		Period ended 30 Jun 2012	
	Revenue*	Contribution	Revenue*	Contribution
Mining	54.3	(14.0)	41.3	(17.6)
Ferroalloy processing	69.0	4.7	61.5	3.6
Marketing, logistics and trading	169.8	6.5	174.6	14.2
Others	-	(23.6)	0.9	(31.4)
Net loss before finance costs		(26.4)		(31.2)
Share of results of associates		0.4		-
Net finance costs		(3.1)		(2.8)
Income tax credit		6.8		4.6
Net loss after tax **		(22.3)		(29.4)
Minority interests		-		-
Net loss attributable to owners of the Company		(22.3)		(29.4)

* 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 Bootu Creek Manganese Mine (100% owned and operated by the Company's wholly owned subsidiary OM (Manganese) Ltd ("OMM")) produced 403,790 tonnes grading 34.71% Mn in the six months ended 30 June 2013 as compared to 413,240 tonnes grading 36.7% Mn for the same corresponding period in 2012. OMM shipped 375,071 dry tonnes of ore in H1 2013 compared to 238,342 dry tonnes of ore during H1 2012. Shipments in H1 2012 were impacted by the rail service disruptions as a result of a Genesee & Wyoming Australia Pty Ltd freight train derailment.

Revenue for H1 2013 amounted to A\$54.3 million compared to A\$41.3 million for H1 2012, a direct result of increased tonnages shipped as well as higher realised prices. During H1 2013, published benchmark prices for manganese ore ranged from US\$5.20/dmtu CIF China to US\$5.95/dmtu CIF China (averaging US\$5.68/dmtu), compared to a range of US\$4.75/dmtu CIF China to US\$5.15/dmtu CIF China during H1 2012 (averaging US\$4.86/dmtu).

OMM's H1 2013 C1 unit cash operating cost was A\$4.57/dmtu as compared to A\$3.39/dmtu achieved during the same period in 2012, as the full costs associated with the new Zulu pit development, pre-strip and top soil removal campaigns were fully expensed during the current six-month period. Further, the Zulu pit ore body presented challenging operating conditions with variations in ore reconciliations as a result of structural influences on the ore body caused by localised faulting which resulted in lower grade ore being mined.

OMM sold 100% of its production to OM Materials (S) Pte Ltd ("OMS"). The price paid by OMS was calculated on the basis of the prevailing US\$/dmtu CIF China benchmark price less freight, a Mn content quality adjustment and a marketing fee.



Ferroalloy processing

This segment includes the operations of the Qinzhou manganese sinter plant and alloy smelter operated by at OM Materials (Qinzhou) Co Ltd (“OMQ”) and Guizhou Jiahe Weiye Smelter Co. Ltd. Amongst other raw materials the smelter purchases manganese ores at market prices from OMS, converts some of the ore into sinter for its own consumption, and sells surplus sinter and alloy products to third-party customers.

The ferroalloy processing operations recorded revenue of A\$69.0 million for H1 2013 representing an increase of 12% from A\$61.5 million recorded in H1 2012. This increase in revenue was attributable mainly to the record sales of 43,453 tonnes of manganese ferro alloy in H1 2013 (H1 2012: 38,091 tonnes of alloy), amidst record production of 46,999 tonnes of alloy which is an increase of 21% from the same corresponding period in H1 2012.

Profit contribution improved correspondingly with the increase in revenue but was impacted by the stagnant alloy prices.

Marketing, logistics and trading

This segment includes all of the marketing, trading and logistics activities of the Group, including:

- equity and third party trading activities of OMS – covering marketing and trading of OMM and third-party manganese, chrome and iron ore products to end users as well as to OM Materials Trading (Qinzhou) Co., Ltd (“OMQT”) and OM Hujin Science and Trade (Shanghai) Co., Ltd (“OMA”);
- ore trading activities of OMQT – as part of the Group’s Southern China stockpile distribution strategy; and
- ore trading activities of OMA – as part of the Group’s Northern China stockpile distribution strategy.

In H1 2013, revenue from the Group’s trading operations was A\$169.8 million as compared to A\$174.6 million during H1 2012, representing a decrease of 3%, resulting primarily from the lack of iron ore shipments in H1 2013, the effect of which was offset by improved manganese ore prices and volumes transacted during H1 2013 when compared to those recorded in H1 2012. After eliminating the effect of iron ores, this business segment traded a total of 447,605 tonnes of ores during H1 2013, a 12% increase from 398,374 tonnes in H1 2012.

Others

This segment included the corporate activities of OMH as well as the engineering, design and technical marketing services of OMA.

The revenue recognised in H1 2012 year related to engineering and design fees earned by OMA predominantly from external customers.

The loss in this segment was mainly the result of a non-cash impairment charge on the Company’s investments in NFE and SRR based upon the share price of each entity at 30 June 2013 and 2012, respectively.



FINANCIAL POSITION

The Group's consolidated cash position was A\$63.9 million (including cash collateral of A\$35.5 million) as at 30 June 2013 as compared to A\$88.9 million (including cash collateral of A\$15.0 million) as at 31 December 2012. During the six-month period ended 30 June 2013, the Company raised approximately A\$23.7 million (net proceeds) from share placements for the purpose of financing the development of the OM Sarawak ferroalloy project in Malaysia. Cash reserves from the capital raising and operations during the period were predominantly applied towards OM Sarawak's project construction activities and mine development funding at Tshipi Borwa.

During the six months ended 30 June 2013, the Group generated operating cash flows before tax of A\$44.0 million (H1 2012: A\$21.9 million).

Inventories increased from A\$119.3 million as at 31 December 2012 to A\$192.9 million as at 30 June 2013, reflecting variable market and challenging liquidity conditions in the China market in recent months, as well as OMS being the principal for a sizeable portion of Tshipi's sales during H1 2013. Tshipi ores were introduced into the China market during H1 2013.

Receivables (including trade and other receivables and prepayments) decreased to A\$59.0 million as at 30 June 2013 from A\$89.0 million as at 31 December 2012. This decline is consistent with ore sales trend where volumes are generally higher in the second half-year (July to December period) as compared to the first half-year. In the current six-month period the Group recorded 600,131 tonnes of ores and alloys sales as opposed to 874,176 tonnes for the six-month period ended 31 December 2012.

Available for sale financial assets as at 30 June 2013 totalled A\$5.9 million (31 Dec 2012: A\$28.9 million) and comprised the following holdings:

- 11% of NFE's ordinary shares, an ASX-listed mining company, which owns and operates the Sydvaranger iron ore mine in northern Norway. This investment holding was valued at A\$5.8 million based upon a market price of A\$0.11 per share as at 30 June 2013.
- 4% of SRR's shares, an ASX-listed manganese explorer with interests in Western Australia, Namibia and Ghana. This investment holding was valued at A\$0.1 million based upon a market price of A\$0.003 per share as at 30 June 2013.

The above investments were marked to market based upon the closing share prices on the ASX as at the financial period end date. As a result of the decline in the market value of these investments against the Company's acquisition cost and in accordance with the applicable accounting standards for the Company, a non-cash impairment charge of A\$23.0 million was recognised through the profit and loss account of the Group during the six-month period ended 30 June 2013.

The composition of the Company's total borrowings included 'longer term structural components' including (i) A\$52.7 million by way of term loans from Standard Chartered Bank, and (ii) A\$15.4 million of borrowings associated with the purchase of Johor land in Malaysia. The 'short term operational/working capital components' included (i) A\$47.9 million of short-term loans whereby an equivalent amount of Chinese bank drafts were pledged, (ii) A\$33.7 million of stock financing in Southern China and A\$35.0 million of trust receipts used for trade financing. Included within borrowings are convertible notes issued to Hanwa Co., Ltd of A\$18.1 million classified as non-current with maturity due on 6 March 2016, and a loan from JFE Shoji Trade Corporation of A\$9.8 million (US\$9 million).

The balance of trade and other payables increased from approximately A\$90.3 million as at 31 December 2012 to A\$141.0 million as at 30 June 2013, predominantly due to progress claims in relation OM Sarawak's project construction activities.



Capital Structure

As at 30 June 2013, the Company had 733,423,337 ordinary shares and 25,000,000 convertible notes and 10,000,000 unlisted options on issue.

No interim dividend has been declared.

Yours faithfully

OM HOLDINGS LIMITED

Heng Siow Kwee/Julie Wolseley

Company Secretary

Important note from page 1

Earnings before interest, taxation, depreciation and amortisation (ie 'EBITDA') 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 a measure provide a better understanding of its financial performance and allows for a more relevant comparison of financial performance between financial periods.

The Company believes that EBITDA 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 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.



BACKGROUND INFORMATION ON OM HOLDINGS LIMITED

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

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

Bootu Creek has the capacity to produce 1,000,000 tonnes of manganese product annually. Bootu Creek has further exploration potential given that its tenement holdings extend over 2,400km².

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

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

OMH is a constituent of the S&P/ASX 300 a leading securities index.

OMH holds a 26% investment in Ntsimbintle Mining (Proprietary) Ltd, which holds a 50.1% interest in the world class Tshipi Borwa manganese project in South Africa.

OMH also holds the following strategic shareholding interests in ASX listed entities:

- *11% shareholding in **Northern Iron Limited** (ASX Code: NFE), a company presently producing iron ore from its Sydvaranger iron ore mine located in northern Norway; and*
- *4% shareholding in **Shaw River Resources Limited** (ASX Code: SRR), a company presently exploring for manganese in Namibia, Western Australia and Ghana.*

OM HOLDINGS LIMITED

A.R.B.N 081 028 337

Appendix 4D

Half Yearly Report

For the period ended 30 June, 2013

(previous corresponding period being the period ended 30 June, 2012)

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 2013

Name of Entity:	OM Holdings Limited	
ARBN:	081 028 337	
1. Details of the current and prior reporting period		
Current Period:	1 Jan 2013 to 30 Jun 2013	
Prior Period:	1 Jan 2012 to 30 Jun 2012	
2. Results for announcement to the market		
		A\$'000
2.1 Revenue	Down 23% to	158,948
2.2 Loss after taxation	Up 24% to	(22,270)
2.3 Net loss for the period attributable to owners of the Company	Up 24% to	(22,270)
2.4 Dividend distributions	Amount per security	Franked amount per security
	Nil	Nil
2.5 Record date for determining entitlements to the dividend	Nil	
3. Consolidated statement of comprehensive income	Refer Interim Financial Report	
4. Consolidated statements of financial position	Refer Interim Financial Report	
5. Consolidated statement of cash flows	Refer Interim Financial Report	
6. Details of dividends or distributions	N/A	
7. Consolidated statement of changes in equity	Refer Interim Financial Report	
	Current Period A\$	Previous Corresponding Period A\$
8. Net tangible asset backing per ordinary security	48.20 cents	51.79 cents

OM Holdings Limited and Controlled Entities
Preliminary Half Yearly Report

9. Control gained over entities during the period	N/A	
10. Other matters	Refer Interim Financial Report	
11. Accounting Standards used by foreign entities	N/A	
12. Commentary on the result for the period		
	Current Period A\$	Previous Corresponding Period A\$
12.1 Loss per share	3.34 cents	5.78 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 2013

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 2012 and any public announcements made by OM Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Australian Securities Exchange (“ASX”) Listing Rules.

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Directors' report

The Directors present their report and the interim financial statements of OM Holdings Limited (the "Company") and its controlled entities (together the "Group") for the six months ended 30 June 2013.

DIRECTORS

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

Low Ngee Tong	(Executive Chairman)
Peter Ivan Toth	(Chief Executive Officer)
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 loss after tax and non-controlling interests of A\$22.3 million for the six months ended 30 June 2013, compared with a consolidated net loss after tax and non-controlling interests of A\$29.4 million for the previous corresponding period. The consolidated net loss after tax for the six months ended 30 June 2013 included a non-cash impairment charge of A\$23.0 million associated with the valuation of the Company's investments in two ASX listed entities at 30 June 2013.

Signed in accordance with a resolution of the Directors.

On Behalf of the Directors

.....
LOW NGEE TONG
Executive Chairman

.....
PETER IVAN TOTH
Chief Executive Officer
Singapore

Dated: 16 August 2013

Statement by Directors

In the opinion of the Directors, the accompanying consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Group as at 30 June 2013 and of the results of the business, changes in equity and cash flows of the Group for the six month period ended on that date and as at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors



.....
LOW NGEE TONG
Executive Chairman



.....
PETER IVAN TOTH
Chief Executive Officer

Dated: 16 August 2013

Review report to the members of OM Holdings Limited

Introduction

We have reviewed the accompanying consolidated statement of financial position of OM Holdings Limited. (“the Company”) and its subsidiaries (“the Group”) as at 30 June 2013, and the related statements of consolidated comprehensive income, consolidated changes in equity and consolidated cash flows for the six months period then ended, and selected explanatory notes. Management is responsible for the preparation and fair presentation of this consolidated interim financial information in accordance with the provisions of the International Financial Reporting Standards. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not present fairly, in all material respects, the financial position of the Group as at 30 June 2013, and of the Group’s financial performance for the six months then ended and its cash flows for the six months then ended in accordance with the International Financial Reporting Standards.



Foo Kon Tan Grant Thornton LLP
Public Accountants and
Chartered Accountants

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

Singapore, 16 August 2013

Consolidated statement of financial position

		The Group	
	Notes	30 June 2013	31 December 2012
		A\$'000	A\$'000
Assets			
Non-Current			
Property, plant and equipment		235,505	129,975
Land use rights		38,868	35,771
Exploration and evaluation costs		1,299	819
Mine development costs		18,247	18,829
Goodwill		2,065	2,065
Deferred tax assets		29,146	21,312
Interests in associates		96,311	91,600
		421,441	300,371
Current			
Inventories		192,885	119,342
Derivative financial assets		-	20
Trade and other receivables		57,848	87,852
Prepayments		1,114	1,136
Available-for-sale financial assets		5,882	28,884
Cash collateral		35,485	14,962
Cash and bank balances		28,435	73,890
		321,649	326,086
Total assets		743,090	626,457
Equity			
Capital and Reserves			
Share capital	7	36,671	33,671
Treasury shares		(2,330)	(2,330)
Reserves		291,492	273,272
		325,833	304,613
Non-controlling interests		29,732	17,757
Total equity		355,565	322,370
Liabilities			
Non-Current			
Borrowings	8	77,643	74,058
Lease obligation		10,238	9,007
Provisions		5,702	5,358
Deferred tax liabilities		200	244
		93,783	88,667
Current			
Trade and other payables		141,018	90,296
Derivative financial liabilities		2,713	2,713
Borrowings	8	138,158	105,102
Income tax payables		11,853	17,309
		293,742	215,420
Total equity and liabilities		743,090	626,457

Consolidated statement of comprehensive income

	Notes	6 months to 30 June 2013 A\$'000	6 months to 30 June 2012 A\$'000
Revenue		158,948	206,536
Cost of sales		(136,269)	(181,750)
Gross profit		22,679	24,786
Other revenue		405	1,260
Distribution costs		(7,967)	(10,492)
Administrative expenses		(4,776)	(4,471)
Other operating expenses		(13,512)	(9,615)
Impairment loss of available-for-sale financial assets		(23,002)	(32,148)
Finance costs		(3,282)	(3,338)
Share of results of associates		424	(2)
Loss before income tax		(29,031)	(34,020)
Income tax benefit		6,761	4,635
Loss after taxation		(22,270)	(29,385)
Other comprehensive income, net of tax:			
Fair value changes on available-for-sale financial assets	12	-	45,407
Exchange differences on translation of financial statements of foreign operations		19,333	366
Other comprehensive income for the period, net of tax		19,333	45,773
Total comprehensive (expense)/income for the period		(2,937)	16,388
Loss attributable to:			
Owners of the Company		(22,270)	(29,423)
Non-controlling interests		-	38
		(22,270)	(29,385)
Total comprehensive (expense)/income attributable to:			
Owners of the Company		(5,512)	16,525
Non-controlling interests		2,575	(137)
		(2,937)	16,388
Loss per share	9	Cents	Cents
- Basic		(3.34)	(5.78)
- Diluted		(3.34)	(5.78)

Consolidated statement of changes in equity

	Share capital A\$'000	Share premium A\$'000	Treasury shares A\$'000	Non-distributable reserve A\$'000	Capital reserve A\$'000	Share option reserve A\$'000	Fair value reserve A\$'000	Exchange fluctuation reserve A\$'000	Retained profits A\$'000	Total attributable to equity holders of the parent A\$'000	Non-controlling interests A\$'000	Total equity A\$'000
Balance at 1 January 2013	33,671	155,884	(2,330)	4,074	69	12,814	-	(15,520)	115,951	304,613	17,757	322,370
Other comprehensive income/(expense) for the period (Note 12)	-	-	-	-	-	-	-	16,758	-	16,758	2,575	19,333
Loss for the period	-	-	-	-	-	-	-	-	(22,270)	(22,270)	-	(22,270)
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	-	16,758	(22,270)	(5,512)	2,575	(2,937)
Issue of ordinary shares	3,000	20,708	-	-	-	-	-	-	-	23,708	-	23,708
Share option lapsed	-	-	-	-	-	(5,294)	-	-	5,294	-	-	-
Value for employee services received for grant of share options	-	-	-	-	-	2,440	-	-	-	2,440	-	2,440
Capital injection from non-controlling interest	-	-	-	-	-	-	-	-	-	-	9,984	9,984
Transfer to statutory reserve	-	-	-	501	16	-	-	(16)	(501)	-	-	-
Balance at 30 June 2013	36,671	176,592	(2,330)	4,575	85	9,960	-	1,222	98,474	325,249	30,316	355,565
Balance at 1 January 2012	25,205	117,642	(2,330)	3,941	2	17,577	(45,407)	(16,984)	153,133	252,779	5,194	257,973
Other comprehensive income/(expense) for the period (Note 12)	-	-	-	-	-	-	45,407	541	-	45,948	(175)	45,773
Loss for the period	-	-	-	-	-	-	-	-	(29,423)	(29,423)	38	(29,385)
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	45,407	541	(29,423)	16,075	(137)	16,388
Issue of ordinary shares	5,000	29,670	-	-	-	-	-	-	-	34,670	-	34,670
Share option lapsed	-	-	-	-	-	(4,778)	-	-	4,778	-	-	-
Capital injection from non-controlling interest	-	-	-	-	-	-	-	-	-	-	5,874	5,874
Transfer to statutory reserve	-	-	-	3	30	-	-	(20)	(13)	-	-	-
Balance at 30 June 2012	30,205	147,312	(2,330)	3,944	32	12,799	-	(16,463)	128,475	303,974	10,931	314,905

Consolidated statement of cash flows

	6 months to 30 June 2013 A\$'000	6 months to 30 June 2012 A\$'000
Cash Flows from Operating Activities		
Loss before taxation	(29,031)	(34,020)
Adjustments for:		
Amortisation land use rights	303	26
Amortisation of mine development costs	909	819
Depreciation of property, plant and equipment	6,388	6,174
Equity-settled share-based payments	2,440	-
Property, plant and equipment written off	149	354
Write off of exploration and evaluation costs	262	710
Write-down of inventories to net realisable value	1,860	-
Gain on disposal of available-for-sale financial assets	-	(491)
Loss on disposal of property, plant and equipment	-	10
Fair value loss on financial assets through the profit or loss	20	-
Impairment loss of available-for-sale financial assets	23,002	32,148
Interest expense	3,282	3,338
Interest income	(227)	(550)
Share of results of an associate	(424)	2
Operating profit before working capital changes	8,933	8,520
(Increase)/decrease in inventories	(67,909)	14,210
Decrease in trade receivables	58,750	37,712
Increase in prepayments, deposits and other receivables	(1,112)	(1,335)
Increase/(decrease) in trade and bill payables	17,814	(36,175)
Increase/(decrease) in other payables and accruals	27,170	(1,093)
Increase in long term liabilities	344	102
Cash generated from operations	43,990	21,941
Overseas income tax paid	(7,176)	(3,274)
Net cash generated from operating activities	36,814	18,667
Cash Flows from Investing Activities		
Payments for exploration and evaluation costs	(742)	(1,755)
Payments for mine development costs	(326)	(389)
Purchase of property, plant and equipment	(102,146)	(16,137)
Proceeds from disposal of available-for-sale financial assets	-	2,569
Loan to an associate	(4,287)	(3,363)
Proceeds from repayment of convertible note	-	500
Interest received	227	550
Net cash used in investing activities	(107,274)	(18,025)
Cash Flows from Financing Activities		
Repayment of bank and other loans	(8,551)	(22,108)
Draw down from loans	13,003	27
Payment to finance lease creditors	(18)	(10)
Capital contribution by non-controlling interests	9,984	5,874
Increase in cash collateral	(18,479)	(9,977)
Proceeds from convertible notes issue	-	19,946
Proceeds from the issue of shares	24,000	36,018
Payment of transaction costs on share issue	(292)	(1,348)
Interest paid	(3,282)	(3,338)
Net cash generated from financing activities	16,365	25,084
Net (decrease)/increase in cash and cash equivalents	(54,095)	25,726
Cash and cash equivalents at the beginning of period	73,890	17,611
Exchange differences on translation of cash and bank balances at beginning of period	8,640	47
Cash and cash equivalents at the end of period	28,435	43,384

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 2013 was authorised for issue in accordance with a resolution of the Directors on the date of the Statement by Directors.

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

- production of manganese product from the Bootu Creek Manganese Mine
- processing and sales of sinter ore and ferro alloy products
- trading of ore and ferro alloy products
- exploration and development activities aimed at further extending the mine life of the Bootu Creek Manganese Mine
- evaluation and assessment of strategic investment and project opportunities
- investment holdings, including the 13% effective interest in the Tshipi Borwa mine and other investments in ASX listed entities
- development of two 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 2013 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 2012.

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

3 Significant accounting policies

The interim consolidated financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year ended 31 December 2012, except for the adoption of the following accounting standards that became effective from 1 January 2013:

3 Significant accounting policies (cont'd)

Amendments to IAS 1	Financial statement presentation regarding other comprehensive income
Amendments to IAS 19	Employee benefits
Amendments to IFRS 1	First-time adoption on government loans
Amendments to IFRS 10, 11 and 12	Transition Guidance
Amendments to IFRS 7	Financial Instruments: Disclosure (Offsetting of assets and liabilities)
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosures of interests in other entities
IFRS 13	Fair value measurement
IAS 27 (revised 2011)	Separate financial statements
IAS 28 (revised 2011)	Investments in Associates and joint ventures
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine
Annual improvements 2009 -2011	

The adoption of these new or amended IFRSs and IAS, where relevant to the Group, did not result in substantial changes to the Group's accounting policies or any significant impact on the Group's financial statements, except for the amendments to IAS 1.

The nature of the impending changes in accounting policy on adoption of the amendments to IAS 1 is described below.

Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* (OCI) are effective for financial periods beginning on or after 1 July 2012.

The amendments to IAS 1 changes the grouping of items presented in OCI. Items that could be classified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the amendments only affects the presentation of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

4 Estimates

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

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

5 Segment reporting

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

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

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

	Mining	Processing	Marketing and trading	Others*	Total
6 months to June 2013	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Revenue					
From external customers	-	69,042	89,877	29	158,948
From other segments	54,269	-	79,912	15	134,196
Segment revenues	54,269	69,042	169,789	44	293,144
Segment operating (loss)/profit before tax	(13,979)	4,671	6,469	(23,561)	(26,400)
Segment assets	167,144	334,360	135,162	106,424	743,090
	Mining	Processing	Marketing and trading	Others*	Total
6 months to June 2012	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Revenue					
From external customers	-	61,523	144,150	864	206,537
From other segments	41,329	-	30,469	-	71,798
Segment revenues	41,329	61,523	174,619	864	278,335
Segment operating (loss)/profit before tax	(17,556)	3,626	14,174	(31,474)	(31,230)
Segment assets	166,283	161,390	112,642	148,966	589,281

* Others relate to the corporate activities of the Company as well as the engineering, design and technical marketing services of one of its subsidiaries. None of these segments meet any of the quantitative thresholds for determining reportable segments. Included in this segment in 2013 and 2012 was the impairment loss on available-for-sale financial assets.

5 Segment reporting (cont'd)

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

	6 months to 30 June 2013 A\$'000	6 months to 30 June 2012 A\$'000
Group loss before tax		
Segment results	(26,400)	(31,230)
Share of associate's result	424	(2)
Finance costs	(3,282)	(3,338)
Finance income	227	550
Group loss before tax	(29,031)	(34,020)

6 Analysis of selected items of the consolidated interim financial statements

Total sales decreased by A\$47.6 million from A\$206.5 million for H1 2012 to A\$158.9 million for H1 2013. During the same corresponding period in 2012, there were approximately 300,000 tonnes of iron ore shipment amounting to A\$45.2 million. There was also a marginal increase in ore sales, arising from higher manganese ore sales from both the Bootu Creek Manganese Mine and the Tshipi Borwa Mine offsetting the decline in other ore sales, specifically iron ore. The increase in gross profit margin from 12% to 14% was primarily due to the lack of low margin iron ore shipments in H1 2013.

During H1 2013, published benchmark prices for manganese ore ranged from US\$5.20/dmtu CIF China to US\$5.95/dmtu CIF China (averaging US\$5.68/dmtu), compared to a range of US\$4.75/dmtu CIF China to US\$5.15/dmtu CIF China during H1 2012 (averaging US\$4.86/dmtu).

Distribution costs decreased from A\$10.5 million in H1 2012 to A\$8.0 million in H1 2013, largely in line with the downward trend of the freight costs.

Administrative and other operating costs increased by A\$4.1 million from A\$14.2 million in H1 2012 to A\$18.3 million in H1 2013. The H1 2013 costs included an inventory write-down charge of A\$1.9 million and share option expense of A\$2.4 million.

The Group's net finance costs were incurred for (i) working capital borrowings (through pledging of bank drafts for short-term loans), (ii) other short-term stock financing and (iii) other term loans.

For the six-month period ended 30 June 2013, the Group recorded for the first time its share of profits of A\$0.4 million from its investment in the Tshipi Borwa Mine. The mine produced its first ore in October 2012 and shipments commenced in December 2012.

Tax credits increased by A\$2.2 million from A\$4.6 million in H1 2012 to A\$6.8 million in H1 2013. In H1 2013, the Group recognised a net tax credit arising from the assessments issued by the Territory Revenue Office ("TRO") of A\$2.1 million for YA 2010 and YA 2011. These new assessments were based on the revised methodology adopted by the TRO which resulted in the Group having to incur an additional A\$9.3 million in royalty expense and reversed A\$5.9 million of royalty credits previously recognised for YA 2010 and YA 2011 during H2 2012.

The exchange differences on translation of financial statements of foreign operations of A\$19.3 million during H1 2013 resulted from the significant depreciation of the Australian Dollar ("AUD") as at the six-month period ended 30 June 2013. The AUD is the functional and presentation currency of the Group, while the subsidiaries' functional currencies are denominated predominantly in the United States Dollar, Chinese Renminbi and Malaysia Ringgit. Especially against the United States Dollar, the AUD reversed from above to below parity in May and June 2013.

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

The Group's operating result equated to a basic loss per share of A\$0.03 in H1 2013 as compared to a basic loss per share of A\$0.06 in H1 2012 (both periods inclusive of the non-cash impairment charges of A\$23.0 million in H1 2013 and A\$32.1 million in H1 2012, respectively). The net tangible asset backing per share remained the same at A\$0.48 for both periods as at 30 June 2013 and 31 December 2012.

The Group's consolidated cash position was A\$63.9 million (including cash collateral of A\$35.5 million) as at 30 June 2013 as compared to A\$88.9 million (including cash collateral of A\$15.0 million) as at 31 December 2012. During the six-month period ended 30 June 2013, the Company raised approximately A\$23.7 million (net proceeds) from share placements for the purpose of financing the development of the OM Sarawak ferroalloy project in Malaysia. Cash reserves from the capital raising and operations during the period were predominantly applied towards OM Sarawak's project construction activities and mine development funding at Tshipi Borwa.

During the six months ended 30 June 2013, the Group generated operating cash flows before tax of A\$44.0 million (H1 2012: A\$21.9 million).

Inventories increased from A\$119.3 million as at 31 December 2012 to A\$192.9 million as at 30 June 2013, reflecting variable market and challenging liquidity conditions in the China market in recent months, as well as OMS being the principal for a sizeable portion of Tshipi's sales during H1 2013. Tshipi ores were introduced into the China market during H1 2013.

Receivables (including trade and other receivables and prepayments) decreased to A\$59.0 million as at 30 June 2013 from A\$89.0 million as at 31 December 2012. This decline is consistent with ore sales trend where volumes are generally higher in the second half-year (July to December period) as compared to the first half-year. In the current six-month period the Group recorded 600,131 tonnes of ores and alloys sales as opposed to 874,176 tonnes for the six-month period ended 31 December 2012.

Available for sale financial assets as at 30 June 2013 totalled A\$5.9 million (31 Dec 2012: A\$28.9 million) and comprised the following holdings:

- *11% of NFE's ordinary shares, an ASX-listed mining company, which owns and operates the Sydvaranger iron ore mine in northern Norway. This investment holding was valued at A\$5.8 million based upon a market price of A\$0.11 per share as at 30 June 2013.*
- *4% of SRR's shares, an ASX-listed manganese explorer with interests in Western Australia, Namibia and Ghana. This investment holding was valued at A\$0.1 million based upon a market price of A\$0.003 per share as at 30 June 2013.*

The above investments were marked to market based upon the closing share prices on the ASX as at the financial period end date. As a result of the decline in the market value of these investments against the Company's acquisition cost and in accordance with the applicable accounting standards for the Company, a non-cash impairment charge of A\$23.0 million was recognised through the profit and loss account of the Group during the six-month period ended 30 June 2013.

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

The composition of the Company's total borrowings included 'longer term structural components' including (i) A\$52.7 million by way of term loans from Standard Chartered Bank, and (ii) A\$15.4 million of borrowings associated with the purchase of Johor land in Malaysia. The 'short term operational/working capital components' included (i) A\$47.9 million of short-term loans whereby an equivalent amount of Chinese bank drafts were pledged, (ii) A\$33.7 million of stock financing in Southern China and A\$35.0 million of trust receipts used for trade financing. Included within borrowings are convertible notes issued to Hanwa Co., Ltd of A\$18.1 million classified as non-current with maturity due on 6 March 2016, and a loan from JFE Shoji Trade Corporation of A\$9.8 million (US\$9 million).

The balance of trade and other payables increased from approximately A\$90.3 million as at 31 December 2012 to A\$141.0 million as at 30 June 2013, predominantly due to progress claims in relation OM Sarawak's project construction activities.

7 Share issue

During the six months ended 30 June 2013, the Company issued 60,000,000 ordinary shares at an issue price of A\$0.40 per share, raising in total approximately A\$24 million to finance development activities at the OM Materials Sarawak's ferro-alloy smelting project in Malaysia, in which the Company has an 80% interest. The newly issued shares ranked pari passu in all respects with the previously issued shares.

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

Shares issued and authorised are summarised as follows:

	No. of ordinary shares (amounts in thousand shares)		Amount	
	As at 30 June 2013 '000	As at 31 December 2012 '000	As at 30 June 2013 A\$'000	As at 31 December 2012 A\$'000
Authorised:				
Ordinary shares of A\$0.05 (2012 - A\$0.05) each	2,000,000	2,000,000	100,000	100,000
Issued and fully paid:				
Ordinary shares of A\$0.05 (2012 - A\$0.05) each as at beginning of period/year	673,423	504,105	33,671	25,205
Issue of ordinary shares during the period	60,000	169,318	3,000	8,466
Ordinary shares of A\$0.05 (2012 - A\$0.05) each as at end of period/year	733,423	673,423	36,671	33,671

8 Borrowings

	As at 30 June 2013 A\$'000	As at 31 December 2012 A\$'000
Non-Current		
Obligations under finance leases (Note 8.1)	86	24
Bank loans, secured (Note 8.2)	46,611	56,300
Other loans (Note 8.3)	12,890	-
5% convertible notes (Note 8.4)	18,056	17,734
	77,643	74,058
Current		
Obligations under finance leases (Note 8.1)	56	24
Bank loans, secured (Note 8.2)	138,102	105,078
	138,158	105,102
	215,801	179,160

8.1 Obligations under finance leases

	As at 30 June 2013 A\$'000	As at 31 December 2012 A\$'000
The Group		
Minimum lease payments payable:		
Due not later than one year	62	26
Due later than one year and not later than five years	93	26
	155	52
Less: Finance charges allocated to future periods	(13)	(4)
Present value of minimum lease payments	142	48
Present value of minimum lease payments:		
Due not later than one year	56	24
Due later than one year and not later than five years	86	24
	142	48

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

8.2 Bank loans

	As at 30 June 2012 A\$'000	As at 31 December 2012 A\$'000
The Group		
Bank loans, secured [note (a)]	52,683	53,120
Bank loans, secured [note (b)]	47,886	63,789
Bank loan, secured [note (c)]	15,417	14,429
Bank loans, secured [note (d)]	35,032	25,835
Bank loan, secured [note (e)]	33,695	4,205
	184,713	161,378
Amount repayable within one year	138,102	105,078
Amount repayable after one year	46,611	56,300
	184,713	161,378

8 Borrowings (cont'd)

8.2 Bank loans (cont'd)

Note:

- (a) The loans are secured by:
- a charge over certain bank deposits;
 - a security agreement over the Company's holding of 52,482,500 Northern Iron Limited ("NFE") shares listed on the ASX;
 - the Company's holding of 100% shares of OMH (Mauritius) Corp, a company incorporated in Mauritius; and
 - OMH (Mauritius) Corp's holding of 2,592,593 shares (representing 26%) in Main Street 774 (Proprietary) Limited, a company incorporated under the laws of the Republic of South Africa.

The weighted average effective interest rate was 3.91% (2012 - 3.58%) per annum.

- (b) The loans are secured by charges over certain bank deposits and bills receivables, and the weighted average effective interest rate of the bank loans was 3.11% (2012 - 3.15%) per annum.
- (c) The loan is secured by a charge over leasehold land, and an irrevocable and unconditional corporate guarantee provided by the Company. The weighted average effective interest rate of the bank loan was 2.91% (2012 - 2.95%) per annum.
- (d) The loans are secured by charges over certain bank deposits, and the weighted average effective interest rate of the bank loans was 2% (2012 - 1.66%) per annum.
- (e) The loans are secured by charges over certain inventories, and the weighted average effective interest rate of the bank loans was 3.09% (2012 - 3.31%) per annum.

The outstanding bank loans of a subsidiary of the Company - OM Materials (S) Pte Ltd (the "Subsidiary") amounting to A\$52,683,000 as at 30 June 2013 were subject to covenant clauses, whereby the Subsidiary was required to meet certain key financial ratios. During the current financial period, the Subsidiary did not meet the Net debt to EBITDA ratio of not more than 4.5 times.

The financing bank was contractually entitled to request for immediate repayment of the outstanding loan amount in the event that covenants are not met. The financing bank did not formally request an immediate repayment during the period ended 30 June 2013.

8.3 Other loans

	As at 30 June 2012 A\$'000	As at 31 December 2012 A\$'000
The Group		
Loan, secured [note (a)]	9,810	-
Loan, unsecured [note (b)]	3,080	-
	12,890	-

8 Borrowings (cont'd)

8.3 Other loans (cont'd)

Note:

- (a) The loan from JFE Shoji Trade Corporation was made to the Group for its equity contribution into the Sarawak ferro alloy smelting project. The loan is secured by an unconditional corporate guarantee provided by the Company, and the weighted average effective interest rate of the loan was 1.28% (2012 - Nil) per annum. The loan is repayable on 30 December 2015.
- (b) The loan from Cahya Mata Sarawak Berhad was made as part of the Sponsor's equity contribution into the Sarawak ferro alloy smelting project. The loan is unsecured and the weighted average effective interest rate of the loan was 1.82% (2012 - Nil). The loan is subordinated to the senior project finance debt as described in Note 15(b) and is repayable only after the repayment of the senior project finance debt.

8.4 5% convertible notes

On 7 March 2012 the Company issued to Hanwa Co. Ltd 25,000,000 convertible notes at an aggregate principal amount of A\$19,945,953 (US\$21,447,261) with a nominal interest of 5.0%, due on 6 March 2016 and convertible in accordance with the terms and conditions of issue including an initial conversion price of A\$0.80 per share. The convertible notes were recorded as long-term borrowing and derivative financial liabilities, which amounted to A\$18,056,000 (2012 - A\$17,734,000) and A\$2,713,000 (2012 - A\$2,713,000) respectively.

9 Loss per share

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

	6 months to 30 June 2013	6 months to 30 June 2012
Loss		
Net loss attributable to owners of the Company	22,270	29,423
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	667,552	508,973
Effect of dilutive potential ordinary shares in respect of share options	-	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	667,552	508,973

10 Dividend

There were no dividends paid during the six months to 30 June 2013.

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 2013 A\$'000	6 months to 30 June 2012 A\$'000
Company secretarial fees paid to a company of which a Director is a director and beneficial shareholder	-	135
Legal fees paid to a firm of which a Director is a director and beneficial shareholder	22	25

(B) Compensation of directors and key management personnel

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

	6 months to 30 June 2013 A\$'000	6 months to 30 June 2012 A\$'000
Directors		
- Directors of the Company	660	577
- Directors of the subsidiaries	904	1,017
- Defined contribution plans	53	101
Key management personnel (other than directors)		
- Salaries, wages and other related costs	973	835
- Defined contribution plans	76	76

12 Other components of equity

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

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

	Exchange fluctuation reserve A\$'000	Fair value reserve A\$'000	Total A\$'000
Balance at 1 January 2012	(16,984)	(45,407)	(62,391)
Transfer to statutory reserve	(20)	-	(20)
Available-for-sale financial assets			
- current period gains	-	13,626	13,626
- reclassification to profit or loss	-	31,781	31,781
Exchange differences on translating foreign operations	541	-	541
Other comprehensive income for the period (all attributable to the parent)	541	45,407	45,948
Balance at 30 June 2012	(16,463)	-	(16,463)

13 Contingent liabilities

Northern Territory Mineral Royalties

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

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

Royalty Years 2006 to 2009

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

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

Royalty Year 2010

For the year 2010, the subsidiary made payments on account of Northern Territory mineral royalties under the MRA. On 25 July 2013 the Territory Revenue Office issued an assessment which requires the subsidiary to pay a further amount of A\$2,728,095 and to make submission on the applicability of an additional royalty of \$1,774,883.

Pursuant to the MRA and the Taxation Administration Act (NT) the subsidiary intends to formally object to the royalty assessment and the additional royalty. Notwithstanding any formal objection by the subsidiary the assessment of A\$2,728,095 remains payable and the subsidiary has had discussions (yet to be settled) with the Territory Revenue Office about a payment plan in relation to the outstanding amount. Once the subsidiary’s objection is lodged and determined any overpayment by the subsidiary will be refunded (plus any interest) and any shortfall in payment by the subsidiary will be payable (with interest). As at the reporting date it is not possible to advise the date by which the subsidiary’s royalty objections may be determined.

13 Contingent liabilities (cont'd)

The subsidiary has made adjustments to account for the additional assessment of A\$2,728,095. However, no provision has been made for the additional royalty of A\$1,774,883 as it is uncertain whether this additional royalty will be enforced given that additional royalties for the years 2006 - 2009 had in the past been waived by the Treasurer.

Royalty Year 2011

For the year 2011, the subsidiary received an assessment on 25 July 2013 from the Territory Revenue Office confirming that no royalty was payable for the year and providing a carry forward negative net value of A\$24,121,965. The resultant royalty credit of A\$4,824,393 has been accounted for in the books of the subsidiary.

Pursuant to the MRA and the Taxation Administration Act (NT) the subsidiary intends to formally object to the royalty assessment (on the basis that it believes that the negative net value should be greater). As at the reporting date, it is not possible to advise of the date by which the subsidiary's royalty objections may be determined.

Royalty Year 2012

For the year 2012, the subsidiary conducted mining operations which will be assessed under the MRA. As at the reporting date, the subsidiary has not received a royalty assessment under the MRA in respect to these operations. The subsidiary has filed royalty returns under the MRA for 2012 year.

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

The subsidiary estimates that a net negative value for royalty exists which could lead to a deferred tax asset in respect of the net value losses carried forward. Due to the uncertainty of the ultimate final net negative value, the subsidiary has not raised a deferred tax asset in respect to any net value losses carried forward.

The subsidiary will continue its process of engaging with the Territory Revenue Office to seek to resolve the royalty issue.

14 Event after the reporting date

On 2 August 2013, the Darwin Magistrates Court handed down the ruling on OM (Manganese) Limited ("OMM"), a wholly-owned subsidiary of the Company. During the proceedings, OMM pleaded guilty to one charge of damaging the sacred site, and contested the charges of desecration. The Court found OMM guilty of one count of desecration on the basis that the possibility of damage to the sacredness of the site was a foreseeable consequence of its mining activities. The other charge of desecration was dismissed. There was no finding that the company intended to desecrate the site.

OMM was to pay a penalty of A\$150,000.

15 Other matters

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

Pursuant to the execution of the Power Purchase Agreement (“PPA”) between a subsidiary and Syarikat Sesco Berhad (“SSB”) in early February 2012, and as amended in May 2013 by an Amended and Restated Power Purchase Agreement (“A&R PPA”), the Company issued the following guarantees as conditions precedent to the PPA and the A&R PPA:

The Company issued sponsor guarantee to Syarikat Sesco Berhad (“SSB”) for its 80% interest of the subsidiaries’ obligations under the Amended and Restated Power Purchase Agreement (“A&R PPA”) executed on 31 May 2013. The sponsor guarantees include but is not limited to termination payments, late payment interest and guaranteed obligations under the A&R PPA. The sponsor guarantees have been effective since the financial close of the ferro alloy smelting project. Cahya Mata Sarawak Berhad (“CMSB”) has correspondingly provided the sponsor guarantees for its 20% interest held in the subsidiaries.

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

(b) Project Support guarantee issued under the terms of the Facilities Agreement and the Project Support Agreement

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

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

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