

OM HOLDINGS LIMITED

(ARBN 081 028 337)



No. of Pages Lodged: 9 Covering letter
15 ASX Appendix 4E – Preliminary Final Report

28 February 2014

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

Dear Sir/Madam

The Board of OM Holdings Limited (“OMH”, the “Company” or “Group”) advises that the Company’s consolidated attributable net result including impairment charges of A\$27.7 million was an after tax loss of A\$49.1 million for the financial year ended 31 December 2013.

Excluding impairment and other non-cash charges the Group achieved positive operating cash EBITDA¹ of A\$4.5 million.

The Group’s turnover increased by 4% in 2013 reflecting improved manganese ore pricing and the appreciating US dollar. The financial consequences of the previously disclosed production problems experienced at the Bootu Creek mine during Q3 2013 resulted in a significant deterioration of the Group’s full-year results. However, the record 2013 performance of the Qinzhou smelter and the subsequent recovery of Bootu Creek’s production helped the Group to restore a robust operating and financial performance during Q4 2013.

KEY INDICATORS

GROUP

- **2013 revenue of A\$424 million, representing a 4% increase on 2012**
- **Excluding impairment and other non-cash charges the Group achieved a positive operating cash EBITDA of A\$4.5 million**
- **Impairment charge of A\$23 million associated with the re-valuation of the Company’s investments in NFE and SRR**
- **Impairment charge of A\$4.7 million associated with capitalised in-progress construction costs at OM Johor, laying the foundation for the disposal of the Johor land during 2014**
- **Operating cash-flows of A\$28 million generated in 2013, and cash reserves of A\$67 million as at 31 December 2013**
- **Group inventories of A\$119.7 million as at 31 December 2013**
- **Basic loss of A\$0.07 per share (2012: basic loss of A\$0.10 per share). Net asset backing of A\$0.41 per share (2012: A\$0.48 per share)**

¹ Please see note on page 8 for further information.



- Gross profit margin of 8.1% in 2013 versus 12.4% in 2012
- Progress payments associated with the construction activities of OM Sarawak increased property, plant and equipment to A\$235.2 million. OM Sarawak has drawn A\$110.6 million from its Project Finance facility as at 31 December 2013
- Tshipi é Ntle Manganese Mining (Pty) Ltd (OMH share 13%) made an inaugural positive contribution of A\$1.5 million

MINING AND ORE PROCESSING

- Production of Bootu Creek ore was 826,599 wet tonnes in 2013 (2012: 737,766 wet tonnes)
- The mine's production was impacted by poor yielding ores during Q3 2013 while shipments were affected by cyclonic conditions in the Northern Territory during December 2013
- Bootu Creek's 2013 cash operating costs was A\$4.56/dmtu (FOB Darwin). The mine's Q4 2013 cash cost of A\$3.70/dmtu reflects the improved operating performance

FERRO ALLOY MANUFACTURING

- Record annual production of 94,118 tonnes in 2013 (2012: 80,801 tonnes) and record annual sales of 84,339 tonnes in 2013 (2012: 76,427 tonnes) of High Carbon Ferro Manganese by OM Qinzhou, representing a 16% and 10% increase, respectively

MARKETING, LOGISTICS AND TRADING

- The Group continued to benefit from strong demand for its manganese products, underpinned by record Chinese crude steel production of 779 million tonnes in 2013
- 1,704,539 tonnes of ores (2012: 1,592,568 tonnes) and 92,232 tonnes of alloys (2012: 119,584 tonnes) were transacted during 2013



OM HOLDINGS LIMITED – GROUP KEY FINANCIAL RESULTS

KEY DRIVERS (Tonnes)	Year Ended 31 Dec 2013	Year Ended 31 Dec 2012	Variance %
Sales volumes of Ores (Manganese, Chrome and Iron Ore)	1,704,539	1,592,568	7
Sales volumes of Alloys	92,232	119,584	(23)

FINANCIAL RESULTS			
Total sales	423.7	408.2	4
Gross profit	34.4	50.6	(32)
Gross profit margin (%)	8.1	12.4	
Other income	1.2	8.4	(86)
Distribution costs	(17.1)	(24.3)	(30)
Administration & other operating costs	(19.5)	(18.8)	4
Impairment charge	(27.7)	(53.0)	(48)
Depreciation/amortisation	(14.8)	(11.3)	31
Net finance costs	(6.4)	(5.1)	25
Share of results of associates	1.7	-	100
Net loss before tax	(48.2)	(53.5)	(10)
Income tax expenses	(0.9)	(7.4)	(88)
Net loss after tax	(49.1)	(60.9)	(19)
Non-controlling interests	0.1	(0.2)	(150)
Net loss after tax attributable to owners of the Company	(49.0)	(61.1)	(20)

OPERATING RESULTS ADJUSTED FOR NON-CASH ITEMS		
Net loss after tax	(49.1)	(60.9)
Adjust for non-cash items:		
Inventory write-down	0.6	-
Share based option transactions	0.8	3.4
Impairment charge ⁽²⁾	26.9	53.0
Depreciation/amortisation ⁽³⁾	18.0	13.9
Net finance costs	6.4	5.1
Income tax expenses	0.9	7.4
Adjusted EBITDA ⁽¹⁾	4.5	21.9

(1) Adjusted EBITDA is defined as operating profit before depreciation and amortisation, impairment write-back/expense, non-cash inventory write-downs, deferring 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) Non-cash component in impairment in 2013 was A\$26.9 million, while cash component was A\$0.8 million.

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



FINANCIAL ANALYSIS

Total sales for 2013 increased by 4% to A\$423.7 million on higher manganese ore volumes, offset by a decline in iron ore volumes transacted. In 2013, the Group recognised manganese ore sales from its wholly owned Bootu Creek mine as well as from the Tshipi Borwa mine, in which the Group has a 13% effective interest.

Manganese ore prices realised during 2013 were higher than those achieved in 2012 as a result of better domestic prices in the respective markets, and at the same time the effect of the depreciating Australian dollar against the US dollar and the Chinese Renminbi. Both of these factors contributed positively to the increased turnover in 2013. Despite improved manganese pricing and the depreciating Australian dollar, gross operating margin declined from 12.4% in 2012 to 8.1% in 2013, due to higher cash operating costs at the Bootu Creek mine.

Distribution costs decreased from A\$24.3 million in 2012 to A\$17.1 million in 2013, in line with falling freight costs.

Included in administrative and other operating costs in 2013 is a non-cash inventory write-down of A\$0.6 million required as a result of the restatement of inventories at realisable value, which was lower than their carrying costs as at 31 December 2013. The Group also incurred a foreign exchange loss of A\$3.4 million as opposed to a foreign exchange gain of \$0.9 million in 2012. The foreign exchange loss in 2013 comprised a realised gain of A\$3.3 million, and an unrealised loss of A\$6.7 million. Share option expenses declined with the last batch vesting in January 2013.

The Group recorded an increase in net finance costs from A\$5.1 million in 2012 to A\$6.4 million in 2013 due to increases in working capital borrowings.

The Group recorded tax expenses of A\$0.9 million in 2013 against A\$7.4 million in 2012. In 2012, the Group was assessed with an additional A\$9.3 million in Northern Territory royalties as a result of revised assessments for YAs² 2006 to 2009. On grounds of prudence, the Group also reversed A\$5.9 million of royalties credit recognised for YAs 2010 and 2011. As a result, a total of A\$15.2 million was charged into tax expense in 2012.

The Group's operating result equated to a basic loss per share of A\$0.07 in 2013 as compared to A\$0.10 in 2012. The net tangible asset backing per share was A\$0.41 in 2013 compared to A\$0.48 in 2012.

Dividend

No dividend has been declared during the year.

² Years of assessment.



Results Contributions

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

A\$ million	Year ended 31 Dec 2013		Year ended 31 Dec 2012	
	Revenue*	Contribution	Revenue*	Contribution
Mining and ore processing	116.1	(31.8)	109.4	(27.5)
Ferroalloy manufacturing	156.6	(0.5)	127.4	7.5
Marketing, logistics and trading	485.3	12.9	496.0	26.8
Other	2.7	(24.1)	1.1	(55.0)
Net loss before finance costs		(43.5)		(48.2)
Net finance costs		(6.4)		(5.1)
Share of results of associates		1.7		-
Income tax expense		(0.9)		(7.4)
Net loss after tax **		(49.1)		(60.9)
Minority interests		(0.1)		0.2
Net loss attributable to owners of the Company		(49.0)		(61.1)

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

** numbers may not add due to rounding

Mining and ore processing

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

The Bootu Creek Manganese Mine (100% owned and operated by OM (Manganese) Ltd ("OMM")) produced 826,599 tonnes grading 35.02% Mn in 2013 compared to 737,766 tonnes grading 36.55% Mn in 2012. Annual shipments were 758,600 dry tonnes in 2013 compared to 773,888 dry tonnes in 2012.

Revenue for 2013 amounted to A\$116.1 million compared to A\$109.4 million for 2012. The increased revenue resulted from higher realised prices and the appreciating US dollar, offset by lower shipment volumes.

Significant production improvements were realised during H1 2013 as the mine successfully transitioned to an Owner Miner operating model. However, the poor yielding ores from the Zulu deposit in Q3 2013 negatively impacted on the mine's production volumes and cash operating costs.

Following the decision to suspend mining operations at the Zulu deposit and divert resources to develop the Yaka and the staged Shekuma deposits, OMM significantly improved its Q4 2013 operating performance with a record production volume of 271,971 tonnes and unit cash operating costs of A\$3.70/dmtu.

OMM's 2013 unit cash operating cost was A\$4.56/dmtu compared to A\$3.99/dmtu in 2012.



Ferroalloy manufacturing

This business segment includes the operations of the Qinzhou manganese sinter plant and alloy smelter operated by OM Materials (Qinzhou) Co Ltd (“OMQ”) and Guizhou Jiahe Weiye Smelter Co. Ltd, as well as OM Sarawak and OM Johor.

The ferroalloy manufacturing operations achieved record revenue of A\$156.6 million for 2013, representing an increase of 23% from A\$127.4 million in 2012, despite challenging pricing conditions in China. This increase in revenue was attributable to record sales of 84,339 tonnes of manganese ferro alloy in 2013 (2012: 76,427 tonnes) as well as the appreciating Chinese Yen (RMB) against the Australian dollar. All of OMQ’s sales are derived from the domestic market, and its revenues are denominated in RMB.

The 2013 performance of the ferroalloy manufacturing segment was impacted by approximately A\$2.0 million unrealised foreign exchange losses suffered by OM Sarawak and OM Johor.

Marketing, logistics and trading

During 2013, revenue from the Group’s trading operations was A\$485.3 million as compared to A\$496.0 million in 2012. No iron ore transactions took place in 2013, compared to 449,000 tonnes in 2012. The trading operations sold approximately 80% more manganese ores during 2013 as compared to 2012. Overall contribution was impacted by the ramp-up of the sales of Tshipi ores in 2013 as well as the impact from the elevated cash operating costs at the Bootu Creek mine.

Other

This segment includes the corporate activities of OMH as well as the engineering, design and technical marketing services of OMA³.

The revenue recognised in 2013 related to engineering and design fees earned by OMA for the Malaysian smelters.

The loss in this segment was mainly the result of a non-cash impairment charge of A\$23.0 million on the Company’s investments in Northern Iron Limited (ASX: NFE) and Shaw River Resources (ASX: SRR) based upon the share price of each entity at the Company’s balance date.

FINANCIAL POSITION

The Group’s property, plant and equipment increased to A\$324.8 million as at 31 December 2013 from A\$130.0 million as at 31 December 2012 as progress payments associated with the construction and procurement activities at OM Sarawak continued to be made during the year, using funds generated from the Group’s fundraising activities and the A\$110.6 million of funds drawn down on the project finance loans.

The Group’s consolidated cash position was \$67.3 million (including cash collateral of A\$31.3 million) as at 31 December 2013 as compared to A\$88.9 million (including cash collateral of A\$19.7 million) as at 31 December 2012. In 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 year were predominantly applied towards OM Sarawak and Tshipi Borwa.

³ OM Hujin Science and Trade (Shanghai) Co Ltd.



Receivables (including trade and other receivables and prepayments) increased to A\$127.1 million as at 31 December 2013 from A\$89.0 million as at 31 December 2012. Trade receivables increased mainly as a result of the increased trading activities with the Tshipi Borwa Manganese mine ("Tshipi"). Due to the longer voyage from South Africa to China, and because Tshipi is a new mine, the turnaround time for finalisation of the shipments are longer. Advance payment to the EPC contractor for the OM Sarawak ferroalloy smelter accounted for another A\$24.0 million of the increase.

Inventories were maintained at the A\$120.0 million level; a slight increase from A\$119.3 million in 2012 to A\$119.7 million in 2013, due to an increase in raw materials at OMQ to cater to the record production level of alloys achieved during the period.

Available for sale financial assets as at 31 December 2013 totalled A\$11.7 million (31 Dec 2012: A\$28.9 million) and comprised the following holdings:

- 11% of NFE's shares valued at A\$11.5 million based upon a market price of A\$0.22 per share as at 31 December 2013, and
- 4% of SRR's shares valued at A\$0.1 million based upon a market price of A\$0.004 per share as at 31 December 2013.

The above investments were marked to market based upon their closing share prices on the ASX as at the Company's balance date. As a result of the decline in the market value of these investments against the Company's acquisition cost for them and in accordance with the applicable accounting standards, a non-cash impairment charge of A\$23.0 million was recorded through the profit and loss account of the Group in 2013, in addition to the A\$53.0 million in 2012.

The Company's total borrowings increased from A\$179.2 million in 2012 to A\$326.9 million in 2013, attributable mainly to the draw down on the project finance loan since July 2013 to finance the construction of the ferrosilicon smelter owned by OM Sarawak. The amount drawn down as at 31 December 2013 was A\$110.6 million. The composition of the Company's total borrowings included 'longer term structural components' including (i) A\$44.4 million by way of term loans from Standard Chartered Bank and (ii) A\$14.6 million of borrowings associated with the purchase of Johor land in Malaysia. The 'short term operational/working capital components' included (i) A\$73.2 million of short-term loans whereby an equivalent amount of Chinese bank drafts were pledged and (ii) A\$8.3 million of stock financing and A\$43.8 million of trust receipts used for trade financing. Included within borrowings are convertible notes issued to Hanwa Co., Ltd of A\$18.4 million classified as non-current with maturity due on 6 March 2016.

Trade and other payables increased from A\$90.3 million as at 31 December 2012 to A\$135.8 million as at 31 December 2013, mainly due to the longer turnaround time for finalisation of shipments for Tshipi ores, higher cash requirements associated with the development of OM Sarawak and Bootu Creek's production problems in Q3 2013.

Reserves decreased from A\$273.3 million in 2012 to A\$241.5 million in 2013 mainly due to the Group's 80% share of a fair valuation adjustment of A\$25.2 million on cash flow hedges entered into by OM Sarawak, as part of the requirements under the project finance loan.



Corporate

The Company has substantially progressed with the finalization of a loan facility agreement which is expected to comprise of a USD50 million line from Standard Chartered Bank and a USD10 million line from management and investors. The loan facilities will be used for the repayment of bank debts due to mature in 2014 as well as for general working capital purposes. This facility will strengthen the capital structure of the Group and remove any short term refinancing requirements and enable the Group to focus on delivery on its expansion from the Sarawak Project.

Capital Structure

As at 31 December 2013, the Company had 733,423,337 ordinary shares, 25,000,000 convertible notes and 6,000,000 unlisted options on issue.

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 measures provide a better understanding of its financial performance and allows for a more relevant comparison of financial performance between financial periods.

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

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



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 4E

Preliminary Final Report

For the year ended 31 December, 2013

(previous corresponding period being the year ended 31 December, 2012)

OM Holdings Limited and Controlled Entities
Preliminary Final Report
APPENDIX 4E

Results for Announcement to the Market

OM Holdings Limited
For the year ended 31 December 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 31 Dec 2013	
Prior Period:		1 Jan 2012 to 31 Dec 2012	
2. Results for announcement to the market			
			A\$'000
2.1	Revenues from ordinary activities (excludes property revaluations) Total Revenue	Up 4% to	423,662
2.2	Loss for the year	Down 19% to	(49,093)
2.3	Net loss for the period attributable to owners of the Company	Down 20% to	(48,987)
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 Appendix 1	
4. Statements of financial position		Refer Appendix 2	
5. Consolidated statement of cash flows		Refer Appendix 3	
6. Details of dividends or distributions		N/A	
7. Consolidated statement of changes in equity		Refer Appendix 4	
		Current Period A\$	Previous Corresponding Period A\$
8.	Net asset backing per ordinary security	41.32 cents	48.01 cents

OM Holdings Limited and Controlled Entities
Preliminary Final Report

9. Control gained over entities during the period	N/A	
10. Details of associated and joint venture entities	Refer Note 3	
11. Other significant information	Refer Note 5	
12. Accounting Standards used by foreign entities	N/A	
13. Commentary on the result for the period		
	Current Period	Previous Corresponding Period
13.1 Loss per share overall operations (undiluted)	6.96 cents	10.09 cents
13.4 Segment results	Refer Appendix 5	
14. Status of audit or review	This report is based on accounts that are in the process of being audited.	
15. Dispute or qualification - accounts not yet audited	N/A	
16. Qualifications of audit/review	N/A	

Consolidated statement of comprehensive income for the financial year ended 31 December 2013

	Notes	Year ended 31 December 2013 A\$'000	Year ended 31 December 2012 A\$'000
Revenue		423,662	408,229
Cost of sales		(389,264)	(357,659)
Gross profit		34,398	50,570
Other income		1,237	9,470
Distribution costs		(17,080)	(24,299)
Administrative expenses		(10,537)	(9,533)
Other operating expenses		(50,885)	(73,352)
Finance costs		(7,046)	(6,263)
Loss from operations		(49,913)	(53,407)
Share of results of associates		1,710	(48)
Loss before income tax		(48,203)	(53,455)
Income tax		(890)	(7,405)
Loss for the year	1	(49,093)	(60,860)
Other comprehensive income, net of tax:			
Items that may be reclassified subsequently to profit or loss			
Net Fair value gain on available-for-sale financial assets and financial derivative		5,809	45,407
Currency translation differences		10,148	1,605
Cash flow hedges		(25,154)	-
Other comprehensive (expense)/income for the year, net of tax		(9,197)	47,012
Total comprehensive expense for the year		(58,290)	(13,848)
Loss attributable to:			
Owners of the Company		(48,987)	(61,056)
Non-controlling interests		(106)	196
		(49,093)	(60,860)
Total comprehensive (expense)/income attributable to:			
Owners of the Company		(54,887)	(14,044)
Non-controlling interests		(3,403)	196
		(58,290)	(13,848)
Loss per share			
- Basic		(6.96)	(10.09)
- Diluted		(6.96)	(10.09)

OM Holdings Limited and Controlled Entities
Preliminary Final Report

Appendix 2

Statements of financial position as at 31 December 2013

		The Company			The Group	
		31 December 2013	31 December 2012	31 December 2013	(Restated) 31 December 2012	(Restated) 1 January 2012
	Notes	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Assets						
Non-Current						
Property, plant and equipment		-	-	324,784	129,975	103,138
Land use rights		-	-	37,476	35,771	21,695
Exploration and evaluation costs	2	-	-	1,660	819	-
Mine development costs		-	-	16,910	18,829	19,030
Goodwill		-	-	2,065	2,065	2,065
Deferred tax assets		-	-	31,031	21,312	9,714
Interests in subsidiaries		194,575	138,343	-	-	-
Interests in associates	3	-	-	100,336	91,600	79,661
		194,575	138,343	514,262	300,371	235,303
Current						
Inventories		-	-	119,704	119,342	158,106
Derivative financial assets		-	20	-	20	20
Trade and other receivables		125,154	138,691	125,574	87,852	85,217
Prepayments		1	22	1,504	1,136	27
Available-for-sale financial assets	4	11,691	28,884	11,691	28,884	38,571
Income tax recoverable		-	-	-	-	4,503
Cash collateral		-	-	31,274	19,734	19,143
Cash and bank balances		50	3,711	36,052	69,118	12,737
		136,896	171,328	325,799	326,086	318,324
Total assets		331,471	309,671	840,061	626,457	553,627
Equity						
Capital and Reserves						
Share capital		36,671	33,671	36,671	33,671	25,205
Treasury shares		(2,330)	(2,330)	(2,330)	(2,330)	(2,330)
Reserves		235,944	222,244	241,504	273,272	229,904
		270,285	253,585	275,845	304,613	252,779
Non-controlling interests		-	-	26,437	17,757	5,194
Total equity		270,285	253,585	302,282	322,370	257,973
Liabilities						
Non-Current						
Borrowings		18,442	17,734	188,335	74,058	61,318
Lease obligation		-	-	7,612	7,519	-
Derivative financial liabilities		-	-	27,410	-	-
Other payables		-	-	14,247	-	-
Provisions		-	-	5,724	5,358	4,871
Deferred tax liabilities		-	-	6	244	-
		18,442	17,734	243,334	87,179	66,189
Current						
Trade and other payables		34,773	31,217	135,763	90,296	116,706
Derivative financial liabilities		2,713	2,713	2,713	2,713	8
Borrowings		-	-	138,558	105,102	106,189
Lease obligation		-	-	1,017	1,488	-
Income tax payables		5,258	4,422	16,394	17,309	6,562
		42,744	38,352	294,445	216,908	229,465
Total equity and liabilities		331,471	309,671	840,061	626,457	553,627

Consolidated statement of cash flows

for the financial year ended 31 December 2013

	Year ended 31 December 2013 A\$'000	(Restated) Year ended 31 December 2012 A\$'000
Cash Flows from Operating Activities		
Loss before income tax	(48,203)	(53,455)
Adjustments for:		
Amortisation of land use rights	626	29
Amortisation of mine development costs	2,254	1,755
Depreciation of property, plant and equipment	15,158	12,049
Equity-settled share-based payments	813	3,354
Write off of exploration and evaluation costs	566	2,288
Write-down of inventories to net realisable value	607	-
Gain on disposal of available-for-sale financial assets	-	(490)
Loss on disposal of property, plant and equipment	34	73
Impairment loss of available-for-sale financial assets	27,696	53,015
Interest expenses	7,046	6,263
Interest income	(608)	(1,115)
Share of results of associates	(1,710)	48
Operating profit before working capital changes	4,279	23,814
(Increase)/decrease in inventories	(1,003)	37,472
Decrease in trade and bill receivables	12,225	16,736
Increase in prepayments, deposits and other receivables	(18,076)	(3,231)
Increase/(decrease) in trade and bill payables	26,970	(21,869)
Increase in other payables and accruals	4,071	10,880
Increase in long-term liabilities	11,531	486
Cash generated from operations	39,997	64,288
Overseas income tax paid	(11,762)	(3,432)
Net cash generated from operating activities	28,235	60,856
Cash Flows from Investing Activities		
Payments for exploration and evaluation costs	(1,407)	(3,107)
Payments for mine development costs	(334)	(1,554)
Purchase of property, plant and equipment	(194,552)	(36,346)
Proceeds from disposal of property, plant and equipment	219	179
Proceeds from disposal of available-for-sale financial assets	-	2,569
Payment for land use rights	-	(4,422)
Loan to an associate	(7,026)	(11,974)
Acquisition of an associate	-	(12)
Proceeds from repayment of convertible note	-	500
Interest received	608	1,115
Net cash used in investing activities	(202,492)	(53,052)

OM Holdings Limited and Controlled Entities
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Consolidated statement of cash flows (cont'd)
for the financial year ended 31 December 2013

	Year ended 31 December 2013 A\$'000	(Restated) Year ended 31 December 2012 A\$'000
Cash Flows from Financing Activities		
Dividends paid to non-controlling interests	(540)	-
Repayment of bank and other loans	(8,455)	(36,989)
Proceeds from bank loans	124,767	28
Payment to finance lease creditors	(45)	(21)
Capital contribution by non-controlling interests	12,623	12,274
Increase in cash collateral	(11,540)	(942)
Proceeds from issue of convertible notes	-	19,946
Proceeds from issue of shares	23,682	63,745
Payment of transaction costs on share issue	-	(2,934)
Interest paid	(7,046)	(6,263)
Net cash generated from financing activities	133,446	48,844
Net (decrease)/increase in cash and cash equivalents	(40,811)	56,648
Cash and cash equivalents at beginning of year	69,118	12,737
Exchange difference on translation of cash and cash equivalents at beginning of year	7,745	(267)
Cash and cash equivalents at end of year	36,052	69,118

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Appendix 4

Consolidated statement of changes in equity for the financial year ended 31 December 2013

	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
Total comprehensive expense for the year	-	-	-	-	70	-	(14,314)	8,344	(48,987)	(54,887)	(3,403)	(58,290)
Issue of ordinary shares	3,000	20,679	-	-	-	-	-	-	-	23,679	-	23,679
Share option lapsed	-	-	-	-	-	(9,279)	-	-	9,279	-	-	-
Value for employee services received for grant of share options	-	-	-	-	-	2,440	-	-	-	2,440	-	2,440
Capital injection from non-controlling interest	-	-	-	-	-	-	-	-	-	-	12,623	12,623
Dividend paid	-	-	-	-	-	-	-	-	-	-	(540)	(540)
Transfer to statutory reserve	-	-	-	1,479	-	-	-	-	(1,479)	-	-	-
Balance at 31 December 2013	36,671	176,563	(2,330)	5,553	139	5,975	(14,314)	(7,176)	74,764	275,845	26,437	302,282

	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 2012	25,205	117,642	(2,330)	3,941	2	17,577	(45,407)	(16,984)	153,133	252,779	5,194	257,973
Total comprehensive expense for the year	-	-	-	-	-	-	45,407	1,605	(61,056)	(14,044)	196	(13,848)
Issue of ordinary shares	8,466	52,345	-	-	-	-	-	-	-	60,811	-	60,811
Share option lapsed	-	(14,103)	-	-	-	(9,923)	-	-	24,026	-	-	-
Value for employee services received for grant of share options	-	-	-	-	-	5,160	-	-	-	5,160	-	5,160
Capital injection from non-controlling interest	-	-	-	-	-	-	-	(93)	-	(93)	12,367	12,274
Transfer to statutory reserve	-	-	-	133	67	-	-	(48)	(152)	-	-	-
Balance at 31 December 2012	33,671	155,884	(2,330)	4,074	69	12,814	-	(15,520)	115,951	304,613	17,757	322,370

Operating segments

For management purposes, the Group is organised into the following reportable operating segments as follows:-

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

Each of these operating segments is managed separately as they require different resources as well as operating approaches.

The reporting segment results exclude the finance income and costs, share of results of associate, income tax which are not directly attributable to the business activities of any operating segment, and are not included in arriving at the operating results of the operating segment.

Sales between operating segments are carried out at arm's length.

Segment performance is evaluated based on the operating profit or loss which in certain respects, as set out below, is measured differently from the operating profit or loss in the consolidated financial statements.

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Operating segments (cont'd)

	Mining		Processing		Marketing and Trading		Others		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Reportable segment revenue										
Sales to external customers	-	-	156,589	127,416	267,073	280,005	-	808	423,662	408,229
Inter-segment sales	116,078	109,370	-	-	218,258	216,013	2,660	290	336,996	325,673
Elimination									(336,996)	(325,673)
	116,078	109,370	156,589	127,416	485,331	496,018	2,660	1,098	423,662	408,229
Reportable segment profit/(loss)	(31,845)	(27,461)	(475)	7,459	12,924	26,753	(24,079)	(55,010)	(43,475)	(48,259)
Reportable segment assets	145,752	154,297	452,779	201,024	350,628	306,563	329,493	289,359	1,278,652	951,243
Elimination									(614,988)	(483,629)
Interest in associates									100,336	91,600
Deferred tax assets									31,031	21,312
Available-for-sale financial assets									11,691	28,884
Derivative financial assets									-	20
Goodwill									2,065	2,065
Cash collateral									31,274	14,962
Total assets									840,061	626,457
Reportable segment liabilities	253,109	211,791	103,074	31,951	133,317	114,591	143,935	132,097	633,435	490,430
Elimination									(438,949)	(383,056)
Borrowings									326,893	179,160
Deferred tax liabilities									6	244
Income tax payables									16,394	17,309
Total liabilities									537,779	304,087
Other segment information										
Purchase of property, plant and equipment	3,184	12,892	203,766	30,678	65	220	-	-	207,015	43,790
Depreciation of property, plant and equipment	11,924	9,434	2,880	2,277	354	338	-	-	15,158	12,049
Amortisation of land use rights	-	-	626	29	-	-	-	-	626	29
Amortisation of mine development costs	2,254	1,755	-	-	-	-	-	-	2,254	1,755
Write-off of evaluation and exploration costs	566	2,288	-	-	-	-	-	-	566	2,288

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Operating segment (cont'd)

Reconciliation of the Group's reportable segment loss to the loss before income tax is as follows:

	2013	2012
	A\$'000	A\$'000
Reportable segment loss	(43,475)	(48,259)
Finance income	608	1,115
Share of results of associates	1,710	(48)
Finance costs	(7,046)	(6,263)
Loss before income tax	(48,203)	(53,455)

The Group's revenues from external customers and its non-current assets (other than deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers		Non-Current Assets	
	2013	2012	2013	2012
	A\$'000	A\$'000	A\$'000	A\$'000
Principal markets				
PRC	422,264	408,229	25,721	23,379
Australia	-	-	71,215	81,742
Mauritius	-	-	100,103	91,588
Malaysia	-	-	283,116	79,566
Others (including Bermuda and Madagascar)	1,398	-	3,076	2,784
	423,662	408,229	483,231	279,059

The geographical location of customers is based on the locations at which the goods were delivered. The geographical location of non-current assets is based on the physical location of the asset.

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NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Note 1: Loss after taxation

	2013	2012
	A\$'000	A\$'000
The Group		
Loss after tax has been arrived at after charging/(crediting):		
Amortisation of land use rights	626	29
Amortisation of mine development costs	2,254	1,755
Depreciation of property, plant and equipment	15,158	12,049
Equity-settled share-based payments	813	3,354
Impairment loss of available-for-sale financial assets	27,696	53,015
NT Royalty	(5,391)	15,253

Note 2: Exploration and evaluation costs

	2013	2012
	A\$'000	A\$'000
The Group		
At beginning of year	819	-
Costs incurred during the year	1,407	3,107
Written off during the year	(566)	(2,288)
At end of year	1,660	819

Note 3: Interests in associates

	2013	2012
	A\$'000	A\$'000
The Group		
Unquoted equity investment, at cost	98,743	91,717
Share of post-acquisition profits/(losses) and reserves	1,593	(117)
	100,336	91,600

The associates are:

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Percentage of equity held</u>		<u>Principal activities</u>
		2013	2012	
Main Street 774 (Pty) Limited	South Africa	26%	26%	Investment holding
OM Materials Japan Co., Ltd.	Japan	33%	33%	Trading of metals and ferroalloy products
OM Tshipi (S) Pte Ltd	Singapore	33%	-	Trading of metals and ferroalloy products

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Note 4: Available-for-sale financial assets

The Company and The Group	31 December 2013 A\$'000	31 December 2012 A\$'000
Current		
Quoted equity investments, at fair value		
At the beginning of the year	28,884	38,571
Disposals		(2,445)
Impairment loss recognised directly in profit or loss	(23,022)	(7,242)
Reversal of impairment loss recognised directly in equity	5,829	-
At end of year	11,691	28,884

The fair value of quoted equity investments is determined by reference to quoted closing bid prices on the Australian Securities Exchange at the financial reporting dates.

Note 5: Other significant information

Bootu Creek Mine – Promet Litigation

A subsidiary was engaged in a lawsuit in the Supreme Court of Western Australia in respect of a claim by Lonsdale Investments Pty Ltd and Promet Engineers Pty Ltd (together "Promet") against the subsidiary, and a counterclaim by the subsidiary against Promet and one of its directors in connection with design services provided by Promet for a process plant for the subsidiary's mining operation at Bootu Creek.

A trial was held in the period of May to August 2010. On 5 June 2012 the Supreme Court of Western Australia ruled in favour of the subsidiary in its action against the process plant design engineers for the Bootu Creek Manganese Mine ("Promet Parties"). A substantial portion of the total judgement (A\$7,186,317.61) has been paid such that there is now only approximately A\$470,000.00 outstanding (with interest currently accruing) as against one of the Promet Parties, Lonsdale Investments Pty Ltd. The subsidiary issued a statutory demand to Lonsdale Investments Pty Ltd in respect of this unpaid amount.

Orders were made regarding the legal costs of the action and the subsidiary was awarded 75% of its costs subject to certain conditions. Of this 75%, the Promet Parties are jointly and severally liable for 15%, and Lonsdale Investments Pty Ltd is liable for the remaining 60% of the costs awarded to the subsidiary. The estimated value of the costs award is in excess of \$2,000,000.

Following the costs award, both of the Promet Parties are now in liquidation and all parties have now discontinued their respective appeals.

Liquidators are still conducting enquiries into the affairs of each entity; however, it appears unlikely that any substantial dividend will be distributed to creditors including the subsidiary. As at the date of this report, due to the uncertainty of any substantial distribution to creditors, no provision has been made in the financial statements.

GWA (North) Pty Ltd Wagon Derailment

On 7 June 2012 a train derailment event occurred near the Muckaty Rail Siding in the Northern Territory on rail track owned and operated by GWA (North) Pty Ltd ("GWAN"). GWAN has suggested that wagons provided by a subsidiary caused damage to a section of the railway track.

GWAN has issued the subsidiary with a demand for damages totalling \$5,470,352, representing the loss and damage allegedly sustained by GWAN following the train derailment event. The subsidiary has denied liability and requested further information regarding the train derailment event.

The subsidiary has notified the owner of the wagons – CFCL Australia Pty Ltd ("CFCLA") – who has in turn notified the wagon maintenance subcontractor – Downer EDI Rail. Based on the facts known at the time of preparing the financial statements, the subsidiary believes that any monies that may be payable to GWAN (whose claim is disputed by the subsidiary), will be recoverable from contractors and has accordingly reported the claimed amount as a contingent liability.

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Note 5: Other significant information (cont'd)

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 related party within the Company.

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

Royalty Years 2006 to 2009

For the 4 years from 2006 to 2009 (inclusive) the subsidiary paid royalty assessments and made payments on account of Northern Territory mineral royalties under the MRA. On 14 September 2012 the Territory Revenue Office issued amended royalty assessments for the 2006 and 2007 royalty years and royalty assessments for the 2008 and 2009 royalty years which required the subsidiary to pay a further amount of \$9,349,460.68.

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 Years 2010 and 2011

On 25 July 2013 the Territory Revenue office issued royalty assessments for the 2010 and 2011 royalty years. The royalty assessment for 2010 resulted in a further royalty payable of \$2,728,095.10 and a negative net value of \$24,121,965.00 for the 2011 royalty year. On 2 October 2013 the Territory Revenue Office issued the subsidiary with an additional royalty for the 2010 royalty year imposed under Section 40(3) of the MRA which requires a further royalty payable of \$443,720.83.

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

During the financial year ended 31 December 2013, the subsidiary made payments to the TRO in respect of the assessed royalty obligations for a total of \$6,436,656.00.

Royalty Years 2012 and 2013

For the years 2012 and 2013 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 the 2012 and 2013 years.

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

As at 31 December 2013, the subsidiary estimates that a net negative value for royalty exists which has led to a deferred tax asset in respect of the net value losses carried forward. Based on the gross realization methodology adopted by the TRO; the subsidiary has calculated the negative net value for royalty to be \$42,814,700.00 at 31 December 2013 which represents a deferred tax asset of \$8,562,940.00 in the subsidiary's financial accounts.

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Note 5: Other significant information (cont'd)

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.

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.

Note 6: Comparative figures

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

The Group	2012		1.1.2012	
	As restated	As previously reported	As restated	As previously reported
	A\$'000	A\$'000	A\$'000	A\$'000
<u>Statements of financial position</u>				
Lease obligation - Non-current	7,519	9,007	-	-
Lease obligation - Current	1,488	-	-	-
Cash collateral	19,734	14,962	19,143	14,269
Cash and bank balances	69,118	73,890	12,737	17,611

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