

# OM HOLDINGS LIMITED

(ARBN 081 028 337)



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No. of Pages Lodged: 7      Covering letter  
15      ASX Appendix 4E – Preliminary Final Report

29 February 2016

ASX Market Announcements  
ASX Limited  
4<sup>th</sup> 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”) reports a 36% decrease in revenue for the financial year ended 31 December 2015 from A\$532.7 million to A\$338.5 million.

## HIGHLIGHTS

- **2015 revenue of A\$338.5 million, representing a 36% decrease on 2014, underpinned by lower tonnages of ores and alloys traded**
- **Gross profit margin declined from 6.8% in 2014 to 1.8% in 2015 in line with the weaker ore and alloy prices for the year**
- **Progress payments associated with the construction activities of OM Sarawak, which was completed at the end of 2015, was the main contributor to the increase in property, plant and equipment to A\$613.0 million**
- **Production and shipments of Bootu Creek ore in 2015 were 760,870 tonnes (2014: 890,337 tonnes) and 639,051 tonnes (2014: 963,151 tonnes) respectively**
- **Bootu Creek’s 2015 cash operating costs were A\$3.14/dmtu (FOB Darwin) (2014: A\$4.12/dmtu)**
- **Sales of 22,835 tonnes of High Carbon Ferro Manganese in 2015 (2014: 90,994 tonnes) on a production volume of 18,551 tonnes (2014: 85,839 tonnes) with production only from May to September 2015**
- **1,778,589 tonnes of ores (2014: 2,699,502 tonnes) and 69,667 tonnes of alloys (2014: 91,731 tonnes) were transacted during 2015**



## OM HOLDINGS LIMITED – GROUP KEY FINANCIAL RESULTS

KEY DRIVERS (Tonnes)	Year Ended 31 Dec 2015	Year Ended 31 Dec 2014 (Restated)	Variance %
Sales volumes of Ores (Manganese, Semi-coke and Quartz)	1,778,589	2,699,502	(34)
Sales volumes of Alloys	69,667	91,731	(24)

FINANCIAL RESULTS			
Total sales	338.5	532.7	(36)
Gross profit	6.1	36.1	(83)
Gross profit margin (%)	1.8	6.8	
Other income	16.0	3.6	344
Distribution costs	(17.7)	(27.1)	(35)
Administrative & other operating expenses	(86.1)	(38.0)	127
Impairment charge	(24.8)	(4.5)	451
Finance costs	(23.6)	(17.3)	36
Share of results of associates	(1.5)	6.2	NM
<b>Loss before income tax</b>	<b>(131.6)</b>	<b>(41.0)</b>	<b>221</b>
Income tax	6.6	(25.4)	NM
<b>Loss for the year</b>	<b>(125.0)</b>	<b>(66.4)</b>	<b>88</b>
Non-controlling interests	2.9	(1.0)	NM
<b>Loss after tax attributable to owners of the Company</b>	<b>(122.1)</b>	<b>(67.4)</b>	<b>81</b>

OPERATING RESULTS ADJUSTED FOR NON-CASH ITEMS		
Net loss after tax	(125.0)	(66.4)
<b>Adjust for non-cash items:</b>		
Inventory write-down (reversal)/write-down, net	36.5	(0.5)
Write back of third party payables	(12.4)	-
Gain on deconsolidation of subsidiary	(0.7)	-
Impairment charge	24.8	4.5
Fair value gain	(0.5)	(2.2)
Depreciation/amortisation <sup>(2)</sup>	31.5	20.6
Finance costs (net of income)	23.4	17.0
Income tax expenses	(6.6)	25.4
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>(29.0)</b>	<b>(1.4)</b>
Less Depreciation/amortisation	(31.5)	(20.6)
<b>Adjusted EBIT</b>	<b>(60.5)</b>	<b>(22.2)</b>

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



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## FINANCIAL ANALYSIS

The Group achieved revenue of A\$338.5 million in 2015, representing a 36% decrease from the A\$532.7 million in 2014, predominantly on lower manganese ore volumes from the Group's wholly-owned Bootu Creek Manganese Mine and other third party ores (including ores from the Tshipi Borwa Mine). Ferrosilicon alloy produced by the Group's 75% owned smelter in Sarawak contributed 46,832 tonnes of sales made with revenue of A\$64.3 million for 2015. Sales tonnage and revenue for manganese alloy for 2015 also decreased by 75% against 2014 mainly due to the temporary shut-down of the China plant from end November 2014 to end April 2015 for furnace relining and maintenance. From May to end 2015, the China plant resumed production with only 1 furnace, and production was subsequently halted at the beginning of October 2015.

The continued challenging market environment in manganese ores and ferro-manganese alloys continued to soften prices further in 2015 and impacted sales and gross profit margins. As an indication, the index ore prices (44% Mn published by Metal Bulletin) was on a declining trend from US\$4.30/dmtu CIF China at the beginning of the year to a low of US\$1.86/dmtu CIF China at the end of 2015; a decline of approximately 57%.

Other income of A\$16.0 million comprise mainly of the gain from deconsolidation and write-back of third party payables of OMM.

Distribution costs decreased by 35% to A\$17.7 million in FY 2015, in line with lower sales volume and revenue. Finance costs increased by 36% to A\$23.6 million mainly arising from the OM Sarawak project financing loan.

Administration & other operating costs, including impairment expenses, increased to A\$110.9 million in FY 2015 from A\$42.5 million (FY 2014) mainly due to the following:

- write-down of inventories in OMQ and OMQT of A\$9.3 million to net realizable value, and write-off of reject stocks in OMM of A\$27.2 million;
- impairment of mine development cost in OMM of A\$10.5 million;
- impairment of fixed assets in OMM of A\$10.6 million; and
- higher depreciation and amortization expenses mainly from OMM as it made its move to a fully integrated owner-miner model, and accelerated depreciation/amortization from the reduced mine life.

The impairment of fixed assets and mine development costs, and write-off of inventories amounting to A\$48.3 million in total, and the gain from deconsolidation and write-back of third party payables is a result of OMM going into voluntary administration, which was announced on 4 January 2016, and is non-recurring.

The Group recorded tax credit of A\$6.6 million in 2015. This tax credit was from operating losses recorded in some subsidiaries and from the out-of-court settlement with the Territory Revenue Office during the year over the dispute of mineral royalties paid under the Northern Territory *Mineral Royalty Act* ("MRA").



## Results Contributions

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

A\$ million	Year ended 31 Dec 2015		Year ended 31 Dec 2014	
	Revenue*	Contribution	Revenue*	Contribution (Restated)
Mining	82.4	(76.3)	145.8	(24.5)
Smelting	85.7	(21.6)	104.8	(2.3)
Marketing, logistics and trading	349.7	(5.7)	472.1	0.2
Other	0.2	(3.1)	5.5	(3.5)
<b>Net loss before finance costs</b>		<b>(106.7)</b>		<b>(30.1)</b>
Finance costs (net of income)		<b>(23.4)</b>		<b>(17.0)</b>
Share of results of associates		<b>(1.5)</b>		<b>6.2</b>
Income tax		<b>6.6</b>		<b>(25.4)</b>
<b>Loss after tax **</b>		<b>(125.0)</b>		<b>(66.4)</b>
Non-controlling interests		<b>2.9</b>		<b>(1.0)</b>
<b>Loss attributable to owners of the Company</b>		<b>(122.1)</b>		<b>(67.4)</b>

\* 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 OM (Manganese) Ltd (“OMM”)) produced 760,870 tonnes grading 35.71% Mn in 2015 compared to 890,337 tonnes grading 35.84% Mn in 2014. Annual shipments were 639,051 dry tonnes in 2015 compared to 963,151 dry tonnes in 2014.

Revenue for 2015 amounted to A\$82.4 million compared to A\$145.8 million for 2014, a direct result of reduced tonnages shipped and lower realised prices. This downward price trend is also reflected in the Metal Bulletin manganese index ore price (44% Mn grade), which declined from US\$4.30/dmtu in January 2015 to US\$1.86/dmtu CIF China in December 2015, a decline of approximately 57%.

As part of the mine’s operating strategy to cope with the current low price environment and improve efficiency, various cost saving measures were implemented, and consequently, the cash operating cost improved further to A\$3.14/dmtu in 2015 as compared to A\$4.12/dmtu in 2014, a reduction of 24%.

In addition, as mentioned above, OMM recognised impairment of fixed assets, mine development cost and inventories of A\$10.6 million, A\$10.5 million and A\$27.2 million respectively as a result of the voluntary administration of the company.

## Smelting

This business segment currently covers the operations of the Qinzhou manganese alloy smelter operated by OM Materials (Qinzhou) Co Ltd (“OMQ”), as well as OM Materials (Sarawak) Sdn Bhd (“OM Sarawak”), where construction was completed at the end of 2015.

The smelting operations in OMQ and OM Sarawak recorded revenue of A\$85.7 million for 2015 against A\$104.8 million for 2014. The decline in revenue was mainly due to the cessation of manganese sinter ore sales to third parties, as well as the temporary cessation of manganese alloy production for furnace relining and maintenance from November 2014 to end April 2015, and from October 2015 onwards in OMQ. With the progress of construction and completion of the OM Sarawak plant in 2015, OM Sarawak produced a total of 46,832 tonnes of ferrosilicon in 2015 with a revenue contribution of A\$64.3 million for the year.



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The challenging market environment during the year continued to soften ferro-manganese alloy prices impacting revenue and gross profit margins. In addition, inventories in OMQ were written down by A\$6.9 million during the year to reflect the fall in net realisable value.

### **Marketing, logistics and trading**

Revenue from the Group's trading operations decreased by 26% from A\$472.1 million in 2014 to A\$349.7 million in 2015, primarily due to lower volume of manganese ores traded in 2015. Overall trading margin was also impacted by the weaker realised prices.

### **Other**

The revenue recognised in this segment relates to marketing fees received for marketing services. The loss in this segment was mainly the result of the write-off of goodwill of A\$2.1 million, and a non-cash impairment charge amounting to A\$1.3 million on the Company's investments in NFE.

### **FINANCIAL POSITION**

The Group's property, plant and equipment increased from A\$532.1 million as at 31 December 2014 to A\$613.0 million as at 31 December 2015 as progress payments associated with the construction activities at OM Sarawak, which was completed at the end of 2015, continued to be made during the year. Funds were drawn from the project finance loan facility for these payments.

The Group's consolidated cash position was \$23.9 million (including cash collateral of A\$11.2 million) as at 31 December 2015 as compared to A\$64.9 million (including cash collateral of A\$26.1 million) as at 31 December 2014. For the year ended 31 December 2015, net cash used in operating activities was A\$34.9 million (31 December 2014: net cash used of A\$9.5 million).

Receivables (including trade and other receivables and prepayments) increased to A\$49.5 million as at 31 December 2015 from A\$41.0 million as at 31 December 2014, mainly from GST receivables in OM Sarawak.

Inventories increased to A\$259.8 million as at 31 December 2015 from A\$166.5 million as at 31 December 2014. A portion of the power costs under a deferred payment scheme with SESCO has been capitalised as inventories in 2015.

Available for sale financial assets as at 31 December 2015 totalled A\$0.8 million (31 December 2014: A\$2.7 million) and comprised the following holdings:

- 11% of NFE's ordinary shares valued at A\$0.5 million based upon a market price of A\$0.009 per share as at 31 December 2015.
- 4% of SRR's shares valued at A\$0.3 million based upon a market price of A\$0.009 per share as at 31 December 2015.

The above investments were marked to market based upon the closing share prices on the ASX as at the financial period end date. An additional impairment charge of A\$1.3 million was recognized through the profit and loss account of the Group for the year ended 31 December 2015.

Tax assets arising mainly from deferred royalty benefits in OMM in prior years have been de-recognised and have been charged into tax expense in 2015. This was offset by the out-of-court settlement with the Territory Revenue Office during the year over the dispute of mineral royalties paid under the Northern Territory *Mineral Royalty Act* ("MRA").



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The Company's total borrowings increased to A\$570.1 million in 2015 from A\$482.0 million in 2014, mainly from further draw down on the project finance loan facility. These funds were used to finance the construction of the ferrosilicon smelters owned by OM Sarawak. The amount drawn down as at 31 December 2015 was A\$359.2 million (as at December 2014 was A\$283.6 million).

Trade and other payables increased to A\$297.1 million as at 31 December 2015 from A\$187.4 million as at 31 December 2014 mainly from OM Sarawak with maximum of 10 furnaces in production in 2015 as compared to 2 furnaces in production as at end December 2014.

### **Capital Structure**

As at 31 December 2015, the Company had 733,423,337 ordinary shares, 25,000,000 convertible notes and 31,200,000 unlisted warrants on issue.

No dividend has been declared during the year.

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.



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## **BACKGROUND PROFILE OF OM HOLDINGS LIMITED**

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

*OMH is involved in mining manganese product in Australia and South Africa and smelting in Sarawak, East Malaysia.*

*The smelter in Sarawak is 75% owned by OMH and physical construction of Phase 1 of the ferrosilicon production facility has been completed.*

*Having commenced construction in Q3 2012, first tapping was achieved on 22 September 2014. The facilities' capacity of 308,000 tonnes per annum will make it one of the largest ferrosilicon smelters in the world. Manganese Alloy production is under review and is expected to commence in 2016.*

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

*OMH also owns a 26% investment in Main Street 774 (Pty) Limited, which, in turn owns 50.1% interest in the world class Tshipi Borwa ("Tshipi") manganese mine in South Africa. This mine has the capacity to produce up to 2,400,000 tonnes of manganese product per annum when the permanent processing plant is completed.*

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

# **OM HOLDINGS LIMITED**

**A.R.B.N 081 028 337**

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## **Appendix 4E**

### **Preliminary Final Report**

**For the year ended 31 December, 2015**

**(previous corresponding period being the year ended 31 December, 2014)**

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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 2015

Name of Entity:	OM Holdings Limited	
ARBN:	081 028 337	
<b>1. Details of the current and prior reporting period</b>		
Current Period:	1 Jan 2015 to 31 Dec 2015	
Prior Period:	1 Jan 2014 to 31 Dec 2014	
<b>2. Results for announcement to the market</b>		
		A\$'000
2.1 Revenues from ordinary activities (excludes property revaluations) Total Revenue	Down 36% to	338,463
2.2 Loss for the year	Up 88% to	(125,041)
2.3 Net loss for the period attributable to owners of the Company	Up 81% to	(122,101)
2.4 Dividend distributions	Amount per security	Franked amount per security
	Nil	Nil
2.5 Record date for determining entitlements to the dividend	Nil	
<b>3. Consolidated statement of comprehensive income</b>	Refer Appendix 1	
<b>4. Statements of financial position</b>	Refer Appendix 2	
<b>5. Consolidated statement of cash flows</b>	Refer Appendix 3	
<b>6. Details of dividends or distributions</b>	N/A	
<b>7. Consolidated statement of changes in equity</b>	Refer Appendix 4	
	<b>Current Period A\$</b>	Previous Corresponding Period A\$
<b>8. Net asset backing per ordinary security</b>	<b>16.36 cents</b>	32.76 cents

OM Holdings Limited and Controlled Entities  
Preliminary Final Report

<b>9. Control gained over entities during the period</b>	N/A	
<b>10. Details of associated and joint venture entities</b>	Refer Note 3	
<b>11. Other significant information</b>	Refer Note 5	
<b>12. Accounting Standards used by foreign entities</b>	N/A	
<b>13. Commentary on the result for the period</b>		
	<b>Current Period</b>	Previous Corresponding Period
13.1 Loss per share overall operations (undiluted)	<b>17.34 cents</b>	9.57 cents
13.4 Segment results	Refer Appendix 5	
<b>14. Status of audit or review</b>	This report is based on accounts that are in the process of being audited.	
<b>15. Dispute or qualification - accounts not yet audited</b>	N/A	
<b>16. Qualifications of audit/review</b>	N/A	

## Consolidated statement of comprehensive income for the financial year ended 31 December 2015

	Notes	Year ended 31 December 2015 A\$'000	Year ended 31 December 2014 A\$'000 (Restated)
Revenue		338,463	532,740
Cost of sales		(332,348)	(496,602)
Gross profit		6,115	36,138
Other income		16,016	3,585
Distribution costs		(17,695)	(27,129)
Administrative expenses		(18,474)	(11,441)
Other operating expenses		(92,435)	(31,039)
Finance costs		(23,637)	(17,291)
Loss from operations		(130,110)	(47,177)
Share of results of associates		(1,522)	6,161
Loss before income tax		(131,632)	(41,016)
Income tax		6,591	(25,412)
<b>Loss for the year</b>	1	<b>(125,041)</b>	<b>(66,428)</b>
<b>Other comprehensive income, net of tax:</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Net fair value gain on available-for-sale financial assets and financial derivative		(616)	(4,976)
Currency translation differences		14,747	18,628
Cash flow hedges		(32,050)	(15,209)
<b>Other comprehensive expense for the year, net of tax</b>		<b>(17,919)</b>	<b>(1,557)</b>
<b>Total comprehensive expense for the year</b>		<b>(142,960)</b>	<b>(67,985)</b>
<b>Loss attributable to:</b>			
Owners of the Company		(122,101)	(67,414)
Non-controlling interests		(2,940)	986
		<b>(125,041)</b>	<b>(66,428)</b>
<b>Total comprehensive (expense)/income attributable to:</b>			
Owners of the Company		(135,911)	(69,157)
Non-controlling interests		(7,049)	1,172
		<b>(142,960)</b>	<b>(67,985)</b>
<b>Loss per share</b>			
		<b>Cents</b>	<b>Cents</b>
- Basic		(17.34)	(9.57)
- Diluted		(17.34)	(9.57)

**Statements of financial position**  
as at 31 December 2015

	Notes	The Company		The Group		
		31 December 2015 A\$'000	31 December 2014 A\$'000	31 December 2015 A\$'000	31 December 2014 A\$'000	1 January 2014 A\$'000
<b>Assets</b>						
<b>Non-Current</b>						
Property, plant and equipment		-	-	613,023	532,052	324,784
Land use rights		-	-	18,112	32,164	37,476
Exploration and evaluation costs	2	-	-	1,676	1,479	1,660
Mine development costs		-	-	-	14,076	16,910
Goodwill		-	-	-	2,205	2,065
Deferred tax assets		-	-	4,608	8,856	31,031
Interests in subsidiaries		107,303	258,397	-	-	-
Interests in associates	3	-	-	106,662	107,881	100,336
		<b>107,303</b>	<b>258,397</b>	<b>744,081</b>	<b>698,713</b>	<b>514,262</b>
<b>Current</b>						
Inventories		-	-	259,848	166,512	119,704
Trade and other receivables		125,955	126,417	48,657	39,905	125,574
Prepayments		1	1	861	1,113	1,504
Available-for-sale financial assets	4	798	2,727	798	2,727	11,691
Land use rights		-	-	20,311	6,698	-
Cash collateral		-	-	11,202	26,122	31,274
Cash and bank balances		55	227	12,711	38,751	36,052
		<b>126,809</b>	<b>129,372</b>	<b>354,388</b>	<b>281,828</b>	<b>325,799</b>
<b>Total assets</b>		<b>234,112</b>	<b>387,769</b>	<b>1,098,469</b>	<b>980,541</b>	<b>840,061</b>
<b>Equity</b>						
<b>Capital and Reserves</b>						
Share capital		36,671	36,671	36,671	36,671	36,671
Treasury shares		(2,330)	(2,330)	(2,330)	(2,330)	(2,330)
Reserves		7,277	232,913	52,826	172,796	241,504
		<b>41,618</b>	<b>267,254</b>	<b>87,167</b>	<b>207,137</b>	<b>275,845</b>
<b>Non-controlling interests</b>		-	-	32,496	32,522	26,437
<b>Total equity</b>		<b>41,618</b>	<b>267,254</b>	<b>119,663</b>	<b>239,659</b>	<b>302,282</b>
<b>Liabilities</b>						
<b>Non-Current</b>						
Borrowings		54,391	64,243	454,839	402,602	188,335
Lease obligation		-	-	2,937	3,229	7,612
Derivative financial liabilities		-	-	73,464	48,859	27,410
Other payables		12,291	-	131,563	36,621	14,247
Provisions		-	-	-	6,560	5,724
Deferred tax liabilities		-	-	-	-	6
		<b>66,682</b>	<b>64,243</b>	<b>662,803</b>	<b>497,871</b>	<b>243,334</b>
<b>Current</b>						
Trade and other payables		105,450	49,912	165,508	150,822	135,763
Derivative financial liabilities		-	483	30,461	483	2,713
Borrowings		20,362	-	115,296	79,410	138,558
Lease obligation		-	-	3,173	3,488	1,017
Income tax payables		-	5,877	1,565	8,808	16,394
		<b>125,812</b>	<b>56,272</b>	<b>316,003</b>	<b>243,011</b>	<b>294,445</b>
<b>Total equity and liabilities</b>		<b>234,112</b>	<b>387,769</b>	<b>1,098,469</b>	<b>980,541</b>	<b>840,061</b>

OM Holdings Limited and Controlled Entities  
Preliminary Final Report

Appendix 3

## Consolidated statement of cash flows

for the financial year ended 31 December 2015

	Year ended 31 December 2015 A\$'000	Year ended 31 December 2014 A\$'000 (Restated)
<b>Cash Flows from Operating Activities</b>		
Loss before income tax	(131,632)	(41,016)
Adjustments for:		
Amortisation of land use rights	327	651
Amortisation of mine development costs	4,023	4,296
Depreciation of property, plant and equipment	27,116	15,687
Reversal of provision for rehabilitation	-	(709)
Write off of exploration and evaluation costs	605	1,708
Write-down of inventories to net realisable value	36,521	89
Loss on disposal of property, plant and equipment	-	93
Gain on deconsolidation/disposal of a subsidiary	(2,474)	(523)
Impairment loss of:		
- Available-for-sale financial assets	1,313	3,988
- Property, plant and equipment	10,638	-
- Mine development costs	10,510	-
- Other assets	2,065	507
Bad debt expenses	283	
Write back of trade and other payables	(12,411)	-
Fair value gain on financial liabilities through profit or loss	(483)	(2,230)
Interest expenses	23,638	17,291
Interest income	(241)	(300)
Share of results of associates	1,522	(6,161)
Operating loss before working capital changes	(28,680)	(6,629)
Increase in inventories	(150,709)	(48,953)
Decrease in trade and bill receivables	3,970	9,841
(Increase)/decrease in prepayments, deposits and other receivables	(11,166)	12,963
Increase/(decrease) in trade and bill payables	21,291	(17,309)
Increase in other payables and accruals	38,104	31,805
Changes in long-term liabilities:		
- Decrease in long-term lease obligation	(636)	(1,973)
- Decrease in long-term provision (for restoration)	(139)	(123)
- (Decrease)/increase in retirement benefit obligation	(858)	96
- Increase in other long term payable	90,164	21,643
Cash (used in)/generated from operations	(38,659)	1,361
Overseas income tax refund/(paid)	3,736	(10,829)
Net cash used in operating activities	(34,923)	(9,468)
<b>Cash Flows from Investing Activities</b>		
Payments for exploration and evaluation costs	(802)	(1,527)
Purchase of property, plant and equipment	(91,948)	(199,240)
Proceeds from disposal of property, plant and equipment	-	207
Net proceeds from disposal of a subsidiary	22,787	146
Loan to an associate	(303)	(1,197)
Interest received	241	300
Net cash used in investing activities	(70,025)	(201,311)

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**Consolidated statement of cash flows (cont'd)**  
for the financial year ended 31 December 2015

	<b>Year ended 31 December 2015 A\$'000</b>	Year ended 31 December 2014 A\$'000 (Restated)
<b>Cash Flows from Financing Activities</b>		
Repayment of bank and other loans	(14,131)	(10,400)
Proceeds from bank loans	121,166	229,121
Payment to finance lease creditors	(2,934)	(2,642)
Capital contribution by non-controlling interests	177	4,773
Decrease in cash collateral	12,088	5,152
Interest paid	(23,638)	(17,189)
Net cash generated from financing activities	92,728	208,815
Net decrease in cash and cash equivalents	(12,220)	(1,964)
Cash and cash equivalents at beginning of year	38,751	36,052
Exchange difference on translation of cash and cash equivalents at beginning of year	(13,820)	4,663
Cash and cash equivalents at end of year	12,711	38,751

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Appendix 4

## Consolidated statement of changes in equity

### for the financial year ended 31 December 2015

	Share capital A\$'000	Share premium A\$'000	Treasury shares A\$'000	Non-distributable reserve A\$'000	Capital reserve A\$'000	Share option reserve A\$'000	Fair value reserve A\$'000	Hedging reserve A\$'000	Exchange fluctuation reserve A\$'000	Retained profits A\$'000	Total attributable to equity holders of the parent A\$'000	Non-controlling interests A\$'000	Total equity A\$'000
Balance at 1 January 2015	36,671	176,563	(2,330)	5,553	572	-	833	(31,812)	7,762	13,325	207,137	32,522	239,659
Loss for the year	-	-	-	-	-	-	-	-	-	(122,101)	(122,101)	(2,940)	(125,041)
Total comprehensive expense for the year	-	-	-	-	-	-	(616)	(25,150)	11,956	-	(13,810)	(4,109)	(17,919)
Capital injection from non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	177	177
Disposal of non-controlling interests without a change in control	-	-	-	-	15,941	-	-	-	-	-	15,941	6,846	22,787
<b>Balance at 31 December 2015</b>	<b>36,671</b>	<b>176,563</b>	<b>(2,330)</b>	<b>5,553</b>	<b>16,513</b>	<b>-</b>	<b>217</b>	<b>(56,962)</b>	<b>19,718</b>	<b>(108,776)</b>	<b>87,167</b>	<b>32,496</b>	<b>119,663</b>

  

	Share capital A\$'000	Share premium A\$'000	Treasury shares A\$'000	Non-distributable reserve A\$'000	Capital reserve A\$'000	Share option reserve A\$'000	Fair value reserve A\$'000	Hedging reserve A\$'000 (Restated)	Exchange fluctuation reserve A\$'000 (Restated)	Retained profits A\$'000 (Restated)	Total attributable to equity holders of the parent A\$'000	Non-controlling interests A\$'000 (Restated)	Total equity A\$'000
Balance at 1 January 2014	36,671	176,563	(2,330)	5,553	139	5,975	5,809	(20,123)	(7,176)	74,764	275,845	26,437	302,282
Loss for the year	-	-	-	-	-	-	-	-	-	(67,414)	(67,414)	986	(66,428)
Total comprehensive expense for the year	-	-	-	-	(16)	-	(4,976)	(11,689)	14,938	-	(1,743)	186	(1,557)
Issue of warrants	-	-	-	-	449	-	-	-	-	-	449	-	449
Share option lapsed	-	-	-	-	-	(5,975)	-	-	-	5,975	-	-	-
Capital injection from non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	4,913	4,913
<b>Balance at 31 December 2014</b>	<b>36,671</b>	<b>176,563</b>	<b>(2,330)</b>	<b>5,553</b>	<b>572</b>	<b>-</b>	<b>833</b>	<b>(31,812)</b>	<b>7,762</b>	<b>13,325</b>	<b>207,137</b>	<b>32,522</b>	<b>239,659</b>

### **Operating segments**

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

Mining	Exploration and mining of manganese ore
Smelting	Production of manganese ferroalloys and manganese sinter ore
Marketing and Trading	Trading of manganese ore, manganese ferroalloys and sinter ore

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		Smelting		Marketing and Trading		Others		Total	
	2015 A\$'000	2014 A\$'000	2015 A\$'000	2014 A\$'000	2015 A\$'000	2014 A\$'000	2015 A\$'000	2014 A\$'000	2015 A\$'000	2014 A\$'000
<b>Reportable segment revenue</b>										
Sales to external customers	1,685	-	43,533	104,816	293,010	427,924	236	-	338,463	532,740
Inter-segment sales	80,698	145,755	42,141	-	56,723	44,212	-	5,538	179,562	195,505
Elimination									(179,562)	(195,505)
	<b>82,383</b>	145,755	<b>85,674</b>	104,816	<b>349,733</b>	472,136	<b>236</b>	5,538	<b>338,463</b>	532,740
<b>Reportable segment profit/(loss)</b>	<b>(76,311)</b>	(24,539)	<b>(21,599)</b>	(2,298)	<b>(5,672)</b>	182	<b>(3,131)</b>	(3,531)	<b>(106,713)</b>	(30,186)
<b>Reportable segment assets</b>	<b>1,699</b>	119,998	<b>981,639</b>	699,577	<b>416,358</b>	385,519	<b>264,248</b>	397,679	<b>1,663,944</b>	1,602,773
Elimination									(688,745)	(770,023)
Interest in associates									106,662	107,881
Deferred tax assets									4,608	8,856
Available-for-sale financial assets									798	2,727
Goodwill									-	2,205
Cash collateral									11,202	26,122
Total assets									<b>1,098,469</b>	980,541
<b>Reportable segment liabilities</b>	<b>1,401</b>	258,239	<b>423,521</b>	194,713	<b>197,848</b>	194,379	<b>232,908</b>	161,495	<b>855,678</b>	808,826
Elimination									(448,572)	(558,764)
Borrowings									570,135	482,012
Income tax payables									1,565	8,808
Total liabilities									<b>978,806</b>	740,882
<b>Other segment information</b>										
Purchase of property, plant and equipment	4	9,520	91,701	189,688	178	32	65	-	91,948	199,240
Depreciation of property, plant and equipment	14,703	12,068	11,955	3,234	448	379	10	6	27,116	15,687
Amortisation of land use rights	-	-	327	651	-	-	-	-	327	651
Amortisation of mine development costs	4,023	4,296	-	-	-	-	-	-	4,023	4,296
Write-off of evaluation and exploration costs	605	1,708	-	-	-	-	-	-	605	1,708

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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:

	<b>2015</b>	2014
	<b>A\$'000</b>	A\$'000
Reportable segment loss	<b>(106,713)</b>	(30,186)
Finance income	<b>241</b>	300
Share of results of associates	<b>(1,522)</b>	6,161
Finance costs	<b>(23,638)</b>	(17,291)
<b>Loss before income tax</b>	<b>(131,632)</b>	<b>(41,016)</b>

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

	<b>Revenue from external customers</b>		<b>Non-Current Assets</b>	
	<b>2015</b>	2014	<b>2015</b>	2014
Principal markets	<b>A\$'000</b>	A\$'000	<b>A\$'000</b>	A\$'000
Australia	<b>2,577</b>	-	-	64,648
Europe	<b>36,250</b>	-	-	-
Mauritius	-	-	<b>103,411</b>	105,753
North Asia	<b>272,117</b>	529,637	<b>24,181</b>	25,886
Southeast Asia	<b>18,856</b>	-	<b>611,881</b>	488,599
Others	<b>8,663</b>	3,103	-	4,971
	<b>338,463</b>	532,740	<b>739,473</b>	689,857

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 assets.

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**NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

**Note 1: Loss after taxation**

	2015	2014
	A\$'000	A\$'000
The Group		
Loss after tax has been arrived at after charging/(crediting):		
Amortisation of land use rights	327	651
Amortisation of mine development costs	4,023	4,296
Depreciation of property, plant and equipment #	27,116	15,687
Impairment loss/(gain) of:		
- Available-for-sale financial assets	1,313	3,988
- Property, plant and equipment	10,638	-
- Mine development costs	10,510	-
- Other assets	2,065	507
Fair value gain on financial liabilities through profit or loss	(483)	(2,230)
Write-down of inventories to net realisable value	36,521	89

# Cost of sales included depreciation of A\$8,367,000 (2014 – A\$2,547,000).

**Note 2: Exploration and evaluation costs**

	2015	2014
	A\$'000	A\$'000
The Group		
At beginning of year	1,479	1,660
Costs incurred during the year	802	1,527
Written off during the year	(605)	(1,708)
At end of year	1,676	1,479

**Note 3: Interests in associates**

	2015	2014
	A\$'000	A\$'000
The Group		
Unquoted equity investment, at cost	100,127	100,127
Share of post-acquisition profits and reserves	6,535	7,754
	106,662	107,881

The associates are:

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Percentage of equity held</u>		<u>Principal activities</u>
		2015	2014	
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%	33%	Trading of metals and ferroalloy products

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**Note 4: Available-for-sale financial assets**

The Company and The Group	<b>31 December 2015 A\$'000</b>	31 December 2014 A\$'000
<b>Current</b>		
Quoted equity investments, at fair value		
At the beginning of the year	<b>2,727</b>	11,691
Impairment loss recognised directly in profit or loss	<b>(1,313)</b>	(3,988)
Impairment loss recognised directly in equity	<b>(616)</b>	(4,976)
At end of year	<b>798</b>	2,727

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**

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

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

The Company issued sponsor guarantee to SSB for its 75% (2014 – 80%) interest of the subsidiaries’ obligations under the PPA. The sponsor guarantees include but are not limited to termination payments, late payment interest and guaranteed obligations under the PPA. Cahya Mata Sarawak Berhad (“CMSB”) has correspondingly provided the sponsor guarantees for its 25% (2014 – 20%) interest held in the subsidiaries.

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

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

OM Materials (Sarawak) Sdn Bhd, a subsidiary of the Company entered into a project finance Facilities Agreement (“FA”) on 28 March 2013 for a limited recourse senior project finance debt facilities totaling USD215 million and MYR310 million, and bank guarantee facility of MYR126.

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 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.

#### **GWA (North) Pty Ltd Wagon Derailment**

On 15 June 2012 a subsidiary received correspondence from GWA (North) Pty Ltd (“GWAN”) regarding a train derailment event which occurred on 7 June 2012. GWAN have issued demands to the subsidiary for the payment of A\$5,470,352. The subsidiary has formally denied liability and put the owner of the wagons, CFCL Australia Pty Ltd (“CFCL”) with whom the subsidiary has a rental agreement in relation to the wagons, on notice that the subsidiary reserves its legal rights against CFCL Australia Pty Ltd.

On 17 March 2014, the subsidiary’s insurers – QBE Insurance – agreed to indemnify the subsidiary for any liability it may have to GWAN in respect of the claim and have instructed the lawyers to assume conduct of the claim on the subsidiary’s behalf. The position of the claim remains unchanged.

On 5 June 2015, GWAN filed (and subsequently served) a statement of claim in the Supreme Court of South Australia naming the Company as the defendant in relation to the train derailment event. Pursuant to the statement of claim, GWAN is seeking to be indemnified by the Company, in accordance with the guarantee under the various agreements between the parties, for all losses and damage incurred by GWAN due to the event plus interest on such costs. The subsidiary’s insurers have been informed and are currently handling the claim.

#### **Voluntary Administration (“VA”) of OM (Manganese) Ltd (Administrator Appointed)**

On 15 December 2015, the mining operations at the Bootu Creek Manganese project owned and managed by OM (Manganese) Ltd (Administrator Appointed) (“OMM”) were suspended. Since that time, significant efforts have been made by OMM’s management (including active consultation with key stakeholders, and in particular with OMM’s creditors, financiers, contractors and suppliers) to improve efficiencies, reduce costs and restructure liabilities to enable OMM to continue trading through this sustained commodities downturn. Despite their efforts, and the marked reduction in the operating costs at the Bootu Creek project, management have formed the view that the project cannot continue to operate sustainably in the current market.

With the significant global decline in the demand of manganese and the market outlook, the directors of OMM have determined that the financial position of OMM has been adversely affected to the extent that OMM requires formal restructuring.

It was announced on 4 January 2016 that the board of OMM has appointed James Thackray of The Headquarters Corporate Advisory as Administrator of the Company pursuant to s436A of the Corporations Act. It is envisaged that OMM will be restructured via the administration process, with a view to recommence trading when the market for manganese has improved.

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**Note 6: Comparative figures**

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

The Group	31 December 2014		As previously reported
	As restated A\$'000	Adjustments A\$'000	A\$'000
<b><u>Consolidated statement of comprehensive income</u></b>			
Other operating expenses	(31,039)	(6,036)	(25,003)
Other comprehensive expenses	(1,557)	6,036	(7,593)
<b><u>Consolidated statement of cash flows</u></b>			
Cash flows from operating activities			
Includes:			
Increase in inventories	(48,953)	(45,803)	(3,150)
Decrease in trade and bill receivables	9,841	9,165	676
Decrease in prepayments, deposits and other receivables	12,963	12,072	891
Decrease in trade and bill payables	(17,309)	(16,195)	(1,114)
Increase in other payables and accruals	31,805	29,620	2,185
Changes in long-term liabilities:			
- Decrease in long-term lease obligation	(1,973)	(1,846)	(127)
- Decrease in long-term provision (for restoration)	(123)	(115)	(8)
- Increase in retirement benefit obligation	96	88	7
- Increase in other long term payable	21,643	20,156	1,487
Cash flows from financing activities			
Includes:			
Proceeds from bank loans	229,119	(1,109)	230,228
<b><u>Consolidated statement of changes in equity</u></b>			
Hedging reserve	(31,812)	5,307	(37,119)
Exchange fluctuation reserve	7,762	(479)	8,241
Retained profits	13,325	(4,828)	18,153