

# OM HOLDINGS LIMITED

(ARBN 081 028 337)



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31 July 2017

ASX Market Announcements

ASX Limited

4<sup>th</sup> Floor

20 Bridge Street

SYDNEY NSW 2000

Dear Sir/Madam

## JUNE 2017 QUARTERLY PRODUCTION AND MARKET UPDATE

The Board of OM Holdings Limited (“OMH” or the “Company”) is pleased to provide the following update.

### HIGHLIGHTS

#### OPERATING PERFORMANCE

##### OVERVIEW

The various business units of the Company are making good progress in their operations and Management is of the opinion that the Company is on track for the achievement of its strategic and operations objectives

##### SMELTING: OM Materials (Sarawak) Sdn Bhd (75% owned smelter in Samalaju, East Malaysia)

- Production output for the quarter ended 30 June 2017 was 42,292 tonnes of ferrosilicon (“FeSi”) and 29,462 tonnes of manganese alloy comprising silicomanganese (“SiMn”) and high carbon ferromanganese (“HCFeMn”)
- The average daily production output was approximately 60 tonnes of FeSi, 102 tonnes of SiMn and 142 tonnes of HCFeMn per furnace per day for the quarter ended 30 June 2017
- A total of 42,689 tonnes of FeSi and 25,946 tonnes of manganese alloy were sold during the quarter ended 30 June 2017

##### EXPLORATION AND MINING: OM (Manganese) Ltd (100% owned Manganese mine in Bootu Creek, Northern Territory, Australia)

- Manganese ore production for the quarter ended 30 June 2017 was 190,682 tonnes with an average grading of 35.57%
- Manganese ore shipments for the quarter ended 30 June 2017 was 150,741 tonnes with an average grading of 36.04%

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## OPERATING PERFORMANCE (CONT'D)

### PROCESSING: OM Materials (Qinzhou) Co Ltd (100% owned smelter and sinter plant in Qinzhou, Guangxi Province, China)

- OMQ produced 9,816 tonnes of manganese alloy and 11,464 tonnes of manganese sinter ore, and sold 9,085 tonnes of manganese alloy and 251 tonnes of manganese sinter ore for the quarter ended 30 June 2017

### MARKETING AND TRADING, AND MARKET UPDATE

- 336,080 tonnes of ores and alloys were transacted in the period from April 2017 to June 2017 as compared to 163,080 tonnes from January 2017 to March 2017
- World crude steel production for the quarter ended 30 June 2017 was 426.5 million tonnes, representing a 4.3% quarter-on-quarter increase
- China's crude steel production between April 2017 to June 2017 amounted to 218.3 million tonnes, representing a 8.7% quarter-on-quarter increase



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## **OVERVIEW**

The various business units of the Company are making good progress in their respective operations and there is good interaction and coordination at the corporate level. Barring unexpected changes in the business environment, Management is of the opinion that the Company is on track for the achievement of its strategic and operational objectives.

## **SMELTING**

### **OM MATERIALS (SARAWAK) SDN BHD (“OM Sarawak”)**

OM Sarawak owns a Ferro Alloy Smelting Project in the Samalaju Industrial Park in Sarawak, Malaysia (the “Project”). The Project consists of 8 main workshops and a total of 16 units of 25.5 MVA furnaces, of which 10 furnaces are allocated for the production of FeSi and 6 units allocated for the production of manganese alloy. The Project has a design capacity to produce approximately 170,000 to 200,000 tonnes of FeSi and 250,000 to 300,000 tonnes of manganese alloy per annum.

### **Commercial operation**

For the period ended 30 June 2017, a total of 13 furnaces were in operation with 8 furnaces producing FeSi and 5 furnaces producing manganese alloy.

The plant produced a total of 42,292 tonnes of FeSi and 29,462 tonnes of manganese alloy in the quarter ended 30 June 2017. This represented an increase of approximately 10.5% and 51.6% respectively over the quarter ended 31 March 2017, and an increase of approximately 35.5% for FeSi over the corresponding quarter in 2016. The increase for FeSi was mainly due to production efficiency improvements and stabilisation of the FeSi furnaces, and a result of having 5 furnaces producing manganese alloy in the quarter ended 30 June 2017 as compared to only 2 manganese furnaces in operation for the quarter ended 31 March 2017. As previously announced, the 6<sup>th</sup> modified furnace for manganese alloy production commenced production on 16 July 2017.

With the continued efforts to improve and optimise the production efficiency of the FeSi and SiMn furnaces which are currently in production, the furnaces achieved a production average of approximately 60 tonnes of FeSi and 102 tonnes of SiMn per furnace per day for the quarter ended 30 June 2017. This has again exceeded the Company’s furnace design capacity of 55 tonnes for FeSi and 100 tonnes for SiMn per furnace per day, thus achieving a 100% full-utilisation rate. The HCFeMn furnaces are still in the process of stabilisation, but were able to produce approximately 142 tonnes per furnace per day for the quarter ended 30 June 2017, as compared to 129 tonnes per furnace per day for the quarter ended 31 March 2017.

For the quarter ended 30 June 2017, a total of 42,689 tonnes of FeSi and 25,946 tonnes of manganese alloy was sold, as compared to 41,319 tonnes of FeSi and 13,974 tonnes of manganese alloy for the quarter ended 31 March 2017. The increase in the volume of manganese alloy sold was mainly due to the ramp up of the additional three modified manganese alloy furnaces which resulted in an increase in production volume in the current quarter.

Sales of FeSi achieved for the quarter ended 30 June 2017 was the highest volume sold since the first tapping in September 2014.

Subject to obtaining the relevant approvals, the Company plans to convert two more furnaces to manganese alloy production in 2018, after a strategic review taking into consideration the marketing strategy and price environment of various ferroalloys.



**PROCESSING**  
**OM MATERIALS (QINZHOU) Co Ltd (“OMQ”)**

Production from the Qinzhou smelter and sinter plant for the quarter ended 30 June 2017 is summarized below:

	<b>Jun 2017 Quarter</b>	<b>Mar 2017 Quarter</b>	<b>YTD 2017</b>
Tonnes			
<b>Production</b>			
Manganese Alloy	<b>9,816</b>	<b>8,266</b>	<b>18,082</b>
Manganese Sinter Ore	<b>11,464</b>	<b>11,452</b>	<b>22,916</b>
<b>Sales</b>			
Manganese Alloy	<b>9,085</b>	<b>8,941</b>	<b>18,026</b>
Manganese Sinter Ore	<b>251</b>	<b>5,774</b>	<b>6,025</b>

**Production**

During the quarter ended 30 June 2017, OMQ produced a total of 9,816 tonnes of manganese alloy and 11,464 tonnes of manganese sinter ore.

**Sales**

During the quarter ended 30 June 2017, OMQ secured sales of 9,085 tonnes of manganese alloy and 251 tonnes of manganese sinter ore.

**EXPLORATION AND MINING**  
**OM (MANGANESE) LTD (“OMM”)**

Production at the Bootu Creek Manganese mine (the “Mine”) commenced in late February 2017 and production for the quarter ended 30 June 2017 is summarised below:

	<b>Unit</b>	<b>June 2017 Quarter</b>	<b>Mar 2017 Quarter</b>	<b>YTD 2017</b>
<b>Mining</b>				
Total Material Mined	bcms	1,411,835	793,756	2,205,591
Ore Mined – tonnes	dt	461,346	188,494	649,840
Ore Mined – Mn grade	%	22.10	21.81	21.98
<b>Production</b>				
Lumps – tonnes	dt	137,419	62,183	199,602
Lumps – Mn grade	%	35.94	35.85	35.76
Fines/SPP – tonnes	dt	53,263	34,965	88,228
Fines/SPP – Mn grade	%	36.56	36.38	36.38
<b>Total Production – tonnes</b>	<b>dt</b>	<b>190,682</b>	<b>97,148</b>	<b>287,830</b>
<b>Total Production – Mn grade</b>	<b>%</b>	<b>35.57</b>	<b>35.96</b>	<b>35.97</b>
<b>Sales</b>				
Lumps – tonnes	dt	123,494	36,589	160,083
Lumps – Mn grade	%	35.76	35.94	35.80
Fines/SPP – tonnes	dt	27,247	24,099	51,346
Fines/SPP – Mn grade	%	37.30	36.27	36.81
<b>Total Sales – tonnes</b>	<b>dt</b>	<b>150,741</b>	<b>60,688</b>	<b>211,429</b>
<b>Total Sales – Mn grade</b>	<b>%</b>	<b>36.04</b>	<b>36.07</b>	<b>35.97</b>



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## **Mining**

During the quarter ended 30 June 2017, a total of 1.4 million bcms of material was mined including 461,346 tonnes of ore. Mining activities were concentrated across the Chugga North, Chugga South and GoGo deposits.

Concentration of the mining fleets within the eastern limb of the Bootu Creek Syncline is expected to add further efficiency and unit cost improvements within the mining operation given the deposit's relative proximity to the processing plant, mining workshop and associated infrastructure.

Higher grade ores from the Chugga North, Chugga South, GoGo and Shekuma deposits will continue to form the basis of plant feed for the medium term adding to expected improved processing plant mass yields.

## **Processing**

The Mine achieved ore production of 190,682 tonnes for the quarter ended 30 June 2017 at an average grade of 35.57% Mn.

## **Logistics**

During the quarter ended 30 June 2017, a total of 150,741 tonnes of manganese product was exported through the Port of Darwin in five vessels. In the corresponding period in 2016, the manganese product exported was from stockpiled material produced in 2015.

## **Unit operating costs**

The C1 unit cash operating cost for the June 2017 quarter was A\$3.40/dmtu (US\$2.55/dmtu). There was no comparative C1 unit cash operating cost for the quarter ended 30 June 2016 as OMM was in voluntary administration with no mining and production activities during that period.

## **MARKETING AND TRADING UPDATE**

During the quarter ended 30 June 2017, a total of 336,080 tonnes of ores and alloys was transacted.

According to Worldsteel, world crude steel production for the quarter ended 30 June 2017 was 426.5 million tonnes, representing a 4.3% quarter-on-quarter increase. China's crude steel production increased by 8.7% to reach 218.3 million tonnes between April 2017 to June 2017.

Metal Bulletin reported that prices of 44% Mn ore closed at US\$5.87/dmtu at the end of June 2017. This represented an increase of US\$0.66/dmtu from the previous quarter of US\$5.21/dmtu CIF China and signals a general supply demand balance in the current market.



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**OM Holdings Limited**

**CORPORATE**

**Tshipi é Ntle Manganese Mining (Pty) Ltd (“Tshipi”)**

OMH has an effective 13% interest in Tshipi through its 26% strategic partnership with Ntsimbintle Mining (Proprietary) Limited, the majority (50.1%) owner of Tshipi.

Tshipi owns a manganese prospect in the world class Kalahari Manganese field, namely Tshipi Borwa.

**Tshipi Borwa Manganese Mine**

Tshipi exports for the quarter ended 30 June 2017 totalled 827,411 tonnes (Q2 2016: 555,038 tonnes) representing a 49.1% increase from the corresponding quarter in 2016.

**CAPITAL STRUCTURE**

There were no movements in the share capital structure of the Company during the quarter ended 30 June 2017. As at 30 June 2017, the Company had 733,423,337 ordinary shares, 25,000,000 convertible notes and 31,200,000 unlisted warrants on issue.

Yours faithfully

**OM HOLDINGS LIMITED**

Heng Siow Kwee/Julie Wolseley