

# OM HOLDINGS LIMITED

(ARBN 081 028 337)



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ASX Market Announcements

ASX Limited

4<sup>th</sup> Floor

20 Bridge Street

SYDNEY NSW 2000

Dear Sir/Madam

## MARCH 2018 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

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

- Production output for the quarter ended 31 March 2018 of 52,431 tonnes of ferrosilicon (“FeSi”) and 63,750 tonnes of manganese alloy comprising silicomanganese (“SiMn”) and high carbon ferromanganese (“HCFeMn”)
- Production for the quarter ended 31 March 2018 has continued to exceed the furnace design capacity for all ferroalloy products. The average daily production output achieved was approximately 65 tonnes of FeSi, 104 tonnes of SiMn and 151 tonnes of HCFeMn per furnace per day for the quarter ended 31 March 2018
- Quarterly record of 59,582 tonnes of FeSi and 65,813 tonnes of manganese alloy were sold during the quarter ended 31 March 2018

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

- Manganese ore production for the quarter ended 31 March 2018 was 158,278 tonnes with an average grade of 35.87% Mn
- Manganese ore shipments for the quarter ended 31 March 2018 was 162,267 tonnes with an average grade of 35.96% Mn
- Based upon a feasibility study conducted, including metallurgical test work, a proposed Tailings Retreatment Plant (“TRP”) has been committed which is expected to produce approximately 250,000 tonnes of manganese fines with an average grade of between 36% to 38% Mn per annum for the next 8 years commencing January 2019
- The final TRP engineering design works have been approved and the TRP is scheduled to be commissioned in the middle of October 2018, and is expected to be fully operational by the end of December 2018.

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## OPERATING PERFORMANCE (CONT'D)

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

- OMQ produced 9,053 tonnes of manganese alloy and 7,872 tonnes of manganese sinter ore, and sold 11,508 tonnes of manganese alloy for the quarter ended 31 March 2018.

### MARKETING AND TRADING, AND MARKET UPDATE

- 927,724 tonnes of ores and alloys were transacted in the period from 1 January 2018 to 31 March 2018 as compared to 779,430 tonnes from 1 October 2017 to 31 December 2017, representing a quarter-on-quarter increase of 19.0%
- World crude steel production for the quarter ended 31 March 2018 was 425.2 million tonnes, representing a 3.8% increase as compared to the quarter ended 31 March 2017
- China's crude steel production between January 2018 to March 2018 amounted to 210.8 million tonnes, representing a 2.6% increase as compared to the quarter ended 31 December 2017 and was 5% higher as compared to the quarter ended 31 March 2017

### CORPORATE

- Significant surplus operating cash flows during the quarter facilitated accelerated repayments of loans which had previously been restructured in the preceding quarter. Repayments from 1 January 2018 to the date of this announcement totaled approximately US\$17.7 million (equivalent to approximately A\$22.7 million)



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**PROCESSING AND SMELTING  
OM MATERIALS (SARAWAK) SDN BHD (“OM Sarawak”)**

OM Sarawak owns a Ferro Alloy Smelting Plant in the Samalaju Industrial Park in Sarawak, Malaysia (the “Plant”). The Plant consists of 8 main workshops and a total of 16 units of 25.5 MVA furnaces, of which 10 units are allocated for the production of FeSi and 6 are units allocated for the production of manganese alloy. The Plant has a design capacity to produce approximately 200,000 to 210,000 tonnes of FeSi and 250,000 to 300,000 tonnes of manganese alloy per annum.

**Commercial operation**

For the quarter ended 31 March 2018, a total of 15 furnaces were in operation with 8 furnaces producing standard grade FeSi, 1 furnace producing refined FeSi, and 6 furnaces producing manganese alloy. Production and sales for the quarter ended 31 March 2018 were as follows:

	<b>Mar 2018 Quarter</b>	<b>Dec 2017 Quarter</b>	<b>YTD 2018</b>
Tonnes			
<b>Production</b>			
Ferrosilicon	<b>52,431</b>	<b>50,441</b>	<b>52,431</b>
Manganese Alloy	<b>63,750</b>	<b>63,497</b>	<b>63,750</b>
<b>Sales</b>			
Ferrosilicon	<b>59,582</b>	<b>52,419</b>	<b>59,582</b>
Manganese Alloy	<b>65,813</b>	<b>59,314</b>	<b>65,813</b>

The Plant produced another record total of 52,431 tonnes of FeSi and 63,750 tonnes of manganese alloy in the quarter ended 31 March 2018, which represented a 2% increase over the quarter ended 31 December 2017, and an increase of more than 100% over the corresponding quarter in 2017, due to additional furnaces being commissioned and an increase in daily production volumes. The increase in overall production demonstrated that all furnaces were operating at their optimum level which enabled the Plant to yield consistently higher production output.

During the quarter ended 31 March 2018, the FeSi furnaces achieved a record average daily production output of approximately 65 tonnes of FeSi per furnace, as compared to approximately 62 tonnes of FeSi per furnace for the quarter ended 31 December 2017. The Plant’s FeSi furnaces have consistently exceeded the furnace design capacity of 55 tonnes per furnace per day. SiMn and HCFeMn furnaces also out-performed their respective furnace design capacity of 100 tonnes of SiMn and 150 tonnes of HCFeMn per furnace per day, with average daily production output achieved of 104 tonnes and 151 tonnes respectively for the quarter ended 31 March 2018. As a result, all furnaces achieved a 100% utilisation rate for the quarter ended 31 March 2018.

For the quarter ended 31 March 2018, a total of 59,582 tonnes of FeSi and 65,813 tonnes of manganese alloy was sold, as compared to 52,419 tonnes of FeSi and 59,314 tonnes of manganese alloy for the quarter ended 31 December 2017. This represented an increase of approximately 14% and 11% for FeSi and manganese alloy respectively. Total FeSi and manganese alloy sold in the quarter ended 31 March 2018 was the highest quarterly volume sold since the first tapping of FeSi from the plant in September 2014, and the commissioning and tapping of the first modified manganese alloy furnace in December 2016.

As a result of undertaking a full strategic review and considering the Company’s marketing strategy, the global price environment of various ferroalloys and the prevailing market



conditions, the Company is maintaining its plan to fire the last FeSi furnace and commence production in the middle of 2018.

### **PROCESSING**

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

Production and sales from the Qinzhou smelter and sinter plant for the quarter ended 31 March 2018 is summarized below:

	<b>Mar 2018 Quarter</b>	<b>Dec 2017 Quarter</b>	<b>YTD 2018</b>
Tonnes			
<b>Production</b>			
Manganese Alloy	<b>9,053</b>	<b>11,317</b>	<b>9,053</b>
Manganese Sinter Ore	<b>7,872</b>	<b>13,674</b>	<b>7,872</b>
<b>Sales</b>			
Manganese Alloy	<b>11,508</b>	<b>6,209</b>	<b>11,508</b>
Manganese Sinter Ore	<b>-</b>	<b>534</b>	<b>-</b>

#### **Production**

During the quarter ended 31 March 2018, OMQ produced a total of 9,053 tonnes of manganese alloy and 7,872 tonnes of manganese sinter ore.

#### **Sales**

During the quarter ended 31 March 2018, OMQ secured sales of 11,508 tonnes of manganese alloy.



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

Production at the 100% owned Bootu Creek Manganese mine (the “Mine”) for the quarter ended 31 March 2018 is summarised below:

	Unit	Mar 2018 Quarter	Dec 2017 Quarter	YTD 2018
<b>Mining</b>				
Total Material Mined	bcms	1,880,873	1,955,285	1,880,873
Ore Mined – tonnes	dt	381,149	475,569	381,149
Ore Mined – Mn grade	%	21.75	21.17	21.75
<b>Production</b>				
Lumps – tonnes	dt	121,032	116,727	121,032
Lumps – Mn grade	%	35.60	35.34	35.60
Fines/SPP – tonnes	dt	37,246	50,714	37,246
Fines/SPP – Mn grade	%	36.74	36.61	36.74
<b>Total Production – tonnes</b>	<b>dt</b>	<b>158,278</b>	<b>167,441</b>	<b>158,278</b>
<b>Total Production – Mn grade</b>	<b>%</b>	<b>35.87</b>	<b>35.73</b>	<b>35.87</b>
<b>Sales</b>				
Lumps – tonnes	dt	120,456	118,766	120,456
Lumps – Mn grade	%	35.71	35.19	35.71
Fines/SPP – tonnes	dt	41,811	54,320	41,811
Fines/SPP – Mn grade	%	36.67	36.59	36.67
<b>Total Sales – tonnes</b>	<b>dt</b>	<b>162,267</b>	<b>173,086</b>	<b>162,267</b>
<b>Total Sales – Mn grade</b>	<b>%</b>	<b>35.96</b>	<b>35.63</b>	<b>35.96</b>

**Mining**

During the quarter ended 31 March 2018, a total of 1.88 million bcms of material was mined including 381,149 tonnes of ore. Mining activities continued in the GoGo 5, GoGo 7 and Shekuma 6 pits, and the cutback of Chugga Far North deposit commenced during the current quarter. The customary wet season resulted in the reduced production rates for the quarter ended 31 March 2018, compared to the preceding quarter.

Concentration of the mining fleets within the eastern limb of the Bootu Creek Syncline is expected to maintain mining efficiency and reduce unit cost further within the mining operations given the deposit’s relative proximity to the processing plant, mining workshop and associated infrastructure.

Mining of the Chugga North and Chugga South deposits were completed in January 2018. Higher grade ores from the Chugga Far North, GoGo and Shekuma deposits will form the basis of plant feed for the next 2 to 3 years with improved processing plant mass yields expected.

**Processing**

The Mine achieved ore production of 158,278 tonnes for the quarter ended 31 March 2018 at an average grade of 35.87% Mn. Plant throughputs were hampered by wet sticky ores mined from the bottom of the GoGo 5, GoGo 7 and Shekuma pits. The breakdown of the primary jaw crusher grizzly drive and drive beam, coupled with lightning strikes on the heavy media separation (“HMS”) plant transformer resulted in the loss of ten production days during the quarter ended 31 March 2018.



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## Logistics

During the quarter ended 31 March 2018, a total of 162,267 tonnes of manganese product was exported through the Port of Darwin in five vessels. Comparatively, in the corresponding quarter in 2017, when the Mine recommenced mining activities in late February 2017, a total of 60,688 tonnes of manganese product was exported through the Port of Darwin in two vessels.

## Unit operating costs

The C1 unit cash operating cost for the quarter ended 31 March 2018 was A\$4.48/dmtu (US\$3.52/dmtu) as compared to A\$4.19/dmtu (US\$3.22/dmtu) for the quarter ended 31 December 2017. The increase in the C1 unit cash operating cost in the current quarter was mainly due to production efficiency affected by the seasonal Northern Territory wet season, wet sticky ores mined from the bottom of the GoGo 5, GoGo 7 and Shekuma 6 pits, and the loss of ten production days in the quarter ended 31 March 2018.

## Tailings Retreatment Plant (“TRP”)

Metallurgical test works conducted on a laboratory scale by a metallurgical test laboratory as well as site pilot plant tests have indicated the amenability of reprocessing existing stockpiles of tailings and the HMS plant reject material via a stand-alone ultra-fines circuit producing a saleable 36% to 38% Mn product.

The process involves feeding the tailings being treated directly into a circuit whilst the reject material is crushed through a two-stage closed circuit crushing plant before upgrading the manganese product via a stand-alone ultra-fines circuit. The existing Secondary Processing Plant (“SPP”) crushing circuit is planned to be modified by adding an additional crushing/grinding stage and wet screening facility so as to further crush/grind the HMS reject material.

As at 31 March 2018, based on the Mine’s processing plant records, approximately 10.8 million tonnes of tailings with an average grade of 10% Mn and approximately 3.4 million tonnes of HMS reject material with an average grade of 14.5% Mn are stockpiled on site. Both tonnages will increase by approximately 1.6 million tonnes respectively, which is in line with the current life-of-mine plan and the total inventory estimate of approximately 17.2 million tonnes expected to be processed by the proposed TRP. The dedicated TRP is expected to be capable of producing approximately 250,000 tonnes of manganese fines with an average grade of between 36% to 38% Mn per annum for the next 8 years starting from January 2019.

The final TRP engineering design works have been approved and the TRP is scheduled to be commissioned in the middle of October 2018 and is expected to be fully operational by the end of December 2018.

## **MARKETING AND TRADING UPDATE**

During the quarter ended 31 March 2018, a total of 927,724 tonnes of ores and alloys was transacted, representing approximately a 19% quarter-on-quarter increase compared to the quarter ended 31 December 2017 of 779,430 tonnes.

According to Worldsteel, world crude steel production for the quarter ended 31 March 2018 was 425.2 million tonnes, representing an increase of 3.8% from same corresponding quarter in 2017. China’s crude steel production for the quarter ended 31 March 2018 amounted to 210.8 million tonnes, representing a 2.6% increase as compared to the quarter ended 31 December 2017 and was 5% higher as compared to the quarter ended 31 March 2017

Metal Bulletin reported that prices of 44% Mn ore closed at US\$8.76/dmtu CIF China at the end of March 2018. This represented an increase of US\$1.88/dmtu from the previous quarter of US\$6.88/dmtu CIF China. Prices have consistently risen four quarters in a row (from the quarter ended 30 June 2017 to the quarter ended 31 March 2018).

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Platts reported that prices of FeSi to Japan closed lower at US\$1,385 per metric tonne at the end of March 2018, down from US\$1,840 per metric tonne at the end of December 2017. The drop in price was a result of the easing of market supply conditions with ferroalloy plants in China resuming production after environmental inspections. While market anxiety has eased to some extent, Chinese environmental policy continues to be a major factor closely watched by all market participants.

## **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 31 March 2018 totalled 840,719 tonnes (Q1 2017: 546,497 tonnes) with an average grade of 35.99% Mn, representing approximately a 54% increase from the corresponding quarter in 2017.

### **LOAN RESTRUCTURING UPDATE**

As previously announced, OMH's loan restructuring with its bankers and financiers over certain secured bank loans was successfully completed and executed on 23 October 2017. As at 31 December 2017, OMH has fully paid off one of the respective financiers and the corresponding loan had been discharged. As at 31 December 2017, a total of US\$39.3 million (equivalent to approximately A\$50.4 million) of the restructured loans were outstanding.

From 1 January 2018 to the date of this announcement, the Company has made further repayments under the restructured arrangements of US\$17.7 million (approximately A\$22.7 million) to certain of its bankers and financiers. These repayments included amounts over and above those required to be repaid within the scheduled repayment time frame. Consequently, the amounts outstanding under the restructured loans arrangement which remained in place (after the above repayments) have reduced to US\$21.6 million (equivalent to approximately A\$27.7 million).

As at 31 March 2018, all other borrowings previously reported at 31 December 2017 are being or will be repaid in accordance with existing financing arrangements.

### **CAPITAL STRUCTURE**

During the quarter ended 31 March 2018, there were movements in the share capital structure of the Company as follows:

- (1) The Company received notices to exercise a total of 4,368,000 warrants at an exercise price of A\$0.40. Accordingly, the Company has issued 4,368,000 ordinary shares and received proceeds of A\$1,747,200.
- (2) In February 2018, the Company undertook a selective buy-back of 26,000,000 unlisted warrants from a financier for US\$500,000 (equivalent to approximately A\$641,000).



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(3) In March 2018, the convertible notes on issue were reduced from 25,000,000 to 20,000,000 following the redemption of 20% of the convertible notes for US\$4.29 million (equivalent to approximately A\$5.50 million).

As at 31 March 2018, the Company had 737,791,337 ordinary shares, 20,000,000 unsecured convertible notes and 26,832,000 unlisted warrants on issue.

Yours faithfully

**OM HOLDINGS LIMITED**

**Heng Siow Kwee/Julie Wolseley**  
**Joint Company Secretary**