

# OM HOLDINGS LIMITED

(ARBN 081 028 337)



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30 July 2018

ASX Market Announcements  
ASX Limited  
4<sup>th</sup> Floor  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

## JUNE 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 30 June 2018 of 52,171 tonnes of ferrosilicon (“FeSi”) and 61,229 tonnes of manganese alloy comprising silicomanganese (“SiMn”) and high carbon ferromanganese (“HCFeMn”)
- Production for the quarter ended 30 June 2018 has continued to exceed the furnace design capacity for all ferroalloy products. The average daily production output achieved was approximately 63 tonnes of FeSi, 102 tonnes of SiMn and 153 tonnes of HCFeMn per furnace per day for the quarter ended 30 June 2018
- A total of 44,766 tonnes of FeSi and 53,782 tonnes of manganese alloy were sold during the quarter ended 30 June 2018

##### **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 2018 was 185,600 tonnes with an average grade of 35.67% Mn
- Manganese ore shipments for the quarter ended 30 June 2018 was 149,762 tonnes with an average grade of 35.80% Mn
- Engineering design of the Tailings Retreatment Plant is nearing completion but has been extended in order to better comply with Australian standards. Delivery is still anticipated within 2018, and the plant is expected to be commissioned in the March 2019 quarter. The capital cost of approximately A\$8.2 million is expected to be funded from internal operating cash flows. Given the significant stockpiles of lower grade ore and heavy media reject material, the Tailings Retreatment Plant is expected to produce approximately 250,000 tonnes of manganese fines per annum with an average grade of between 35% to 38% Mn for approximately 8 years

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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 9,913 tonnes of manganese alloy and 10,553 tonnes of manganese sinter ore, and sold 7,611 tonnes of manganese alloy for the quarter ended 30 June 2018

### MARKETING AND TRADING, AND MARKET UPDATE

- 765,791 tonnes of ores and alloys were transacted in the period from 1 April 2018 to 30 June 2018 as compared to 927,724 tonnes from 1 January 2018 to 31 March 2018, representing a quarter-on-quarter decrease of 17.5%
- World crude steel production for the quarter ended 30 June 2018 was 454 million tonnes, representing a 6.2% increase as compared to the quarter ended 30 June 2017
- China's crude steel production between April 2018 to June 2018 amounted to 238 million tonnes, representing a 12.9% increase as compared to the quarter ended 31 March 2018 and was 9.1% higher as compared to the quarter ended 30 June 2017

### CORPORATE

- Significant surplus operating cash flows during the current quarter facilitated accelerated repayment of loans which had previously been restructured in the 4<sup>th</sup> quarter of 2017. The balance of the restructured loans of US\$21.6 million (equivalent to approximately A\$27.7 million) as at 30 April 2018 were fully repaid in June 2018 and the corresponding loans now fully discharged. In effect, Group secured bank loans (other than the Sarawak Project Finance loan) have now been repaid



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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**

As at 30 June 2018, a total of 16 furnaces were in operation with 9 furnaces producing standard grade FeSi, 1 furnace producing refined FeSi, and 6 furnaces producing manganese alloy. Production and sales for the quarter ended 30 June 2018 were as follows:

	<b>Jun 2018 Quarter</b>	<b>Mar 2018 Quarter</b>	<b>YTD 2018</b>
Tonnes			
<b>Production</b>			
Ferrosilicon	<b>52,171</b>	<b>52,431</b>	<b>104,602</b>
Manganese Alloy	<b>61,229</b>	<b>63,750</b>	<b>124,979</b>
<b>Sales</b>			
Ferrosilicon	<b>44,766</b>	<b>59,582</b>	<b>104,348</b>
Manganese Alloy	<b>53,782</b>	<b>65,813</b>	<b>119,595</b>

On 1 June 2018, the Plant successfully commenced production from the final FeSi furnace with all 16 furnaces currently in full production.

During the quarter ended 30 June 2018, the Plant produced a total of 52,171 tonnes of FeSi and 61,229 tonnes of manganese alloy. FeSi production volumes for the current quarter have been stable and consistent with the volumes produced in the quarter ended 31 March 2018, with an increase of approximately 23% over the corresponding quarter in 2017. There was a marginal production decrease of approximately 4% for manganese alloy in the quarter ended 30 June 2018 mainly due to the development and production of higher grades of manganese alloys as demanded by the market.

During the quarter ended 30 June 2018, the FeSi furnaces achieved an average daily production output of approximately 63 tonnes of FeSi per furnace. The Plant’s FeSi furnaces have consistently exceeded the furnace design capacity of 55 tonnes per furnace per day since the quarter ended 31 March 2016. The SiMn and HCFeMn furnaces have 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 102 tonnes and 153 tonnes respectively for the quarter ended 30 June 2018.

For the quarter ended 30 June 2018, a total of 44,766 tonnes of FeSi and 53,782 tonnes of manganese alloy were sold, as compared to 59,582 tonnes of FeSi and 65,813 tonnes of manganese alloy for the quarter ended 31 March 2018. This represented a decrease of approximately 25% and 18% for FeSi and manganese alloy respectively. The decrease in sales volume for the current quarter was mainly due to 2 local festivals in Sarawak in the month of June 2018 which had an impact on local manpower, logistics support, and consequently the quantity shipped.



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

Production and sales from the Qinzhou smelter and sinter plant for the quarter ended 30 June 2018 are summarised below:

	<b>Jun 2018 Quarter</b>	<b>Mar 2018 Quarter</b>	<b>YTD 2018</b>
Tonnes			
<b>Production</b>			
Manganese Alloy	<b>9,913</b>	<b>9,053</b>	<b>18,966</b>
Manganese Sinter Ore	<b>10,553</b>	<b>7,872</b>	<b>18,425</b>
<b>Sales</b>			
Manganese Alloy	<b>7,611</b>	<b>11,508</b>	<b>19,119</b>
Manganese Sinter Ore	-	-	-

**Production**

During the quarter ended 30 June 2018, OMQ produced a total of 9,913 tonnes of manganese alloy and 10,553 tonnes of manganese sinter ore.

**Sales**

During the quarter ended 30 June 2018, OMQ secured sales of 7,611 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 30 June 2018 is summarised below:

	<b>Unit</b>	<b>Jun 2018 Quarter</b>	<b>Mar 2018 Quarter</b>	<b>YTD 2018</b>
<b>Mining</b>				
Total Material Mined	bcms	2,320,063	1,880,873	4,200,936
Ore Mined – tonnes	dt	421,511	381,149	802,660
Ore Mined – Mn grade	%	21.60	21.75	21.67
<b>Production</b>				
Lumps – tonnes	dt	139,497	121,032	260,529
Lumps – Mn grade	%	35.52	35.60	35.56
Fines/SPP – tonnes	dt	46,103	37,246	83,349
Fines/SPP – Mn grade	%	36.13	36.74	36.40
<b>Total Production – tonnes</b>	<b>dt</b>	<b>185,600</b>	<b>158,278</b>	<b>343,878</b>
<b>Total Production – Mn grade</b>	<b>%</b>	<b>35.67</b>	<b>35.87</b>	<b>35.76</b>
<b>Sales</b>				
Lumps – tonnes	dt	114,512	120,456	234,968
Lumps – Mn grade	%	35.58	35.71	35.65
Fines/SPP – tonnes	dt	35,250	41,811	77,061
Fines/SPP – Mn grade	%	36.50	36.67	36.59
<b>Total Sales – tonnes</b>	<b>dt</b>	<b>149,762</b>	<b>162,267</b>	<b>312,029</b>
<b>Total Sales – Mn grade</b>	<b>%</b>	<b>35.80</b>	<b>35.96</b>	<b>35.88</b>

### **Mining**

During the quarter ended 30 June 2018, a total of 2.32 million bcms of material was mined including 421,511 tonnes of ore. Mining activities continued in the Shekuma 6B and the Chugga Far North A pits. Mining in the northern side of the Shekuma pit was hampered by numerous fault structures, ground water ingress and a footwall slip. Chugga Far North started to present continuous ore drill floors.

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

Mining of the Gogo 5B deposit was completed in May 2018. Higher grade ores from the Chugga Far North and Shekuma deposits will form the basis of plant feed for the next 2 years with improved processing plant mass yields expected.

### **Processing**

The Mine achieved ore production of 185,600 tonnes for the quarter ended 30 June 2018 at an average grade of 35.67% Mn. Plant throughputs were hampered by wet sticky ores mined from the bottom of the Gogo 5B and Shekuma 6A and 6B pits. A major 3-day plant shutdown at the end of May 2018 has since resulted in an increase in plant availability in June 2018.

### **Logistics**

During the quarter ended 30 June 2018, a total of 149,762 tonnes of manganese product was exported through the Port of Darwin in five vessels. Comparatively, in the corresponding



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quarter in 2017, a total of 150,741 tonnes of manganese product was exported through the Port of Darwin in five vessels.

### **Unit operating costs**

The C1 unit cash operating cost for the quarter ended 30 June 2018 was A\$4.02/dmtu (US\$3.04/dmtu) as compared to A\$4.48/dmtu (US\$3.52/dmtu) for the quarter ended 31 March 2018. The decrease in the C1 unit cash operating cost in the current quarter was mainly due to the increase in processing drier ore from Chugga Far North within the ore blend fed into the crusher. June 2018 was the highest production month since the restart of the Bootu Creek Mine, with a total of 75,587 dry tonnes of ore produced.

### **Update on Tailings Retreatment Plant (“TRP”)**

Engineering design of the TRP is nearing completion but has been extended in order to better comply with Australian standards after a review was undertaken by the project team. Delivery is still anticipated within 2018, and the plant is expected to be commissioned in the March 2019 quarter. The capital cost of approximately A\$8.2 million will be funded from internal operating cash flows. Given the significant stockpiles of lower grade ore and heavy media reject material, the TRP is expected to produce approximately 250,000 tonnes of manganese fines per annum with an average grade of between 36% to 38% Mn for approximately 8 years once commissioned.

### **MARKETING AND TRADING UPDATE**

During the quarter ended 30 June 2018, a total of 765,791 tonnes of ores and alloys was transacted, representing approximately a 17.5% quarter-on-quarter decrease compared to the quarter ended 31 March 2018 of 927,724 tonnes. This decrease is related to the seasonal factors affecting OM Sarawak and OMM.

According to Worldsteel, world crude steel production for the quarter ended 30 June 2018 was 454 million tonnes, representing an increase of 6.2% from the same corresponding quarter in 2017. China’s crude steel production for the quarter ended 30 June 2018 amounted to 238 million tonnes, representing a 12.9% increase as compared to the quarter ended 31 March 2018 and was 9.1% higher as compared to the quarter ended 30 June 2017.

Metal Bulletin reported that the price of 44% Mn ore closed at US\$6.83/dmtu CIF China at the end of June 2018. This represented a decrease of US\$1.93/dmtu from the previous quarter of US\$8.76/dmtu CIF China. Following four consecutive quarters of price increases, the price of manganese ore has stabilised at current levels.

Platts reported that prices of FeSi to Japan closed higher at US\$1,435 per metric tonne at the end of June 2018, up from US\$1,385 per metric tonne at the end of March 2018. The price of FeSi remained robust with solid support from the increase in steel production and demand in the current quarter, coupled with restricted Chinese output as a result of continued environmental inspections in China.



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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 (100%) for the quarter ended 30 June 2018 totalled 999,751 tonnes (Q2 2017: 827,411 tonnes), representing approximately a 21% 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 had fully paid off one of the respective financiers and the corresponding loan had been discharged. As at 30 April 2018, the Company made further repayments under the restructured arrangements of US\$17.7 million (approximately A\$22.7 million) to certain of its bankers and financiers, leaving a total outstanding amount of US\$21.6 million (equivalent to approximately A\$27.7 million) of the restructured loans as at 30 April 2018.

The Company has since made further repayments from 1 May 2018 onwards which were over and above those required to be repaid within the scheduled repayment time frame. Consequently, the restructured loans outstanding of US\$21.6 million were fully repaid in June 2018 and the corresponding securities have all been discharged.

### **CAPITAL STRUCTURE**

During the quarter ended 30 June 2018, there were movements in the share capital structure of the Company as follows:

- (1) The Company received notices to exercise a total of 832,000 warrants at an exercise price of A\$0.40. Accordingly, the Company has issued 832,000 ordinary shares and received proceeds of A\$332,800.
- (2) In April 2018, convertible notes on issue were reduced further from 20,000,000 to 17,435,500 following the redemption by the Company of a further 10.258% of the original convertible notes for US\$2.2 million (equivalent to approximately A\$2.90 million).

As at 30 June 2018, the Company had 738,623,337 ordinary shares, 17,435,500 unsecured convertible notes and 26,000,000 unlisted warrants on issue.

Yours faithfully

**OM HOLDINGS LIMITED**

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