

OM HOLDINGS LIMITED

(ARBN 081 028 337)



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30 July 2020

ASX Market Announcements

ASX Limited

4th Floor

20 Bridge Street

SYDNEY NSW 2000

Dear Sir/Madam

JUNE 2020 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 2020 of 44,200 tonnes of ferrosilicon (“FeSi”) and 57,692 tonnes of manganese alloy comprised mainly silicomanganese (“SiMn”) and high carbon ferromanganese (“HCFeMn”)
- A total of 30,998 tonnes of FeSi and 44,666 tonnes of manganese alloy were sold during the quarter ended 30 June 2020
- An additional ferrosilicon furnace was temporarily idled during the quarter due to limited manpower as a result of strict travel restrictions imposed by the Malaysia government and other state government authorities. Recruitment of foreign skilled and semi-skilled manpower remains a challenge due to limitations on the hiring of new foreign workers with stricter guidelines requiring adherence

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

- Manganese ore production of 201,589 tonnes with an average grade of 28.43% Mn for the quarter ended 30 June 2020
- Manganese ore shipments for the quarter ended 30 June 2020 were 203,803 tonnes with an average grade of 28.21% Mn and an additional 968 tonnes were sold domestically
- The Ultra Fines Plant (UFP) was commissioned at the end of March 2020 and produced 2,458 tonnes with an average grade of 32.50% Mn for the quarter ended 30 June 2020

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

- Production was suspended at the end of March 2020 for scheduled maintenance on the furnaces. A furnace transformer was subsequently upgraded from 16.5MVA to 25.5MVA to improve production efficiency. 4,811 tonnes of manganese alloy were sold for the quarter ended 30 June 2020 from existing stockpile inventories



OPERATING PERFORMANCE (CONT'D)

MARKETING, TRADING AND MARKET UPDATE

- 380,530 tonnes of ores and alloys were transacted in the period from 1 April 2020 to 30 June 2020 as compared to 449,600 tonnes from 1 January 2020 to 31 March 2020, representing a quarter-on-quarter decrease of 15.4%. Volumes traded were impacted by the reduced demand of ferroalloys due to the general decline in global market demand and a decrease in smelter raw materials traded during the quarter
- World crude steel production during April and May 2020 was 285.2 million tonnes, representing a 10.8% decrease as compared to the same corresponding period in 2019, a significant decrease due to the impact of the COVID-19 pandemic on global industrial activities and demand
- Price of 44% Mn ore closed at US\$5.02/dmtu CIF China at the end of June 2020 after reaching a recent high of US\$6.55/dmtu in early May 2020. 44% Mn ore prices have since further softened amidst easing of supply security concerns in South Africa, a major manganese ore exporting country

COVID-19 EMERGENCE AND RESPONSE

- The Company continues to prioritise the safety and wellbeing of all employees and communities whilst maintaining operational resilience in its key business areas. Continuous improvement in the business continuity plans implemented allows for flexibility in response to the constant changing environment due to the COVID-19 pandemic

CORPORATE

- As previously announced, the Board declared a final dividend of A\$0.01 per ordinary share (for a total of A\$0.02 per ordinary share in FY2019) and subsequently approved to pay A\$0.005 per ordinary share. The deferral of the balance enabled the Company to have access to additional working capital to continue its operations with minimal disruption amidst the uncertain COVID-19 pandemic. The Record Date for the dividend was 8 May 2020 and the final dividend of A\$0.005 per ordinary share was paid on 29 May 2020. The remaining A\$0.005 per share previously deferred will be considered by the Board in late August 2020.



SMELTING

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

OM Sarawak owns a Ferroalloy Smelting Plant in the Samalaju Industrial Park in Sarawak, Malaysia (the “Plant”). The Plant consists of 8 main workshops with a total of 16 units of 25.5 MVA furnaces, of which 10 units are allocated for the production of FeSi and 6 units are 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. The Plant also consists of a sinter plant that has a design capacity to produce 250,000 metric tonnes of sinter ore per annum.

Commercial operation

For the quarter ended 30 June 2020, 13 out of 16 furnaces were in operation with 7 furnaces producing FeSi and 6 furnaces producing manganese alloy.

	Jun 2020 Quarter	Mar 2020 Quarter	YTD 2020
Tonnes			
Production			
Ferrosilicon	44,200	52,308	96,508
Manganese Alloy	57,692	51,723	109,415
Sales			
Ferrosilicon	30,998	49,540	80,538
Manganese Alloy	44,666	55,167	99,833

During the quarter ended 30 June 2020, FeSi production volumes decreased by 16% while manganese alloy production increased by 12%. The decrease in FeSi production volumes were as a result of placing an additional FeSi furnace on maintenance during the quarter due to limited manpower at the Plant as a result of strict travel restrictions imposed by the Malaysia government and other state government authorities due to the COVID-19 pandemic. The recruitment of foreign skilled and semi-skilled manpower remains a challenge due to limitations on the hiring of new foreign workers with stricter guidelines requiring adherence. The lack of skilled manpower has impacted the Plant’s ability to operate to full capacity.

The sales volumes for both FeSi and manganese alloy for the quarter ended 30 June 2020 decreased by 37% and 19% respectively due to weaker global market demand as a result of slower than expected recovery of steel demand as well as the downturn in global economic activity from the COVID-19 pandemic.

The construction handover progress for the raw materials storage warehouses and finished product warehouses has been completed during the quarter. Hot commissioning of the sinter plant has been postponed due to the COVID-19 pandemic and is expected to be conducted in the third quarter of 2020.



SMELTING

OM MATERIALS (QINZHOU) Co Ltd (“OMQ”)

Production and sales from the Qinzhou smelter and sinter plant for the quarter ended 30 June 2020 are summarised below:

	Jun 2020 Quarter	Mar 2020 Quarter	YTD 2020
Tonnes			
Production			
Manganese Alloy	-	10,140	10,140
Manganese Sinter Ore	-	8,051	8,051
Sales			
Manganese Alloy	4,811	3,391	8,202
Manganese Sinter Ore	1,528	-	1,528

Production

Production was suspended following the shut down of OMQ's furnaces at the end of March 2020. A furnace transformer was subsequently upgraded from 16.5MVA to 25.5MVA to improve production efficiency.

Sales

During the quarter ended 30 June 2020, OMQ secured sales of 4,811 tonnes of manganese alloy and 1,528 tonnes of sinter ore. The sales of both manganese alloy and sinter ore were from existing stockpile inventories.



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

Production at the 100% owned Bootu Creek Manganese mine (the “Mine”) for the quarter ended 30 June 2020 is summarised below:

	Unit	June 2020 Quarter	Mar 2020 Quarter	YTD 2020
Mining				
Total Material Mined	bcms	1,572,094	1,301,348	2,873,442
Ore Mined – tonnes	dt	386,400	36,101	422,501
Ore Mined – Mn grade	%	19.01	16.03	18.76
Production				
Lumps – tonnes	dt	169,187	76,138	245,325
Lumps – Mn grade	%	27.05	26.42	26.86
Fines/SPP/UFP – tonnes	dt	32,402	23,421	55,823
Fines/SPP/UFP – Mn grade	%	35.62	34.27	35.05
Total Production – tonnes	dt	201,589	99,559	301,148
Total Production – Mn grade	%	28.43	28.27	28.38
Sales				
Lumps – tonnes	dt	173,285	54,711	227,996
Lumps – Mn grade	%	26.88	26.16	26.71
Fines/SPP – tonnes	dt	31,486	10,427	41,913
Fines/SPP – Mn grade	%	35.54	35.29	35.48
Total Sales – tonnes	dt	204,771	65,138	269,909
Total Sales – Mn grade	%	28.21	27.62	28.07

Mining

During the quarter ended 30 June 2020, a total of 1.6 million bcms of material was mined including 386,400 tonnes of ore at a grade of 19.01% Mn.

Mining activities focussed on developing the Masai 4, Masai 3 and Masai 2B cutbacks. Mining in Masai 3 started off slowly due to undulating terrain.

During the quarter no rainfall events were recorded. Masai 4 however encountered wet conditions due to the close proximity of the water table to the ore body, with Masai 2 demonstrating similar conditions as it nears completion. The extracted wet ore further impacted the processing plants feed.

The total material mined in the quarter ended 30 June 2020 was higher than in the previous quarter ended 31 March 2020 due to the slow start-up phase in the previous quarter where all the cutbacks were required to be mined from the surface.

All waste material mined was utilised as backfill on the Masai 1, 2 and 3 West Waste Rock Dumps. The waste material of Masai 2 and 3 had to be hauled to backfill the Yaka 4 pit. The long haulage distance to Yaka 4 and the utilisation of most of the haul trucks negatively impacted the production of ROM.



With the completion of mining at Masai 4 during the quarter ended 30 June 2020, mining and production activities will be focused on advancing the Masai 2 and 3 pits on the Western Limb and Chugga Far North on the Eastern Limb.

Geotechnical review and design works were completed at the end of the quarter on the Chugga Far North pit, with studies on the Shekuma pit still underway.

Processing

The Mine achieved ore production of 201,589 tonnes for the quarter ended 30 June 2020 at an average grade of 28.43% Mn.

A total of 516,276 tonnes of ore was crushed for the quarter ended 30 June 2020 including 222,435 tonnes of mineralised waste. The 527,965 tonnes of scrubbed material had a yield of 38.18%. The improved yield was attributed to feeding an increased proportion of higher-grade ore directly from the western limb pits. The lump product grade strategy continued to target 26% Mn in line with processing the lower yielding western limb ores.

The UFP produced 2,553 tonnes of product at 32.48% Mn for the quarter ended 30 June 2020. An independent engineer has been engaged to review the technical start-up issues identified and implement measures aimed at optimising the performance of the UFP.

Logistics

During the quarter ended 30 June 2020, a total of 203,803 tonnes of manganese product was exported through the Port of Darwin in six vessels. 968 tonnes were sold domestically. Comparatively, in the previous quarter, a total of 65,138 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 30 June 2020 was A\$4.65/dmtu (US\$3.06/dmtu) as compared to A\$7.99/dmtu (US\$5.27/dmtu) for the quarter ended 31 March 2020. The decrease in the C1 unit cash operating cost in the current quarter was mainly due to the increase in production from mining Masai 2 and 4 ore.

Business Continuity

OMM's COVID-19 Management Plan was submitted and approved by the Northern Territory Government with the aim for operations to continue in a safe and sustainable manner, allowing interstate travel to and from the mine site. OMM also has the flexible option to utilise its Northern Territory based employees, which comprise 70% of its workforce to minimize the impact on OMM's production capacity.



MARKETING AND TRADING UPDATE

During the quarter ended 30 June 2020, a total of 380,530 tonnes of ores and alloys were transacted, representing approximately a 15.4% quarter-on-quarter decrease compared to the quarter ended 31 March 2020. This decrease in volumes traded were impacted by the reduced demand of ferroalloys due to the general decline in global market demand and a decrease in smelter raw materials traded during the quarter. Weaker market conditions were impacted by the slower than expected recovery for steel demand, as well as the downturn in global economic activity from the COVID-19 pandemic.

According to Worldsteel, world crude steel production during April and May 2020 was 285.2 million tonnes, representing a decrease of 10.8% as compared to the same corresponding period in 2019, a significant decrease due to the impact of COVID-19 pandemic on global industrial activities and demand.

Fastmarkets MB (previously known as Metal Bulletin) reported that the price of 44% Mn ore closed at US\$5.02/dmtu CIF China at the end of June 2020 after hitting a recent high of US\$6.55/dmtu in early May 2020. 44% Mn ore prices have since softened amidst easing of supply security concerns in South Africa, a major manganese ore exporting country.

Platts reported that prices of FeSi to Japan closed lower at US\$975 per metric tonne at the end of June 2020, a decrease from US\$1,050 per metric tonne at the end of March 2020.

OM Holdings Limited

CORPORATE

1. Tshipi é Ntle Manganese Mining (Pty) Ltd (“Tshipi”)

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

OMH (26%) and Ntsimbintle Holdings Proprietary Limited (74%) are shareholders in Ntsimbintle Mining Proprietary Limited (“NMPL”). NMPL holds a 50.1% interest in Tshipi, an independently operated and managed black-empowered manganese mining company that operates the Tshipi Borwa Manganese Mine located in the world class Kalahari Manganese field in South Africa. The Tshipi Borwa Manganese Mine currently has a production capacity of 3.3 to 3.6 million tonnes per annum.

In March 2020, Tshipi paid to NMPL a dividend of ZAR 132.8 million (approximately US\$8.5 million) for the 6 months ended 29 February 2020. The Group received its share of the dividend of ZAR 32.8 million (approximately US\$1.9 million) net of withholdings tax from NMPL in May 2020.

Tshipi Borwa Manganese Mine

Tshipi exports (100%) for the quarter ended 30 June 2020 totalled 527,326 tonnes (Q2 2019: 945,078 tonnes), representing a 44.2% decrease from the corresponding quarter in 2019. Tshipi exports (100%) for the previous quarter ended 31 March 2020 were 676,917 tonnes.

The Tshipi Borwa Manganese Mine resumed full operations since the easing of the lockdown in South Africa in late April 2020. Sales volumes during the quarter however, were impacted by constrained logistical problems transporting ores to the port.

2. Final Dividend

As previously announced, the Board declared a final dividend of A\$0.01 per ordinary share for FY2019 and subsequently approved to pay A\$0.005 per ordinary share. The deferral of the balance enabled the Company to have access to additional working capital to continue its operations with minimal disruptions amidst the uncertain COVID-19 pandemic. The Record Date for the dividend was 8 May 2020 and the final dividend of A\$0.005 per ordinary share was paid



on 29 May 2020. The balance of A\$0.005 per share which was deferred will be considered by the Board in late August 2020.

3. Update on Bryah Farm-In and Joint Venture Agreement

As previously announced, OMM has executed a binding Farm-In and Joint Venture Agreement for the Bryah Basin Manganese Project with Bryah Resources Limited (ASX Code: BYH) ("Bryah Project").

In 2019 OMM paid a signing fee of A\$0.25 million, funded A\$0.5 million of exploration expenditure in the initial exploration program and paid an exercise fee of A\$0.25 million to secure an initial 10% interest in the joint venture ("JV"). OMM recently increased its JV interest from 10% to 20% by funding \$500,000 of exploration expenditure.

During the quarter ended 30 June 2020, OMM made commitments to fund A\$500,000 for the next phase of exploration which will increase OMM's JV interest to 30%.

Exploration Activities

Manganese exploration activities under the JV during the quarter ended 30 June 2020 includes the completion of the following drilling activities:

1. Follow-up drilling at the Horseshoe South mine, Brumby Creek and Black Hill prospects;
2. Frist pass drilling at the Mount Labouchere prospect; and
3. Flora survey at Black Beauty and Cheval prospects

The approval on the flora survey is expected to be received from the Department of Mines, Industry Regulation and Safety (DMIRS) to permit the commencement of drilling. A bulk sample collected from the Horseshoe South Extended Pit was shipped to Bootu Creek Mine for beneficiation test work by OMM's technical team.

4. Element 25 Limited ("E25")

During the quarter ended 30 June 2020, the Company executed a non-binding Memorandum of Understanding between its wholly-owned subsidiary, OM Materials (S) Pte. Ltd., with E25 for the future supply of manganese ore from E25's 100% owned Butcherbird Manganese Project.

CAPITAL STRUCTURE

There was no movement in the share capital structure of the Company during the quarter ended 30 June 2020. As at 30 June 2020, the Company had 738,623,337 ordinary shares and 12,500,000 unsecured convertible notes on issue.

Yours faithfully

OM HOLDINGS LIMITED

Heng Siow Kwee/Julie Wolseley
Joint Company Secretary

This ASX announcement was authorised for release by the Board of OM Holdings Limited.

Further enquiries please contact:

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