

# OM HOLDINGS LIMITED

(ARBN 081 028 337)



No. of Pages Lodged: 7

25 October 2018

ASX Market Announcements

ASX Limited

4<sup>th</sup> Floor

20 Bridge Street

SYDNEY NSW 2000

Dear Sir/Madam

## SEPTEMBER 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 September 2018 of 58,121 tonnes of ferrosilicon (“FeSi”) and 55,628 tonnes of manganese alloy comprising mainly silicomanganese (“SiMn”) and high carbon ferromanganese (“HCFeMn”)
- Production for the quarter ended 30 September 2018 has continued to exceed the furnace design capacity for all ferroalloy products. The average daily production output achieved was approximately 64 tonnes of FeSi, 102 tonnes of SiMn and 152 tonnes of HCFeMn per furnace per day for the quarter ended 30 September 2018, which was comparable to the quarter ended 30 June 2018
- A total of 61,179 tonnes of FeSi and 57,097 tonnes of manganese alloy were sold during the quarter ended 30 September 2018

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

- Record quarterly manganese ore production since the restart of the Mine in February 2017. Manganese ore production of 276,600 tonnes with an average grade of 35.99% for the quarter ended 30 September 2018
- Manganese ore shipments for the quarter ended 30 September 2018 was 251,972 tonnes with an average grade of 36.15% Mn
- The Tailings Retreatment Plant is scheduled for pre-delivery commissioning at the contractor’s facility in South Africa in January 2019 before shipment to Australia and commissioning at Bootu Creek is anticipated to occur in the early part of the second quarter of 2019

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

- OMQ produced 8,283 tonnes of manganese alloy and 9,495 tonnes of manganese sinter ore, and sold 11,718 tonnes of manganese alloy for the quarter ended 30 September 2018



## OPERATING PERFORMANCE (CONT'D)

### MARKETING AND TRADING, AND MARKET UPDATE

- 559,576 tonnes of ores and alloys were transacted in the period from 1 July 2018 to 30 September 2018 as compared to 765,791 tonnes from 1 April 2018 to 30 June 2018, representing a quarter-on-quarter decrease of 26.9%, due to a net reduction of third party ores traded
- World crude steel production from January to August 2018 was 1.19 billion tonnes, representing a 4.8% increase as compared to the same corresponding period in 2017
- China's crude steel production from January to August 2018 amounted to 617 million tonnes, representing a 159% increase as compared to the same corresponding period in 2017

### CORPORATE

- On 21 September 2018, shareholders approved an interim dividend of A\$0.03 per fully paid ordinary share. The Record Date for the dividend was 5 October 2018 and the Payment Date will be 26 October 2018. The resumption of the Company's dividend policy is acknowledgement for the solid performance of the Group's operations in the first half of 2018
- On 24 September 2018, the Company was included within the S&P/ASX 300 index
- In October 2018, the Company received an interim dividend of approximately A\$21 million (net of withholding tax) through its wholly owned subsidiary which has a 26% interest in Ntsimbintle Mining Limited (formerly known as Main Street 774 Proprietary Limited), which holds a 50.1% interest in Tshipi é Ntle Manganese Mining Proprietary Limited ("Tshipi"). Tshipi owns the Tshipi Borwa Manganese Mine in South Africa



## **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 September 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 September 2018 were as follows:

	<b>Sep 2018 Quarter</b>	<b>Jun 2018 Quarter</b>	<b>9 months YTD 2018</b>
Tonnes			
<b>Production</b>			
Ferrosilicon	<b>58,121</b>	<b>52,171</b>	<b>162,723</b>
Manganese Alloy	<b>55,628</b>	<b>61,229</b>	<b>180,607</b>
<b>Sales</b>			
Ferrosilicon	<b>61,179</b>	<b>44,766</b>	<b>165,527</b>
Manganese Alloy	<b>57,097</b>	<b>53,782</b>	<b>176,692</b>

During the quarter ended 30 September 2018, the Plant produced a total of 58,121 tonnes of FeSi and 55,628 tonnes of manganese alloy. FeSi production volumes for the current quarter increased by approximately 11% as compared to the quarter ended 30 June 2018 mainly due to the commencement of production from the final FeSi furnace on 1 June 2018. Production for manganese alloy decreased by approximately 9% for the quarter ended 30 September 2018 as compared to the quarter ended 30 June 2018, mainly due to the development and production of higher grades of manganese alloys as demanded by the market. These grades command a premium but require more power to produce.

The Plant successfully produced a premium grade of SiMn (“low carbon silicomanganese”) during the quarter ended 30 September 2018, thus expanding the product mix offerings and elevating OM Sarawak’s position to one of the few ferroalloy producers capable of supplying in bulk this strategic resource for the stainless steel industry.

During the quarter ended 30 September 2018, the FeSi furnaces achieved an average daily production output of approximately 64 tonnes of FeSi per furnace, which is comparable to that achieved in the quarter ended 30 June 2018. 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 152 tonnes respectively for the quarter ended 30 September 2018.

For the quarter ended 30 September 2018, a total of 61,179 tonnes of FeSi and 57,097 tonnes of manganese alloy were sold, as compared to 44,766 tonnes of FeSi and 53,782 tonnes of manganese alloy for the quarter ended 30 June 2018. This represented an increase of approximately 37% and 6% for FeSi and manganese alloy respectively. The increase in sales volume for the current quarter was mainly due to strong ferroalloy demand and sales volumes from for the quarter ended 30 June 2018 recognised in the quarter ended 30 September 2018 due to the logistical delays experienced in the previous quarter.



## **SMELTING**

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

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

	<b>Sep 2018 Quarter</b>	<b>Jun 2018 Quarter</b>	<b>9 months YTD 2018</b>
Tonnes			
<b>Production</b>			
Manganese Alloy	<b>8,283</b>	<b>9,913</b>	<b>27,249</b>
Manganese Sinter Ore	<b>9,495</b>	<b>10,553</b>	<b>27,920</b>
<b>Sales</b>			
Manganese Alloy	<b>11,718</b>	<b>7,611</b>	<b>30,837</b>
Manganese Sinter Ore	-	-	-

### **Production**

During the quarter ended 30 September 2018, OMQ produced a total of 8,283 tonnes of manganese alloy and 9,495 tonnes of manganese sinter ore.

### **Sales**

During the quarter ended 30 September 2018, OMQ secured sales of 11,718 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 September 2018 is summarised below:

	<b>Unit</b>	<b>Sep 2018 Quarter</b>	<b>Jun 2018 Quarter</b>	<b>9 months YTD 2018</b>
<b>Mining</b>				
Total Material Mined	bcms	2,313,862	2,320,063	6,514,798
Ore Mined – tonnes	dt	588,018	421,511	1,390,678
Ore Mined – Mn grade	%	23.35	21.60	22.38
<b>Production</b>				
Lumps – tonnes	dt	213,361	139,497	473,890
Lumps – Mn grade	%	35.73	35.52	35.63
Fines/SPP – tonnes	dt	63,239	46,103	146,588
Fines/SPP – Mn grade	%	36.87	36.13	36.60
<b>Total Production – tonnes</b>	<b>dt</b>	<b>276,600</b>	<b>185,600</b>	<b>620,478</b>
<b>Total Production – Mn grade</b>	<b>%</b>	<b>35.99</b>	<b>35.67</b>	<b>35.86</b>
<b>Sales</b>				
Lumps – tonnes	dt	179,321	114,512	414,289
Lumps – Mn grade	%	35.88	35.58	35.75
Fines/SPP – tonnes	dt	72,651	35,250	149,712
Fines/SPP – Mn grade	%	36.81	36.50	36.69
<b>Total Sales – tonnes</b>	<b>dt</b>	<b>251,972</b>	<b>149,762</b>	<b>564,001</b>
<b>Total Sales – Mn grade</b>	<b>%</b>	<b>36.15</b>	<b>35.80</b>	<b>36.00</b>



---

## **Mining**

During the quarter ended 30 September 2018, a total of 2.31 million bcms of material was mined including 588,018 tonnes of ore at 23.35% Mn grade. Mining activities continued in the Shekuma 6 and the Chugga Far North pits. The continued development of Chugga Far North progressed further north with the next stage of cut backs having commenced during the current quarter. Improved ore mining and Mn grade occurred for the quarter ended 30 September 2018 as compared to the preceding quarter. This was due to the large ore zone of Shekuma 6 being exposed which resulted in improved processing plant yields for the quarter ended 30 September 2018.

Concentration of the mining fleet was retained within the eastern limb of the Bootu Creek Syncline. The close proximity of the Shekuma 6 and Chugga Far North deposits to the processing plant, mining workshop and associated infrastructure resulted in improved mining efficiency and reduced unit costs.

The mining fleet will move to the western limb of the Bootu Creek Syncline to commence the cut backs of Masai, Tourag and Yaka with the completion of Shekuma 6. The ore deposits from the western limb will form the basis of plant feed for the processing plant over the next 12 months.

## **Processing**

The Mine achieved record ore production of 276,600 tonnes for the quarter ended 30 September 2018 at an average grade of 35.99% Mn since the restart of the Mine in February 2017. Improved yields and plant availability led to increased throughputs, which resulted in a strong result for the current quarter with production increasing by approximately 49% as compared to the preceding quarter. The highlight for the quarter ended 30 September 2018 was the record monthly production achieved for August 2018 of 101,115 tonnes. Production for the next quarter is expected to remain strong with the continued supply of ore feed from Shekuma and Chugga Far North.

## **Logistics**

During the quarter ended 30 September 2018, a total of 251,972 tonnes of manganese product was exported through the Port of Darwin in six vessels. Comparatively, in the corresponding quarter in 2017, a total of 251,104 tonnes of manganese product was exported through the Port of Darwin in seven vessels.

## **Unit operating costs**

The C1 unit cash operating cost for the quarter ended 30 September 2018 was A\$3.15/dmtu (US\$2.30/dmtu) as compared to A\$4.02/dmtu (US\$3.04/dmtu) for the quarter ended 30 June 2018. The decrease in the C1 unit cash operating cost in the current quarter was mainly due to production efficiencies achieved through higher plant through-put rates, improvement in plant utilisation and higher yields achieved from Shekuma ore.

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

The TRP has been split into 3 distinct phases:

1. Phase 1: the tailings reflux classifier circuit currently under construction in South Africa.
2. Phase 2 (agglomeration): evaluating the preferred path of granules, extruded or briquette product.
3. Phase 3: the additional crushing and screening plant to crush the heavy media separation (“HMS”) rejects material.

Phase one was originally forecast for commissioning in October 2018. However delays due to variations in electrical scope and design to ensure the electrics met all relevant Australian standards has deferred the delivery date of the TRP to OMM out to the first quarter of 2019.



---

The TRP is expected to be commissioned on site in the early part of the second quarter of 2019.

The mechanical and structural steel for Phase 1 is currently being fabricated with works 30% completed and all long lead time equipment have been ordered

All schedules are currently being reviewed in an effort to keep the delivery date to OMM within December 2018.

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 TRP 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 once commissioned.

### **MARKETING AND TRADING UPDATE**

During the quarter ended 30 September 2018, a total of 559,576 tonnes of ores and alloys was transacted, representing approximately a 26.9% quarter-on-quarter decrease compared to the quarter ended 30 June 2018 of 765,791 tonnes. This decrease was mainly from lower volumes of third party ores traded in the current quarter.

According to Worldsteel, world crude steel production from January to August 2018 was 1.19 billion tonnes, representing an increase of 4.8% from the same corresponding period in 2017. China's crude steel production from January to August 2018 amounted to 617 million tonnes, representing a 5.9% increase as compared to the same corresponding period in 2017.

Metal Bulletin reported that the price of 44% Mn ore closed at US\$7.29/dmtu CIF China at the end of September 2018. This represented an increase of US\$0.46/dmtu from the previous quarter of US\$6.83/dmtu CIF China. Manganese ore prices have been generally stable with a marginal upward trend during the current quarter.

Platts reported that prices of FeSi to Japan closed lower at US\$1,295 per metric tonne at the end of September 2018, a decrease from US\$1,435 per metric tonne at the end of June 2018. The drop in the price of FeSi was a market correction from the rebalancing of supply and demand in China.



---

## **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.

On 3 October 2018, Main Street 774 Proprietary Limited changed its name to Ntsimbintle Mining Limited (“NML”). NML 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 3.6 million tonnes per annum.

NML is currently assessing and considering a potential listing by way of an initial public offering on the securities exchange which JSE Limited is licensed to operate in South Africa. Irrespective of whether the listing proceeds or not, the Company currently intends to retain its strategic investment holding in NML, as well as its existing marketing rights over its share of manganese ore allocation from the Tshipi Borwa Manganese Mine.

In October 2018, NML paid to the Company an interim dividend of approximately ZAR 215 million (approximately A\$21 million) net of withholding taxes for the six months ended 31 August 2018.

#### **Tshipi Borwa Manganese Mine**

Tshipi exports (100%) for the quarter ended 30 September 2018 totalled 918,090 tonnes (Q3 2017: 869,686 tonnes), representing approximately a 6% increase from the corresponding quarter in 2017. Tshipi exports (100%) for the previous quarter ended 30 June 2018 were 999,751 tonnes.

#### **2. Dividend and S&P/ASX 300**

On 21 September 2018, the Company’s shareholders approved an interim dividend of A\$0.03 per fully paid ordinary share. The Record Date for the dividend was 5 October 2018 and the Payment Date will be 26 October 2018.

On 24 September 2018 the Company was included within the S&P/ASX 300 index.

### **CAPITAL STRUCTURE**

There were no movements in the share capital structure of the Company during the quarter ended 30 September 2018. As at 30 September 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**