

# 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

## DECEMBER 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

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

- Production output for the quarter ended 31 December 2018 of 57,792 tonnes of ferrosilicon (“FeSi”) and 61,734 tonnes of manganese alloy comprising mainly silicomanganese (“SiMn”) and high carbon ferromanganese (“HCFMn”)
- For the quarter ended 31 December 2018, furnaces continued to outperform their respective design capacities. Operations have consistently achieved stable outperformance and are deemed to be in steady state
- A total of 60,222 tonnes of FeSi and 64,474 tonnes of manganese alloy were sold during the quarter ended 31 December 2018

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

- Manganese ore production of 193,562 tonnes with an average grade of 35.46% Mn for the quarter ended 31 December 2018
- Manganese ore shipments for the quarter ended 31 December 2018 were 231,973 tonnes with an average grade of 35.67% Mn and an additional 1,041 tonnes were sold domestically
- The construction of the Tailings Retreatment Plant at the contractor’s site is almost complete and shipment to Australia and commissioning at Bootu Creek is expected to occur in the early part of the second quarter of 2019

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

- OMQ produced 11,274 tonnes of manganese alloy and 14,354 tonnes of manganese sinter ore, and sold 10,060 tonnes of manganese alloy for the quarter ended 31 December 2018



## **OPERATING PERFORMANCE (CONT'D)**

### **MARKETING AND TRADING, AND MARKET UPDATE**

- 504,895 tonnes of ores and alloys were transacted in the period from 1 September 2018 to 31 December 2018 as compared to 559,576 tonnes from 1 July 2018 to 30 September 2018, representing a quarter-on-quarter decrease of approximately 10%, due to a net reduction of third party ores traded
- World crude steel production from January to November 2018 was 1.64 billion tonnes, representing a 6% 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 it was paid on 26 October 2018.
- 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



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## **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 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 31 December 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 31 December 2018 were as follows:

	<b>Dec 2018 Quarter</b>	<b>Sep 2018 Quarter</b>	<b>YTD 2018</b>
Tonnes			
<b>Production</b>			
Ferrosilicon	<b>57,792</b>	<b>58,121</b>	<b>220,515</b>
Manganese Alloy	<b>61,734</b>	<b>55,628</b>	<b>242,341</b>
<b>Sales</b>			
Ferrosilicon	<b>60,222</b>	<b>61,179</b>	<b>225,749</b>
Manganese Alloy	<b>64,474</b>	<b>57,097</b>	<b>241,166</b>

During the quarter ended 31 December 2018, the Plant produced a total of 57,792 tonnes of FeSi and 61,734 tonnes of manganese alloy. FeSi production volumes for the current quarter were comparable to the production volumes for the quarter ended 30 September 2018. Production of manganese alloy increased by approximately 11% for the quarter ended 31 December 2018 as compared to the quarter ended 30 September 2018.

For the quarter ended 31 December 2018, the furnaces continued to outperform their respective design capacities. Operations have consistently achieved stable outperformance and are deemed to be in steady state

During the quarter ended 31 December 2018, a total of 60,222 tonnes of FeSi and 64,474 tonnes of manganese alloy were sold, as compared to 61,179 tonnes of FeSi and 57,097 tonnes of manganese alloy for the quarter ended 30 September 2018.



## **SMELTING**

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

Production and sales from the Qinzhou smelter and sinter plant for the quarter ended 31 December 2018 are summarised below:

	<b>Dec 2018 Quarter</b>	<b>Sep 2018 Quarter</b>	<b>YTD 2018</b>
Tonnes			
<b>Production</b>			
Manganese Alloy	<b>11,274</b>	<b>8,283</b>	<b>38,523</b>
Manganese Sinter Ore	<b>14,354</b>	<b>9,495</b>	<b>42,274</b>
<b>Sales</b>			
Manganese Alloy	<b>10,060</b>	<b>11,718</b>	<b>40,897</b>
Manganese Sinter Ore	<b>-</b>	<b>-</b>	<b>-</b>

## **Production**

During the quarter ended 31 December 2018, OMQ produced a total of 11,274 tonnes of manganese alloy and 14,354 tonnes of manganese sinter ore.

## **Sales**

During the quarter ended 31 December 2018, OMQ secured sales of 10,060 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 December 2018 is summarised below:

	<b>Unit</b>	<b>Dec 2018 Quarter</b>	<b>Sep 2018 Quarter</b>	<b>YTD 2018</b>
<b>Mining</b>				
Total Material Mined	bcms	1,911,309	2,313,862	8,426,107
Ore Mined – tonnes	dt	428,333	588,018	1,818,011
Ore Mined – Mn grade	%	20.52	23.35	21.94
<b>Production</b>				
Lumps – tonnes	dt	148,389	213,361	622,279
Lumps – Mn grade	%	35.06	35.73	35.50
Fines/SPP – tonnes	dt	45,173	63,239	191,761
Fines/SPP – Mn grade	%	36.75	36.87	36.64
<b>Total Production – tonnes</b>	<b>dt</b>	<b>193,562</b>	<b>276,600</b>	<b>814,040</b>
<b>Total Production – Mn grade</b>	<b>%</b>	<b>35.46</b>	<b>35.99</b>	<b>35.77</b>
<b>Sales</b>				
Lumps – tonnes	dt	179,489	179,321	593,778
Lumps – Mn grade	%	35.45	35.88	35.66
Fines/SPP – tonnes	dt	53,525	72,651	203,237
Fines/SPP – Mn grade	%	36.40	36.81	36.62
<b>Total Sales – tonnes</b>	<b>dt</b>	<b>233,014</b>	<b>251,972</b>	<b>797,015</b>
<b>Total Sales – Mn grade</b>	<b>%</b>	<b>35.67</b>	<b>36.15</b>	<b>35.90</b>



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## **Mining**

During the quarter ended 31 December 2018, a total of 1.91 million bcms of material was mined including 428,333 tonnes of ore at 20.52% Mn grade. Mining activities were completed in the Shekuma Stage 6 pit, continued in the Chugga Far North pit and mining commenced in the Tourag Stage 8 pit.

The total material and ore mined in the quarter ended 31 December 2018 was lower than in the quarter ended 30 September 2018 due to the completion of mining in Shekuma Stage 6 pit. In addition, mining was slow in Chugga Far North Stages C and D due to issues with complex faulting and high iron, and in Tourag with the initial de-stacking of the older ramps. The commencement of mining activities at Yaka Stage 4 was delayed pending environmental approval.

The remaining ore in Chugga Far North Stage D pit will continue to be mined at a reduced rate. However, this is not anticipated to impact overall ore recovery. The ore in the recently commenced Chugga Far North Stages E and F is expected to be mined in the next quarter with a much lower iron content (an indicator of complex faulting) and should result in higher production rates once pre-stripping is completed.

The mining fleet is currently split between the eastern and western limbs of the Bootu Creek Syncline, requiring road train haulage from satellite ore pads to the main ROM.

## **Processing**

The Mine achieved ore production of 193,562 tonnes for the quarter ended 31 December 2018 at an average grade of 35.46% Mn.

The plant processed 580,646 tonnes of ROM for the quarter ended 31 December 2018 with a yield of 33.33% against the budgeted yield of 40.17%. The lower yield is attributed to the higher iron content ore mined from Chugga Far North Stages C and D.

## **Logistics**

During the quarter ended 31 December 2018, a total of 231,973 tonnes of manganese product was exported through the Port of Darwin in seven vessels, with an additional 1,041 tonnes sold domestically. Comparatively, in the corresponding quarter in 2017, a total of 173,086 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 31 December 2018 was A\$4.58/dmtu (US\$3.29/dmtu) as compared to A\$3.15/dmtu (US\$2.30/dmtu) for the quarter ended 30 September 2018. The increase in the C1 unit cash operating cost in the current quarter was mainly due to lower than expected yields attributed to lower production volumes which resulted in a higher overall C1 cost.

## **Update on Tailings Retreatment Plant ("TRP")**

Construction of the TRP at the contractor's premises is nearing completion and pre-delivery commissioning is expected by the middle of February 2019. Upon arrival at the mine site, the TRP will be assembled and final on-site commissioning is expected in the early part of the second quarter of 2019.

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.



*TRP being assembled for pre-delivery commissioning*

## **MARKETING AND TRADING UPDATE**

During the quarter ended 31 December 2018, a total of 504,895 tonnes of ores and alloys was transacted, representing approximately a 10% quarter-on-quarter decrease compared to the quarter ended 30 September 2018 of 559,576 tonnes. This decrease was mainly from lower volumes of third party ores traded.

According to Worldsteel, world crude steel production from January to November 2018 was 1.64 billion tonnes, representing an increase of 6% from the same corresponding period in 2017.

Metal Bulletin reported that the price of 44% Mn ore closed at US\$6.96/dmtu CIF China at the end of December 2018. This represented a decrease of US\$0.21/dmtu from the previous quarter of US\$7.17/dmtu CIF China.

Platts reported that prices of FeSi to Japan closed lower at US\$1,260 per metric tonne at the end of December 2018, a decrease from US\$1,295 per metric tonne at the end of September 2018. The marginal drop in the price of FeSi during the quarter was due to increased production rate by Chinese FeSi producers.



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**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 target of approximately 3.3 million tonnes per annum.

NML is continuing to assess and evaluate 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 31 December 2018 totalled 761,236 tonnes (Q4 2017: 892,039 tonnes), representing approximately a 15% decrease from the corresponding quarter in 2017. Tshipi exports (100%) for the previous quarter ended 30 September 2018 were 918,090 tonnes.

**2. Dividend payment**

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 interim dividend of A\$0.03 per fully paid ordinary share was paid out on 26 October 2018.

**CAPITAL STRUCTURE**

There were no movements in the share capital structure of the Company during the quarter ended 31 December 2018. As at 31 December 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**