

OM HOLDINGS LIMITED

(ARBN 081 028 337)



No. of Pages Lodged: 7

30 October 2017

ASX Market Announcements

ASX Limited

4th Floor

20 Bridge Street

SYDNEY NSW 2000

Dear Sir/Madam

SEPTEMBER 2017 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

OVERVIEW

The various business units of the Company are making good progress in their operations and Management is of the opinion that the Company is on track to achieve better performance for FY2017 as compared to FY2016.

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

- Production output for the quarter ended 30 September 2017 was 43,535 tonnes of ferrosilicon (“FeSi”) and 61,517 tonnes of manganese alloy comprising silicomanganese (“SiMn”) and high carbon ferromanganese (“HCFeMn”)
- The average daily production output was approximately 61 tonnes of FeSi, 100 tonnes of SiMn and 142 tonnes of HCFeMn per furnace per day for the quarter ended 30 September 2017
- A total of 45,889 tonnes of FeSi and 60,299 tonnes of manganese alloy were sold during the quarter ended 30 September 2017

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

- Manganese ore production for the quarter ended 30 September 2017 was 200,878 tonnes with an average grading of 35.84%
- Manganese ore shipments for the quarter ended 30 September 2017 was 251,105 tonnes with an average grading of 35.89%

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OPERATING PERFORMANCE (CONT'D)

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

- OMQ produced 9,130 tonnes of manganese alloy and 16,351 tonnes of manganese sinter ore, and sold 9,241 tonnes of manganese alloy and 6,345 tonnes of manganese sinter ore for the quarter ended 30 September 2017

MARKETING AND TRADING, AND MARKET UPDATE

- 813,603 tonnes of ores and alloys were transacted in the period from 1 July 2017 to 30 September 2017 as compared to 336,080 tonnes from 1 April 2017 to 30 June 2017, representing a quarter-on-quarter increase of more than 100%
- World crude steel production for the quarter ended 30 September 2017 was 428.7 million tonnes, representing a marginal 0.5% quarter-on-quarter increase
- China's crude steel production between July 2017 to September 2017 amounted to 220.4 million tonnes, representing a marginal quarter-on-quarter increase of 1.0%



OVERVIEW

The various business units of the Company are making good progress in their respective operations and there is good interaction and coordination at the corporate level. Barring unexpected changes in the business environment, Management is of the opinion that the Company is on track to achieve better performance for FY2017 as compared to FY2016.

SMELTING

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

OM Sarawak owns a Ferro Alloy Smelting Project in the Samalaju Industrial Park in Sarawak, Malaysia (the “**Project**”). The Project 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 units allocated for the production of manganese alloy. The Project has a design capacity to produce approximately 170,000 to 200,000 tonnes of FeSi and 250,000 to 300,000 tonnes of manganese alloy per annum.

Commercial operation

For the period ended 30 September 2017, a total of 14 furnaces were in operation with 7 furnaces producing standard grade FeSi, 1 furnace producing refined FeSi, and 6 furnaces producing manganese alloy. As previously announced, the last furnace for producing manganese alloy commenced operations on 16 July 2017 and in-house modification of the 6 manganese alloy furnaces has now been completed.

	Sept 2017 Quarter	Jun 2017 Quarter	YTD 2017
Tonnes			
Production			
Ferrosilicon	43,535	42,292	124,099
Manganese Alloy	61,517	29,462	110,414
Sales			
Ferrosilicon	45,889	42,689	129,897
Manganese Alloy	60,299	25,946	100,219

The Project produced a total of 43,535 tonnes of FeSi and 61,517 tonnes of manganese alloy in the quarter ended 30 September 2017. This represented an increase of approximately 2.9% and 108.8% respectively over the quarter ended 30 June 2017, and an increase of approximately 35.8% for FeSi over the corresponding quarter in 2016. The substantial increase in manganese alloy was mainly due to the increased number of furnaces running (the prior quarter ended 30 June 2017 saw production ramp up and full production was only realized in June 2017 with a total of 5 furnaces in full production). An additional manganese furnace also started production in the quarter ended 30 September 2017.

During the quarter ended 30 September 2017, the FeSi furnaces achieved an average daily production output of approximately 61 tonnes of FeSi per furnace, which has again exceeded the Company's furnace design capacity of 55 tonnes per furnace per day. The SiMn furnaces also performed according to expectations in the quarter ended 30 September 2017 and achieved the furnace design capacity of 100 tonnes of SiMn per furnace per day. As a result, both the FeSi and SiMn furnaces have achieved a 100% full-utilisation rate again for this quarter. The HCFeMn furnaces are still in the process of stabilisation, but were able to produce approximately 142 tonnes per furnace per day for the quarter ended 30 September 2017, at par with the production tonnage per furnace per day for the quarter ended 30 June 2017.



For the quarter ended 30 September 2017, a total of 45,889 tonnes of FeSi and 60,299 tonnes of manganese alloy was sold, as compared to 42,689 tonnes of FeSi and 25,946 tonnes of manganese alloy for the quarter ended 30 June 2017. The increase in the volume of manganese alloy sold was mainly due to completion and full production of all 6 modified manganese alloy furnaces which resulted in an increase in production volume in the current quarter, coupled with the strong demand for manganese alloy in the global market.

Sales of FeSi achieved for the quarter ended 30 September 2017 was the highest volume sold since the first tapping in September 2014.

Subject to obtaining the relevant approvals, the Company plans to convert two more furnaces to manganese alloy production in 2018, after a strategic review taking into consideration the marketing strategy and price environment of various ferroalloys.

PROCESSING

OM MATERIALS (QINZHOU) Co Ltd (“OMQ”)

Production from the Qinzhou smelter and sinter plant for the quarter ended 30 September 2017 is summarized below:

	Sept 2017 Quarter	Jun 2017 Quarter	YTD 2017
Tonnes			
Production			
Manganese Alloy	9,130	9,816	27,212
Manganese Sinter Ore	16,351	11,464	39,267
Sales			
Manganese Alloy	9,241	9,085	27,267
Manganese Sinter Ore	6,345	251	12,370

Production

During the quarter ended 30 September 2017, OMQ produced a total of 9,130 tonnes of manganese alloy and 16,351 tonnes of manganese sinter ore.

Sales

During the quarter ended 30 September 2017, OMQ secured sales of 9,241 tonnes of manganese alloy and 6,345 tonnes of manganese sinter ore.



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

Production at the Bootu Creek Manganese mine (the “Mine”) for the quarter ended 30 September 2017 is summarised below:

	Unit	Sept 2017 Quarter	Jun 2017 Quarter	YTD 2017
Mining				
Total Material Mined	bcms	1,809,908	1,411,835	4,015,499
Ore Mined – tonnes	dt	462,221	461,346	1,112,061
Ore Mined – Mn grade	%	20.55	22.10	21.39
Production				
Lumps – tonnes	dt	148,906	137,419	348,508
Lumps – Mn grade	%	35.63	35.94	35.69
Fines/SPP – tonnes	dt	51,972	53,263	140,200
Fines/SPP – Mn grade	%	36.42	36.56	36.47
Total Production – tonnes	dt	200,878	190,682	488,708
Total Production – Mn grade	%	35.84	35.57	35.91
Sales				
Lumps – tonnes	dt	183,385	123,494	343,468
Lumps – Mn grade	%	35.71	35.76	35.76
Fines/SPP – tonnes	dt	67,720	27,247	119,066
Fines/SPP – Mn grade	%	36.38	37.30	36.57
Total Sales – tonnes	dt	251,105	150,741	462,534
Total Sales – Mn grade	%	35.89	36.04	35.99

Mining

During the quarter ended 30 September 2017, a total of 1.8 million bcms of material was mined including 462,221 tonnes of ore. Mining activities were concentrated across the Chugga North, Chugga South and GoGo deposits.

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

Higher grade ores from the Chugga North, Chugga South, GoGo and Shekuma deposits will continue to form the basis of plant feed for the next 2 to 3 years adding to expected improved processing plant mass yields.

Processing

The Mine achieved ore production of 200,878 tonnes for the quarter ended 30 September 2017 at an average grade of 35.84% Mn.

Logistics

During the quarter ended 30 September 2017, a total of 251,105 tonnes of manganese product was exported through the Port of Darwin in seven vessels. In the corresponding period in 2016, as the Deed of Company Arrangement (“DOCA”) was terminated on 24 August 2016 and the Mine was in care and maintenance, there was no mining and production activities carried out in the quarter ended 30 September 2016 and consequently no manganese product was exported during the period in 2016.



Unit operating costs

The C1 unit cash operating cost for the quarter ended 30 September 2017 was A\$3.67/dmtu (US\$2.90/dmtu). There was no comparative C1 unit cash operating cost for the quarter ended 30 September 2016 as OMM was in care and maintenance with no mining and production activities took place during that period.

MARKETING AND TRADING UPDATE

During the quarter ended 30 September 2017, a total of 813,603 tonnes of ores and alloys was transacted representing a more than 100% quarter-on-quarter increase compared to the quarter ended 30 June 2017.

According to Worldsteel, world crude steel production for the quarter ended 30 September 2017 was 428.7 million tonnes, representing a marginal 0.5% quarter-on-quarter increase. China's crude steel production also increased marginally by 1.0% to reach 220.4 million tonnes between July 2017 to September 2017. In its October Short Range Outlook, the World Steel Association forecasted that global steel demand will reach 1,648.1 million tonnes in 2018. Steel demand in developing economies (excluding China) is expected to grow by 4.9% in 2018.

Metal Bulletin reported that prices of 44% Mn ore closed at US\$6.54/dmtu at the end of September 2017. This represented an increase of US\$0.67/dmtu from the previous quarter of US\$5.87/dmtu CIF China and signals a healthy supply demand balance in the current market.

Platts reported that prices of FeSi to Japan closed at \$1,380 per metric tonne at the end of September 2017, up from \$1,215 per metric tonne at the end of June 2017.



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 30 September 2017 totalled 869,686 tonnes (Q3 2016: 441,749 tonnes) representing a 96.9% increase from the corresponding quarter in 2016.

COMPLETION OF LOAN RESTRUCTURING

As previously announced, OMH has been in earnest discussions with its bankers and financiers on a restructuring of its loan facilities for the last one year. The loan restructuring has been successfully completed and executed on 23 October 2017.

The outstanding loans that are subject to the restructuring as at the effective date amounted to US\$66.6 million. The loans will be repaid over a 5 year period, based on a quarterly instalment repayment of 2.5% p.a. of the outstanding loans, and a final repayment of the balance outstanding by 30 September 2022.

CAPITAL STRUCTURE

There were no movements in the share capital structure of the Company during the quarter ended 30 September 2017. As at 30 September 2017, the Company had 733,423,337 ordinary shares, 25,000,000 convertible notes and 31,200,000 unlisted warrants on issue.

Yours faithfully

OM HOLDINGS LIMITED

Heng Siow Kwee/Julie Wolseley