

# 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 2014 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**

##### **EXPLORATION AND MINING (OMM, 100% owned Bootu Creek Manganese Mine)**

- December 2014 quarterly manganese ore production of 192,141 tonnes grading 36.09%; 2014 full-year production of 890,337 tonnes grading 35.84%
- December 2014 quarterly manganese ore shipments of 191,119 dry tonnes (198,988 wet tonnes) grading 36.30%; 2014 full-year shipment of 963,151 dry tonnes (1,010,976 wet tonnes) grading 36.02%

##### **PROCESSING (OMQ, 100% owned Smelter and Sinter Plant in Qinzhou)**

- High Carbon Ferro Manganese ("HCFeMn") produced and sold during the quarter of 16,752 tonnes and 19,622 tonnes respectively; 2014 full year HCFeMn production of 85,839 tonnes with record full year sales of 84,774 tonnes



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

- 630,000 tonnes of equity and third party ores and alloys transacted during the quarter
- China's crude steel production between October to December 2014 amounted to 198.91 million tonnes, representing a 0.34% quarter-on-quarter increase; China's full year 2014 crude steel production amounted to 822.70 million tonnes, representing a 0.90% year-on-year increase
- World crude steel production for the December 2014 quarter was 400.45 million tonnes, representing a marginal 0.04% quarter-on-quarter decrease; full year 2014 world crude steel production reached 1.64 billion tonnes, representing a 1.14% year-on-year increase

#### **OM SARAWAK (80%, Samalaju, Malaysia)**

- Interim Commercial Operation Date ("ICOD") achieved during the quarter as the first workshop has achieved commercial operation
- Ferrosilicon produced during the quarter of 8,350 tonnes
- Overall construction progress of Phase 1 of the OM Sarawak ferrosilicon production facility (expressed in terms of cumulated earned value) stands at approximately 87% at the end of December 2014
- Construction of the 275kV power Substation completed
- Civil and structural works for B02 and B03 Workshops nears completion



**EXPLORATION AND MINING**  
**OM (MANGANESE) LTD ("OMM")**  
**BOOTU CREEK MANGANESE MINE (100%, Northern Territory, Australia)**

Production from the Bootu Creek Manganese Mine for the December 2014 Quarter is summarised below:

	Unit	Dec 2014 Quarter	YTD 2014	Sept 2014 Quarter	Dec 2013 Quarter
<b>Mining</b>					
Total Material Mined	bcms	1,844,881	7,398,605	1,492,955	2,238,169
Ore Mined – tonnes	dt	486,628	2,043,786	609,712	586,853
Ore Mined – Mn grade	%	21.16	22.45	23.09	23.96
<b>Production</b>					
Lumps – tonnes	dt	134,910	637,773	177,314	190,657
Lumps – Mn grade	%	35.60	35.32	35.82	34.90
Fines/SPP – tonnes	dt	57,231	252,564	74,097	81,314
Fines/SPP – Mn grade	%	37.23	37.15	36.98	36.74
<b>Total Production – tonnes</b>	<b>dt</b>	<b>192,141</b>	<b>890,337</b>	<b>251,411</b>	<b>271,971</b>
<b>Total Production – Mn grade</b>	<b>%</b>	<b>36.09</b>	<b>35.84</b>	<b>36.16</b>	<b>35.45</b>
<b>Sales</b>					
Lumps – tonnes	dt	134,015	686,068	191,251	135,735
Lumps – Mn grade	%	36.00	35.51	36.03	34.22
Fines/SPP – tonnes	dt	57,104	277,083	88,245	70,197
Fines/SPP – Mn grade	%	37.00	37.28	37.47	37.18
<b>Total Sales – tonnes</b>	<b>dt</b>	<b>191,119</b>	<b>963,151</b>	<b>279,496</b>	<b>205,933</b>
<b>Total Sales – Mn grade</b>	<b>%</b>	<b>36.30</b>	<b>36.02</b>	<b>36.48</b>	<b>35.23</b>

## Mining

During the early part of the December 2014 Quarter, mining activities were conducted in the Shekuma, Yaka and Masai deposits and subsequently focused on the Chugga South, Tourag and Yaka deposits later in the quarter. Mining operations focused on accessing remnant exposed ore in the Chugga South and Tourag deposits whilst a cut back of the Yaka deposit was conducted prior to the impending wet season.

Mining costs continued to decrease during the quarter with efficiency improvements and a re-optimised mine plan. A move to undertake the bulk of the drilling and blasting services 'in-house' further underpins OMM's mine plan and operating strategy of achieving a fully integrated owner-run operation at Bootu Creek.

A comprehensive review of mining operations and mining fleet requirements was finalised in the December Quarter and led to the restructuring of the mining operations in January 2015 from a three panel/excavator fleet operation to a two panel/excavator fleet operation. Unfortunately, however, this restructure also resulted in the redundancy of approximately 25 full time OMM employees. The change in mining operations is expected to allow for a mining fleet capable of material movements of approximately 5 million bcms per annum while maintaining approximately 2 million tonnes of ore at normalised life of mine strip ratios.

## Processing

The mine achieved an ore production of 192,141 tonnes for the December 2014 Quarter at an average grade of 36.09% Mn. Total production for the full year was 890,337 tonnes at an average grade of 35.84% Mn and was the second highest annual production achieved to date.



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Ore supply delivered from the Shekuma and Yaka deposits in the early part of the December quarter continued to demonstrate high process plant yields. Ore delivered from the Chugga South and Masai deposits later in the quarter demonstrated lower metal recoveries with high proportions of fines and clays which impacted process plant yields.

### **Logistics**

During the December 2014 Quarter, a total of 191,119 dry tonnes (198,988 wet tonnes) of manganese product was exported through the Port of Darwin in 5 vessels.

### **Unit Operating Costs**

The C1 unit cash operating cost for the December 2014 Quarter was A\$4.09/dmtu.

The full year C1 unit cash operating cost was A\$4.12/dmtu.



## **PROCESSING**

### **OM MATERIALS (QINZHOU) Co Ltd ("OMQ") (100%, Guangxi, China)**

Production from the Qinzhou smelter and sinter plant for the December 2014 Quarter is summarised below:

	<b>Dec 2014 Quarter</b>	<b>FYTD 2014</b>	<b>Sept 2014 Quarter</b>	<b>Dec 2013 Quarter</b>
Tonnes				
<b>Production</b>				
High Carbon Ferro Manganese ("HCF Mn")	<b>16,752</b>	<b>85,839</b>	<b>22,577</b>	<b>23,760</b>
Mn Sinter Ore	<b>0</b>	<b>86,772</b>	<b>0</b>	<b>49,933</b>
<b>Sales</b>				
High Carbon Ferro Manganese ("HCF Mn")	<b>19,622</b>	<b>84,774</b>	<b>21,431</b>	<b>21,869</b>
Mn Sinter Ore	<b>0</b>	<b>26,329</b>	<b>0</b>	<b>20,643</b>

### **Production**

During the December 2014 Quarter, OMQ produced 16,752 tonnes of HCF Mn. On 27 November 2014, OMQ's production was temporarily ceased for furnace relining and maintenance as both furnaces have been operating continuous for more than 3 years. We expect to commission the plant again towards the 2<sup>nd</sup> Quarter of 2015 in order to tap onto the cheaper power cost during the wet season in Guangxi Province, China.

Despite the temporary cessation, OMQ achieved its annual production plan of 85,000mt of HCF Mn.

### **Sales**

During the December 2014 Quarter, OMQ secured sales of 19,622 tonnes of HCF Mn, and achieved a record sale of 84,774 tonnes for the full year of 2014, surpassing the record achieved in 2013.

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

During the December 2014 Quarter, a total of 630,000 tonnes of ores and alloys was transacted. The shipment of ferrosilicon also commenced this quarter to various customers in Japan, Taiwan and Europe following the successful ramp up of OM Sarawak's furnaces.

According to Worldsteel, crude steel production in China between October to December 2014 amounted to 198.91 million tonnes, representing a 0.34% quarter-on-quarter increase. For the full year 2014, China's crude steel production amounted to 822.70 million tonnes, representing a 0.90% year-on-year increase. World crude steel production for the December 2014 quarter was 400.45 million tonnes, representing a marginal 0.04% quarter-on-quarter decrease, and for the full year of 2014 reached 1.64 billion tonnes, a year-on-year increase of 1.14%.

During the December 2014 Quarter, prices of manganese ore remained relatively stable from the previous quarter with the price of the 44% Mn staying in the range of US\$4.30-US\$4.40/dmtu CIF China.



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## **OM MATERIALS (SARAWAK) SDN BHD (“OM Sarawak”) (80%, Samalaju, East Malaysia)**

OM Sarawak owns a Ferro Alloy Smelting Project in the Samalaju Industrial Park in Sarawak, Malaysia (the “Project”). Phase 1 of the Project has achieved ICOD as the first workshop has achieved commercial operation. The plant is currently ramping up its production while construction of the remaining workshops is also ongoing. Upon completion, the ferrosilicon production facility has the capacity to produce 308,000 tonnes per annum of ferrosilicon alloys.

### **Commercial Operation**

During the December 2014 Quarter, 2 more furnaces from the A02 Workshop were successfully commissioned and tapped. OM Sarawak continues to benefit from the positive momentum generated with the successful tapping from furnace 1 of the A01 Workshop on 22 September 2014, and as at 31 December 2014, has successfully commissioned a total of 4 furnaces.

During the quarter, a total of 8,350 tonnes of ferrosilicon was produced, bringing total ferrosilicon output for full year 2014 to 8,641 tonnes.

The Company will continue to focus on the commissioning of the rest of the furnaces and moving more ferrosilicon tonnages in 2015 to establish itself as a major global ferrosilicon producer, and further drive the Group's business growth and strengthen its financial performance.

### **Construction**

The overall construction progress expressed as the cumulated earned project value was approximately 87% at the end of December 2014.

#### **Substation**

The installation work for the 275kV intake Substation has been completed and is now operating live. The Substation Static Var Compensators (SVC) has also commenced operation. The SVC is performing well above the average power factor at the 275kV Connection Point.

#### **EPC's Delivery and Performance**

The EPC contract works for civil, structural, equipment fabrication and installation work's cumulated earned value was approximately 87% complete at the end of the December 2014 Quarter. The successful start-up and production of ferrosilicon for A02 Workshop marks a major milestone in the EPC contract progress during the quarter.

The civil, structural and equipment installation works for Plant A Workshop, auxiliary facilities and external infrastructures are also close to completion. Following the commissioning of the A01 Workshop in September 2014, A02 Main Workshop was commissioned in December 2014. The first tapping of ferrosilicon from the A02 Main Workshop was successfully carried out during the December 2014 Quarter.

Equipment installation at B01 Workshop in Plant B is substantially completed, while full scale installation works at its auxiliary buildings are concurrently ongoing. Civil and structural works for B02 and B03 Workshops are in its final stages of construction. All infrastructure works in

Plant B (roads, cable trenching, sewage and drainage) are progressing well and will be ready once the workshops are commissioned.



*Overview of Plant A*



*Pouring molten metal into casting mould*



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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 2 manganese prospects in the world class Kalahari Manganese field, namely Tshipi Borwa and Tshipi Bokone.

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

Tshipi exports for the December 2014 Quarter totalled 542,616 tonnes, bringing full year exports to just over 2 million tonnes in its second year of production, in line with its target set earlier in the year.

### **CAPITAL STRUCTURE**

There were no movements in the share capital structure of the Company during the quarter. As at 31 December 2014, 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  
**Company Secretary**





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## **BACKGROUND PROFILE OF OM HOLDINGS LIMITED**

*OMH Holdings Limited (OMH) was listed on the ASX in March 1998 and has its foundations in metals trading – incorporating the sourcing and distribution of manganese ore products.*

*OMH is involved in mining manganese product in Australia and South Africa and is currently constructing a smelter in Sarawak, Malaysia to produce ferrosilicon and ferro-manganese intermediate products. The smelter project is owned 80% by OMH.*

*The first phase of the Sarawak smelter project has commenced production in September 2014 and will ramp up to full commercial production in 2015. When completed the ferrosilicon production facility's capacity of 308,000 tonnes per annum will make it one of the largest ferrosilicon smelters globally.*

*OMH, through a wholly owned subsidiary, owns the Bootu Creek manganese mine in the Northern Territory. This mine has the capacity to produce up to 1,000,000 tonnes of manganese product per annum.*

*OMH also owns a 26% investment in Ntsimbintle Mining (Proprietary) Ltd, which, in turn owns 50.1% interest in the world class Tshipi Borwa ("Tshipi") manganese mine in South Africa. This mine has the capacity to produce up to 2,400,000 tonnes of manganese product per annum when the permanent processing plant is completed.*

*The manganese products of Bootu Creek, and those from Tshipi, are exclusively marketed through the OMH's trading division and OM Tshipi Pte Ltd (33.33% owned) respectively. Through all these activities OMH has established itself as a significant manganese supplier to the Chinese market.*