

OM HOLDINGS LIMITED

(ARBN 081 028 337)



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ASX Market Announcements
ASX Limited
4th Floor
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

DECEMBER 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 31 December 2020 of 33,866 tonnes of ferrosilicon (“FeSi”) and 61,806 tonnes of manganese alloys comprised mainly silicomanganese (“SiMn”) and high carbon ferromanganese (“HCFeMn”)
- A total of 45,956 tonnes of FeSi and 81,576 tonnes of manganese alloys were sold during the quarter ended 31 December 2020
- A longer than expected hot commissioning and performance testing period for the sinter plant is expected due to the COVID-19 pandemic. The conversion of 2 idled FeSi furnaces to produce manganese alloys was progressed as planned. The commissioning of the converted furnaces was originally scheduled for Q2 2021, but may be delayed depending on when contractors are able to enter Sarawak for equipment installation and performance testing

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

- Manganese ore production of 233,740 tonnes with an average grade of 28.12% Mn for the quarter ended 31 December 2020
- Manganese ore shipments for the quarter ended 31 December 2020 were 210,806 tonnes with an average grade of 27.73% Mn and an additional 1,951 tonnes were sold domestically
- The Ultra Fines Plant (UFP) was commissioned at the end of March 2020 and produced 3,291 tonnes with an average grade of 27.96% Mn for the quarter ended 31 December 2020

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

- The transformer of one furnace has been successfully upgraded which provides the Qinzhou smelter with added flexibility to produce either SiMn or HCFeMn. Accordingly, full operation is anticipated to restart within Q1 2021. 2,203 tonnes of manganese alloys were sold for the quarter ended 31 December 2020



OPERATING PERFORMANCE (CONT'D)

MARKETING, TRADING AND MARKET UPDATE

- 655,487 tonnes of ores and alloys were transacted in the period from 1 October 2020 to 31 December 2020 as compared to 472,890 tonnes from 1 July 2020 to 30 September 2020, representing a quarter-on-quarter increase of 38.6%
- World crude steel production during October and November 2020 was 321.5 million tonnes, representing a 7.3% increase as compared to the same corresponding period in 2019, signaling a strong recovery following weak industrial activities in the last few quarters
- Price of 44% Mn ore closed at US\$4.21/dmtu CIF China at the end of December 2020, a decrease from US\$4.39/dmtu CIF China at the end of September 2020, due to high port stocks in China
- Global demand recovery at the end of 2020 raised FeSi prices to Japan to US\$1,365 per metric tonne at the end of December, a 29% increase from the end of September 2020

COVID-19 EMERGENCE AND RESPONSE

- The Company continues to prioritise the safety and well-being of all employees and communities whilst maintaining operational resilience in its key business areas. Ongoing improvements 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 had resolved to pay the balance of A\$0.005 per ordinary share of the final dividend for FY2019. The dividend was paid on 27 November 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 alloys. 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 alloys 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

As at 31 December 2020, 12 out of 16 furnaces were in operation with 6 furnaces producing FeSi and 6 furnaces producing manganese alloys. Of the remaining 4 FeSi furnaces, 2 furnaces have been idled for the purposes of conversion to produce manganese alloys, with the other 2 furnaces placed on maintenance.

	Dec 2020 Quarter	Sep 2020 Quarter	YTD 2020
Tonnes			
Production			
Ferrosilicon	33,866	37,069	167,443
Manganese Alloy	61,806	56,185	227,406
Sales			
Ferrosilicon	45,956	45,052	171,546
Manganese Alloy	81,576	49,720	231,129

During the quarter ended 31 December 2020, FeSi production volumes decreased by approximately 9% as compared to the quarter ended 30 September 2020. A further 4 FeSi furnaces (out of the 6 that were in operation) underwent annual scheduled maintenance for approximately 34 days during the current quarter, resulting in lower production volumes. Manganese alloys production volume increased by 10%, mainly attributed to changes in the product mix. Manpower shortages continued to impact the Plant’s ability to operate at full capacity following the second imposition of a Movement Control Order in Malaysia in January 2021 as a result of increased COVID-19 cases in Malaysia.

The sales volume for FeSi increased marginally by 2% while manganese alloy sales volume increased significantly by 64%. Marketing activities picked up during the quarter ended 31 December 2020 following an increase in end user demand which resulted in higher sales and shipment volumes.

The prolonged COVID-19 pandemic and continued global travel restrictions imposed have consequently limited contractors’ activities for the onsite commissioning of the sinter plant, which resulted in a longer than expected commissioning and performance testing period. Full commercial production of sintered manganese ores is now expected to commence only in 1H 2021.

The contract for the conversion of 2 idled FeSi furnaces for the production of manganese alloys was awarded during the current quarter. The equipment was shipped out from China in December 2020 and is expected to be ready for installation during Q1 2021. The commissioning of the converted furnaces was originally scheduled for Q2 2021, but may be delayed depending on when contractors are able to enter Sarawak for equipment installation and performance testing.



SMELTING

OM MATERIALS (QINZHOU) Co Ltd (“OMQ”)

Production and sales from the Qinzhou smelter and sinter plant for the quarter ended 31 December 2020 are summarised below:

	Dec 2020 Quarter	Sep 2020 Quarter	YTD 2020
Tonnes			
Production			
Manganese Alloy	-	-	10,140
Manganese Sinter Ore	-	-	8,051
Sales			
Manganese Alloy	2,203	2,098	12,503
Manganese Sinter Ore	-	-	1,528

Production

Production continued to be suspended since the end of March 2020. The transformer of one furnace has been successfully upgraded which provides the Qinzhou smelter with added flexibility to produce either SiMn or HCFeMn. Accordingly, full operation is anticipated to restart within Q1 2021.

Sales

During the quarter ended 31 December 2020, OMQ secured sales of 2,203 tonnes of manganese alloys 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 31 December 2020 is summarised below:

	Unit	Dec 2020 Quarter	Sep 2020 Quarter	YTD 2020
Mining				
Total Material Mined	bcms	2,290,125	2,247,864	7,411,431
Ore Mined – tonnes	dt	227,365	358,149	1,008,015
Ore Mined – Mn grade	%	20.07	19.15	19.19
Production				
Lumps – tonnes	dt	187,060	175,026	607,411
Lumps – Mn grade	%	26.64	26.62	26.72
Fines/SPP/UFP – tonnes	dt	46,680	28,105	130,608
Fines/SPP/UFP – Mn grade	%	34.05	34.19	34.51
Total Production – tonnes	dt	233,740	203,131	738,019
Total Production – Mn grade	%	28.12	27.67	28.10
Sales				
Lumps – tonnes	dt	182,161	143,819	553,976
Lumps – Mn grade	%	26.52	26.40	26.56
Fines/SPP – tonnes	dt	30,596	16,246	88,755
Fines/SPP – Mn grade	%	35.48	34.74	35.34
Total Sales – tonnes	dt	212,757	160,065	642,731
Total Sales – Mn grade	%	27.81	27.24	27.78

Mining

During the quarter ended 31 December 2020, a total of 2.3 million bcms of material was mined including 227,365 tonnes of ore at a grade of 20.07% Mn.

The total material mined during the current quarter was higher compared to the quarter ended 30 September 2020 due to targeted mining cycles and mining activities that were concentrated closer to the surface level for both Chugga Far North and Shekuma.

On the western limb, mining activities focused on developing the Masai 3 and Masai 2B cutbacks with Chugga Far North on the eastern limb. Mining activities in Shekuma Stage 8 on the eastern limb started in late November 2020.

Rainfall of 251.6mm was recorded during the current quarter, with the highest rainfall (201.6mm) recorded in the month of December 2020. The extracted wet ore from both Masai 2, Masai 3 and Chugga Far North impacted the processing plants feed with reduced crushing and plant throughput rates.

During the current quarter, all other waste dumping areas reached their capacity limits and waste mined from Masai 2 and 3 was used to backfill the completely mined pits of Masai 4 and Yaka 4, respectively.



Geotechnical studies were completed for Shekuma Stage 8 and an Independent Review Engineer report was submitted to the NT Department of Industry, Tourism and Trade (DITT) for approval to mine Shekuma Stage 8. Mining activities for the first quarter ending 31 March 2021 will focus on Chugga Far North Stages E & F and Shekuma Stage 8 on the eastern limb.

All real-time pit monitoring equipment has performed well since it was implemented with no geotechnical concerns noted and reported during the quarter ended 31 December 2020.

Processing

The Mine achieved ore production of 233,740 tonnes for the quarter ended 31 December 2020 at an average grade of 28.12% Mn.

A total of 546,434 tonnes of ore was crushed for the quarter ended 31 December 2020 including 185,284 tonnes of mineralised waste and 97,186 tonnes of rejects. The 545,586 tonnes of scrubbed material had a yield of 42.84%. The higher yield was attributed to feeding a higher proportion of the higher grade western & eastern limb feed stocks. The lump product grade strategy continued to target 26% Mn to maximize unit manganese output.

The UFP produced 3,291 tonnes of product at 27.96% Mn for the quarter ended 31 December 2020. An independent engineer engaged to review the start-up issues confirmed the poor screening efficiencies had affected the downstream separation and optimisation of the classifiers. This had contributed to lower product grades and yields. Several screen media have been trialled to improve the screening efficiencies and rectification works are ongoing with measures implemented aimed at optimising the performance of the UFP. The production of UFP is expected to commence by the end of Q1 2021.

Logistics

During the quarter ended 31 December 2020, a total of 210,806 tonnes of manganese product was exported through the Port of Darwin in five vessels with an additional 1,951 tonnes sold domestically. Comparatively, in the previous quarter, a total of 158,126 tonnes of manganese product was exported through the Port of Darwin in four vessels, with 1,939 tonnes sold domestically.

Unit operating costs

The C1 unit cash operating cost for the quarter ended 31 December 2020 was A\$4.53/dmtu (US\$3.31/dmtu) as compared to A\$4.98/dmtu (US\$3.56/dmtu) for the quarter ended 30 September 2020. The decrease in the C1 unit cash operating cost in the current quarter was mainly due to increased production as a result of higher yielding material processed from Chugga Far North Stage E.



MARKETING AND TRADING UPDATE

During the quarter ended 31 December 2020, a total of 655,487 tonnes of ores and alloys were transacted, which represented a 38.6% quarter-on-quarter increase compared to the quarter ended 30 September 2020.

According to Worldsteel, world crude steel production during October and November 2020 was 321.5 million tonnes, which represented an increase of 7.3% as compared to the same corresponding period in 2019 following a steep rebound in industrial activities, notably in China.

Fastmarkets MB reported that the price of 44% Mn ore closed at US\$4.21/dmtu CIF China at the end of December 2020, a decrease from US\$4.39/dmtu CIF China at the end of September 2020. 44% Mn ore prices continued its downward trend in the current quarter given the high levels of port stocks in China.

As global demand recovered at the end of 2020, steel mills began restocking ferroalloys at the same time, driving demand and raising prices of FeSi to Japan to US\$1,365 per metric tonne at the end of December 2020, as reported by Platts. This was a significant increase from US\$1,060 per metric tonne reported at the end of September 2020. The increase was also due in part to reduced availability of supply from China due to strong domestic demand, and a surge in global freight rates. Prices continued rising into January 2021 off the back of similar trends and a broader recovery in global demand. Material is typically sold forward with a 1 to 3 months delivery timeframe.

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.

As announced previously, Tshipi declared and paid a dividend of ZAR 330 million for the 6 months period ended 31 August 2020 to its 2 shareholders. The Group received its share of this dividend of ZAR34.2 million (approximately A\$3.0 million) net of withholding taxes from NMPL in November 2020.

Tshipi Borwa Manganese Mine

Tshipi exports (100%) for the quarter ended 31 December 2020 totalled 1,187,342 tonnes (Q4 2019: 901,602 tonnes), which represented a 31.7% increase from the corresponding quarter in 2019. Tshipi exports (100%) for the previous quarter ended 30 September 2020 were 972,100 tonnes.

2. Final Dividend

As previously announced, the Board resolved to pay the balance of A\$0.005 per ordinary share of the final dividend for FY2019. The dividend was paid on 27 November 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 subsequently increased its JV interest from 10% to 20% by funding \$500,000 of exploration expenditure.

During the quarter ended 30 June 2020, OMM funded a further A\$250,000 to BYH for the next phase of exploration and the balance A\$250,000 for tranche 2 was funded to BYH on 9 October 2020. OMM's JV interest has since increased from 20% to 30%.

On 4 December 2020 OMM funded a further A\$0.35 million to BYH for the current diamond drilling program and metallurgical test work.

To date OMM has funded a total of A\$2.35 million towards the JV. A further A\$0.65 million is anticipated to be funded in Q2 and Q3 of 2021 and it is expected that this will increase OMM's total JV interest to 51%.

Exploration Activities

Manganese exploration activities under the JV during the quarter ended 31 December 2020 primarily consisted of:

1. Resource Delineation RC drilling at Brumby East, Brumby West, Brumby Area 74, Horseshoe South, and Horseshoe Extended deposits that will underpin intended Mineral Resource estimation for those deposits in Q1 2021;
2. Reconnaissance ground geophysics over and adjacent to the Brumby Area 74 deposit successfully highlighted areas of manganese mineralisation and extensions to the north and south beneath shallow cover; and
3. A diamond drilling program is currently in progress to provide PQ (85mm) core for metallurgical test work.

4. Element 25 Limited (“E25”)

In June 2020, a non-binding Memorandum of Understanding between OM Materials (S) Pte. Ltd. (“OMS”) and ASX listed Element 25 Limited (“E25”) was executed for the future supply of manganese ore from E25's 100% owned Butcherbird Project, located in Western Australia.

Commercial take or pay offtake terms have been finalized under a binding agreement signed on 27th January 2021 for 100% of the manganese ore produced from Stage 1 of the Butcherbird Project (365,000 tonnes per annum) for a five year term, with a conditional provision to extend it by another five years.



CAPITAL STRUCTURE

There was no movement in the share capital structure of the Company during the quarter ended 31 December 2020. As at 31 December 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.

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