

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 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

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

- Record production output for the quarter ended 31 December 2017 of 50,441 tonnes of ferrosilicon (“FeSi”) and 63,497 tonnes of manganese alloy comprising silicomanganese (“SiMn”) and high carbon ferromanganese (“HCFMn”)
- Production for the quarter ended 31 December 2017 has exceeded the furnace designed capacity for all ferroalloy products. The average daily production output achieved was approximately 62 tonnes of FeSi, 105 tonnes of SiMn and 154 tonnes of HCFMn per furnace per day for the quarter ended 31 December 2017
- A total of 52,419 tonnes of FeSi and 59,314 tonnes of manganese alloy were sold during the quarter ended 31 December 2017

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

- Manganese ore production for the quarter ended 31 December 2017 was 167,441 tonnes with an average grading of 35.73%
- Manganese ore shipments for the quarter ended 31 December 2017 was 173,086 tonnes with an average grading of 35.63%

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

- OMQ produced 11,317 tonnes of manganese alloy and 13,674 tonnes of manganese sinter ore, and sold 6,209 tonnes of manganese alloy and 534 tonnes of manganese sinter ore for the quarter ended 31 December 2017

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OPERATING PERFORMANCE (CONT'D)

MARKETING AND TRADING, AND MARKET UPDATE

- 779,430 tonnes of ores and alloys were transacted in the period from 1 October 2017 to 31 December 2017 as compared to 813,603 tonnes from 1 July 2017 to 30 September 2017, representing a quarter-on-quarter decrease of 4.2%
- World crude steel production for 2017 reached 1,691.2 million tonnes, representing a 5.3% year-on-year increase
- China's crude steel production decreased seasonally in the quarter ended 31 December 2017 by 6.8% as compared to the quarter ended 30 September 2017, but was 3.4% higher than the quarter ended 31 December 2016.



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 are 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 31 December 2017, a total of 15 furnaces were in operation with 8 furnaces producing standard grade FeSi, 1 furnace producing refined FeSi, and 6 furnaces producing manganese alloy.

	Dec 2017 Quarter	Sept 2017 Quarter	YTD 2017
Tonnes			
Production			
Ferrosilicon	50,441	43,535	174,540
Manganese Alloy	63,497	61,517	173,911
Sales			
Ferrosilicon	52,419	45,889	182,316
Manganese Alloy	59,314	60,299	159,533

The Project produced a record total of 50,441 tonnes of FeSi and 63,497 tonnes of manganese alloy in the quarter ended 31 December 2017. This record production output of almost 114,000 tonnes of FeSi and manganese alloy (in aggregate) in a single quarter represented an increase of approximately 8.5% over the quarter ended 30 September 2017, and an increase of approximately 56.0% for FeSi over the corresponding quarter in 2016. The increase in FeSi production was mainly due to the successful firing-up of the 9th FeSi furnace during the quarter ended 31 December 2017 with this furnace achieving full commercial operations in that quarter.

During the quarter ended 31 December 2017, FeSi furnaces achieved a record average daily production output of approximately 62 tonnes of FeSi per furnace, consistently exceeding the Company’s furnace design capacity of 55 tonnes per furnace per day. SiMn and HCFeMn furnaces also out-performed their respective furnace design capacities of 100 tonnes of SiMn and 150 tonnes of HCFeMn per furnace per day, producing 105 tonnes and 154 tonnes respectively. As a result, all furnaces achieved a 100% utilisation rate for the quarter ended 31 December 2017. The consistent and stable outperformance of the FeSi furnaces in 2017, and the achievement of capacity outperformance for manganese alloy furnaces within 12 months of first production is a testament to the dedication, experience, and real-world problem-solving ability of the Company’s management and the technical operations teams.

For the quarter ended 31 December 2017, a total of 52,419 tonnes of FeSi and 59,314 tonnes of manganese alloy was sold, as compared to 45,889 tonnes of FeSi and 60,299 tonnes of manganese alloy for the quarter ended 30 September 2017. Total Fesi sold in the quarter ended 31 December 2017 was the highest volume sold since the first tapping of FeSi from the plant in September 2014. While the three types of ferroalloys sold well due to growing demand from the recovery in global steel production, FeSi in particular experienced strong market tightness. The Company believes that this was due to China’s enforcement of environmental policy resulting in FeSi plant closures.



The Company plans to fire the last furnace and commence production in the middle of 2018, after a full strategic review is done, taking into consideration the Company's marketing strategy, the price environment of the various ferroalloy, and the prevailing market conditions.

PROCESSING

OM MATERIALS (QINZHOU) Co Ltd ("OMQ")

Production from the Qinzhou smelter and sinter plant for the quarter ended 31 December 2017 is summarized below:

	Dec 2017 Quarter	Sept 2017 Quarter	YTD 2017
Tonnes			
Production			
Manganese Alloy	11,317	9,130	38,529
Manganese Sinter Ore	13,674	16,351	52,941
Sales			
Manganese Alloy	6,209	9,241	33,476
Manganese Sinter Ore	534	6,345	12,904

Production

During the quarter ended 31 December 2017, OMQ produced a total of 11,317 tonnes of manganese alloy and 13,674 tonnes of manganese sinter ore.

Sales

During the quarter ended 31 December 2017, OMQ secured sales of 6,209 tonnes of manganese alloy and 534 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 31 December 2017 is summarised below:

	Unit	Dec 2017 Quarter	Sept 2017 Quarter	YTD 2017
Mining				
Total Material Mined	bcms	1,955,285	1,809,908	5,970,784
Ore Mined – tonnes	dt	475,569	462,221	1,587,630
Ore Mined – Mn grade	%	21.17	20.55	21.32
Production				
Lumps – tonnes	dt	116,727	148,906	465,235
Lumps – Mn grade	%	35.34	35.63	35.60
Fines/SPP – tonnes	dt	50,714	51,972	190,914
Fines/SPP – Mn grade	%	36.61	36.42	36.50
Total Production – tonnes	dt	167,441	200,878	656,149
Total Production – Mn grade	%	35.73	35.84	35.87
Sales				
Lumps – tonnes	dt	118,766	183,385	462,234
Lumps – Mn grade	%	35.19	35.71	35.61
Fines/SPP – tonnes	dt	54,320	67,720	173,386
Fines/SPP – Mn grade	%	36.59	36.38	36.60
Fines (Domestic) – tonnes	dt	-	-	11,000
Fines (Domestic) – Mn grade	%	-	-	38.09
Total Sales – tonnes	dt	173,086	251,105	646,620
Total Sales – Mn grade	%	35.63	35.89	35.89

Mining

During the quarter ended 31 December 2017, a total of 1.96 million bcms of material was mined including 475,569 tonnes of ore. Mining activities continued along the Chugga North, Chugga South and GoGo deposits, and the cutback of Shekuma deposit commenced during the current quarter.

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

Mining of the Chugga North and Chugga South deposits, which were performing lower than anticipated, was nearing completion as at 31 December 2017. Higher grade ores from the Chugga Far North, GoGo and Shekuma deposits will form the basis of plant feed for the next 2 to 3 years with improved processing plant mass yields.

Processing

The Mine achieved ore production of 167,441 tonnes for the quarter ended 31 December 2017 at an average grade of 35.73% Mn. Plant throughputs were hampered by wet sticky ores mined from the bottom of the Chugga North and Chugga South pits.



Logistics

During the quarter ended 31 December 2017, a total of 173,086 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 31 December 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 31 December 2017 was A\$4.19/dmtu (US\$3.22/dmtu) as compared to A\$3.67/dmtu (US\$2.90/dmtu) for the quarter ended 30 September 2017. The increase in the C1 unit cash operating cost in the current quarter was mainly due to production efficiency affected by the start of the seasonal Northern Territory wet season, as well as wet sticky ores mined from the bottom of the Chugga North and Chugga South pits.

MARKETING AND TRADING UPDATE

During the quarter ended 31 December 2017, a total of 779,430 tonnes of ores and alloys was transacted representing a slight 4.2% quarter-on-quarter decrease compared to the quarter ended 30 September 2017.

According to Worldsteel, world crude steel production reached 1,691.2 million tonnes in 2017, representing an increase of 5.3% from 2016. China's crude steel production decreased seasonally in the quarter ended 31 December 2017 by 6.8% as compared to the quarter ended 30 September 2017, but was 3.4% higher than the quarter ended 31 December 2016. Overall, China's annual crude steel production in 2017 amounted to 831.7 million tonnes, an increase of 5.7% as compared to 2016. The World Steel Association forecasted that global steel demand will reach 1,648.1 million tonnes in 2018 in the last available Short Range Outlook in October 2017.

Metal Bulletin reported that prices of 44% Mn ore closed at US\$6.88/dmtu CIF China at the end of December 2017. This represented an increase of US\$0.34/dmtu from the previous quarter of US\$6.54/dmtu CIF China. Prices have risen three quarters in a row (from the quarter ended 30 June 2017 to the quarter ended 31 December 2017) as a result of sustained and strengthening demand from the recovery in global steel production.

Platts reported that prices of FeSi to Japan closed at \$1,840 per metric tonne at the end of December 2017, up from \$1,380 per metric tonne at the end of September 2017. The price spike at the end of 2017 was the result of ferroalloy plant closures in China due to the enforcement of environmental policies to combat winter air pollution. While market anxiety has eased to some extent, Chinese environmental policy continues to be a major factor closely watched by all market participants.



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 31 December 2017 totalled 892,039 tonnes (Q4 2016: 643,856 tonnes) representing a 38.5% increase from the corresponding quarter in 2016.

LOAN RESTRUCTURING UPDATE

As previously announced, OMH's loan restructuring with its bankers and financiers was successfully completed and executed on 23 October 2017. The outstanding loans that were restructured amounted to US\$66.6 million (as at 23 October 2017), to 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.

As at 31 December 2017, OMH has fully paid off one of the financiers and the corresponding loan has been discharged. Consequently, the amounts outstanding under the loans which remained in place as at 31 December 2017 amounted to US\$39.3 million.

CAPITAL STRUCTURE

There were no movements in the share capital structure of the Company during the quarter ended 31 December 2017. As at 31 December 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