

Comments

Price Target: \$0.79/sh

March Q production of 81kt grading 42.7% Mn was rain affected. The month of March comprised 45% of the quarterly production. Guidance for the June Q'07 is ~140kt, with some 40kt produced in the month of April. This rate is consistent with the notional project capacity. Shipments for the June Q are expected to be ~180kt.

Funds from the underwritten rights issue to raise \$16.3m at \$0.22/sh will be applied toward capital improvements at the mine, retire debt and replenish group working capital.

Qinzhou production of 3.0kt of HCFeMn generating a "modest profit" was satisfactory. The fact that guidance remains at 42kt of HCFeMn for 2007 is good. The Mar Q was affected by the Chinese New Year holiday period. The June Q outlook should improve with uninterrupted operations, good power availability and strong demand for the product. We note that HCFeMn prices have risen by 25% so far this year and remain in an upward trend. OMH have probably forward sold some product at lower prices for a short period.

Trading division volumes have increased 65% over the pcp which is consistent with the firmer manganese and chrome markets. OMH has described this as a "strong" result.

We continue to be encouraged by the coincident strength in the manganese market and the beginnings of Bootu Ck operating at design. Both aspects have more upside over the medium term. Accordingly we view OMH as midway through the turnaround.

Our observation is that the manganese ore market has been steadily posting gains since the Dec Q'06 while alloy prices commenced rising in this cycle some 6 months earlier. The lag in ore prices was the effect of the inventories that accumulated following the prior cycle highs. While alloy prices continue in an upward trend in this cycle we continue to believe that ore prices have plenty of upside. Given the relatively recent history of Mn ore oversupply and associated price lows of last year it is likely that the supply side response in this cycle may be more measured enabling a more moderated but sustained rally. Additionally the consolidation of the supply side with Ghana Manganese having been acquired recently may enhance the position of the remaining producers.

Investment Case

We have upgraded our Mn price forecasts for 2007 and 2008 which has led to a higher valuation and earnings. The positive commentary regarding the Trading division in particular, but also Qinzhou, have also led to higher forecasts for these businesses. However the stronger A\$ has mitigated some of these gains.

OMH looks attractive as a value proposition and as a momentum play on the improving Mn ore market which should continue throughout 2007 and perhaps well into 2008.

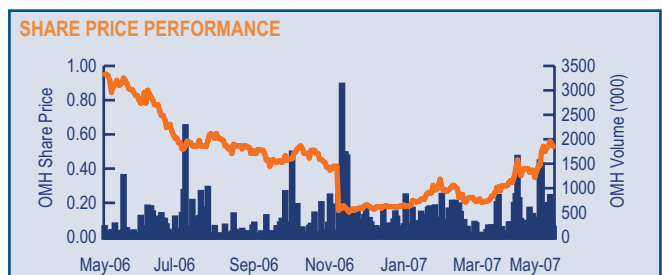
However OMH remains higher than average risk until consistency at Bootu Ck is demonstrated. The lack of transparency in the Mn ore price also heightens the perceived risk to investors relative to say LME traded commodities for instance.

Euroz Securities declares that it has acted as underwriter to and/or arranged an equity issue in and/or provided corporate advice to OM Holdings during the last year. Euroz Securities has received a fee for these services.

This analyst also declares that he has a beneficial interest in OM Holdings

TOP 20 SHAREHOLDERS		AS AT 7 MAY 2007	
Shareholders	Shares (m)		(%)
1 Dino Company Ltd	22.37		9.97
2 Ramley International Ltd	20.21		9.01
3 HSBC Custody Nominees Ltd	18.23		8.13
4 Newtimes Marine Co. Ltd	15.00		6.68
5 Zero Nominees Pty Ltd	14.86		6.62
6 DBS Vickers Securities (Singapore) Pty Ltd	12.34		5.50
7 J P Morgan Nominees Ltd	8.35		3.72
8 National Nominees Ltd	8.12		3.62
9 Mr Yang Xifu	7.50		3.34
10 Mr Trevor Tennant	6.09		2.71
11 Lai Shun Holdings Ltd	4.50		2.01
12 Lai Shun Holdings Ltd	3.00		1.34
13 Zhangjian Longtech Trade Co. Ltd	3.00		1.34
14 Seetoh Kwok Weng	2.69		1.20
15 Cogent Nominees Pty Ltd	2.68		1.19
16 Australian Executor Trustees Ltd	2.64		1.17
17 Phillip Securities Pty Ltd	2.05		0.92
18 Platinum Broking Co. Ltd	1.87		0.83
19 ANZ Nominees Ltd	1.75		0.78
20 Fortis Clearing Nominees Pty Ltd	1.53		0.68
TOTAL	158.79		70.76

MARKET STATISTICS		\$0.56 A\$/sh	
Share Price	\$0.56 A\$/sh	Directors	
Issued Capital		Yeo Wee Kiong	Chair'n
FP Ord	222.9 m	Low Ngee Tong	Mgr Dir
Opt	- m	Trevor Tennant	Dir
Opt (@\$1.05/sh)	4.2 m	Heng Siow Kwee	Ex Dir
Opt (@\$0.72)	1.0 m	Seetoh Kwok Weng	Ex Dir
Total Dil. FPOrd	222.9 m	Bill McKenzie	Dir
Market Capitalisation	\$125 m	Julie Wolsely	Dir
Enterprise Value	\$142 m	Paul Thomas	CEO, OMMang
Debt	\$(28)m	Shareholders	
Cash	\$11 m	SK Heng	10.6%
Currency Hedging	nil	NT Low	9.3%
		Trevor Tenant	2.7%
		EleyGriffiths	6.3%
		Huang Gang	5.0%



OM HOLDINGS (OMH)		YEAR END 31 DECEMBER				
ASSET VALUATION		A\$m	A\$/sh			
Bootu Ck		102	0.46			
OMH Trading		45	0.20			
OMH Quinzhou		19	0.09			
Hedging		0	0.00			
Corporate		(26)	-0.12			
Other		8	0.04			
Territory Iron		18	0.08			
Working Capital		3	0.01			
Unpaid Capital		18	0.08			
Debt		(28)	-0.13			
Cash		17	0.07			
Total @ 10% nom		175	0.79			
Total @ 5% nom		190	0.85			
Total @ 15% nom		139	0.62			
FORECAST PROD'N		2006a Jun H'07f	2007f	2008f	2009f	
Bootu Ck						
Lump Mn Ore Shipped	kt	138	160	384	468	483
Fines Mn Ore Shipped	kt	44	60	144	151	156
Total Mn Ore Shipped	kt	182	220	528	619	639
Total Cash Costs	A\$/t	136	108	109	107	106
Mn Net Lump Rec'd	A\$/t	122	122	142	156	147
Mn Net Fines Rec'd	A\$/t	115	114	133	146	136
Mn price ass. (f.o.b)	US\$/dmu	2.12	2.21	2.55	2.85	2.63
OM Trading						
Mn Ore	kt	500	300	600	600	600
Cr Ore	kt	100	50	100	100	100
Mn Alloy	kt	60	30	60	60	60
Cr Alloy	kt	40	15	30	30	30
Revenue	A\$m	201	105	217	215	220
Gross Margin	%	12.0%	13.0%	14.0%	14.0%	12.0%
OM Quinzhou						
Revenue	A\$m	35	21	42	51	52
Gross Margin	%	1%	3%	4%	5%	5%
Foreign Exchange						
Ass'd Spot Rate	US\$:A\$	0.75	0.80	0.81	0.81	0.79
Avg Rate Ach'd	US\$:A\$	0.75	0.79	0.81	0.81	0.79
RATIO ANALYSIS		2006a Jun H'07f	2007f	2008f	2009f	
CF (A\$m)		(19)	-	17	31	25
CF / Sh (Ac/sh)		(12)	-	8	14	11
CF Ratio (x)		(2.6)	-	7.3	4.1	5.1
Earnings (A\$m)		(33)	-	10	20	13
EPS (Ac/sh)		(21)	-	5	9	6
EPS Growth (%)		-689%	0%	-122%	92%	-36%
Earnings Ratio (x)		(1.5)	-	12.4	6.5	10.1
E'prise Val. (A\$m)		60	-	98	69	46
EV : EBITDA (x)		(27.3)	-	3.9	2.0	1.7
EV : EBIT (x)		(2.0)	-	6.4	2.9	3.0
Net Debt / ND+Eq (%)		18%	0%	-8%	-46%	-86%
Interest Cover (x)		n/a	-	15	n/a	n/a
EBIT Margin (%)		-16%	0%	5%	7%	4%
ROE (%)		-45%	0%	11%	17%	10%
ROA (%)		-20%	0%	9%	13%	8%
Div. (Ac/sh)		-	-	-	-	-
Div. payout ratio		0%	0%	0%	0%	0%
Div. Yield		0.0%	0.0%	0.0%	0.0%	0.0%
Div. Franking		33%	0%	0%	0%	0%
RESERVES AND RESOURCES						
Location	Reserves		Resources			
	mt	Mn %	mt	Mn %		
Shekuma	2.5	27.0	3.9	26.1		
Zulu			0.9	23.9		
Go Go	2.2	26.0	3.1	29.0		
Xhosa	0.2	26.0	0.3	25.9		
Chugga	2.3	26.0	4.3	23.4		
Chugga W			0.8	24.3		
Tourag			2.3	23.2		
Stocks			0.2	20.2		
Total	7.2	27.0	15.8	25.2		

PROFIT & LOSS	2006a Jun H'07f	2007f	2008f	2009f	
Mining Revenue	15	26	74	92	90
Trading Revenue	139	105	217	215	220
FerroAlloy Revenue	30	21	42	51	52
Forex Hedging Revenue	-	0	0	0	0
Interest Income	-	0	1	1	2
Other Revenue	-	1	1	-	-
TOTAL REVENUE	184	154	334	359	364
Operating Costs	183	144	302	318	330
Dep/Amort	5	4	9	11	11
W/O & Provisions	23	0	1	1	1
Corp O/H	3	3	6	5	5
EBITDA	(2)	6	26	35	27
EBIT	(30)	2	15	23	15
Interest Expense	2	1	2	1	1
NPBT	(32)	1	14	22	14
Tax	1	0	3	2	2
Minority Interest	0	0	0	0	0
NET PROFIT	(33)	1	10	20	13
Net Abnormal Gain/(Loss)	-	-	-	-	-
NET PROFIT After Abn'l	(33)	1	10	20	13
CASHFLOW	2006a Jun H'07f	2007f	2008f	2009f	
Net Profit	(33)	1	10	20	13
+ Working Capital Adj.	(15)	(3)	(3)	-	-
+ Dep/Amort	5	4	9	11	11
+ Provisions/WO	23	0	1	1	1
+ Tax Expense	1	0	3	2	2
- Tax Paid	-	0	3	2	2
Operating Cashflow	(19)	2	17	31	25
-Capex + Development	19	2	7	2	2
-Exploration	2	2	3	-	-
-Assets Purchased	-	-	-	-	-
+Asset Sales	-	-	-	-	-
Investing Cashflow	(21)	(4)	(10)	(2)	(2)
+Equity Issues	9	15	15	-	-
+Loan D'down/Receivable	21	1	1	-	-
+Other	2	-	-	-	-
-Loan Repayment	-	6	8	5	5
-Dividends	-	-	-	-	-
Financing Cashflow	32	11	8	(5)	(5)
Period Sur (Def)	(8)	9	15	24	18
Cash Balance	12	20	27	51	69
BALANCE SHEET	2006a Jun H'07f	2007f	2008f	2009f	
Assets					
Cash	12	20	27	51	69
Current Receivables	16	16	16	16	16
Other Current Assets	35	35	35	35	35
Non-Current Assets	86	86	86	77	68
Total Assets	148	157	164	179	187
Liabilities					
Borrowings	27	23	20	15	10
Current Accounts Payable	48	48	48	48	48
Other Liabilities	2	2	2	2	2
Total Liabilities	77	73	70	65	59
Net Assets	72	84	94	115	128
SEGMENT EBITDA	2006f Jun H'07f	2007f	2008f	2009f	
Mining	(7)	3	16	26	22
FX Hedging	0	0	0	0	0
Trading	10	5	12	12	8
Quinzhou	0	1	2	2	2
Other	(6)	(2)	(5)	(5)	(5)
Total EBITDA	(2)	6	26	35	27
SEGMENT EBIT	2006a Jun H'07f	2007f	2008f	2009f	
Mining	(10)	(1)	8	16	11
FX Hedging	0	0	0	0	0
Trading	10	4	12	12	8
Quinzhou	(0)	0	1	2	2
Other	(30)	(3)	(6)	(6)	(6)
Total EBIT	(30)	2	15	23	15

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