



Media Release

ASX: OMH

28 April 2009

# OMH GROUP DELIVERS STRONG MARCH QUARTER MANGANESE SHIPPING PERFORMANCE

OPTIMISATION OF BOOTU CREEK OPERATIONS CONTINUING TO SUPPORT LONG-TERM GROWTH

## OM HOLDINGS LIMITED

(ARBN 081 028 337)

ASX code: OMH

Share price: A\$1.235  
(at close of trade on 27 April 2009)

Market capitalisation: ~A\$600M

Ordinary shares on issue: 485.7M

Unlisted options on issue: 63.6M

### Board

Executive Chairman  
Mr Low Ngee Tong

Director, CEO  
Mr Peter Toth

Executive Director, CFO  
Mr Ong Beng Chong

Non Executive Director  
Ms Julie Anne Wolseley

Non Executive Director  
Mr John Raubenheimer

Non Executive Director  
Mr Tan Peng Chin

Non Executive Director  
Mr Wong Fong Fui

Non Executive Director  
Mr Thomas Teo Liang Huat

### Top Shareholders

Board/Management	23%
HSBC Custody Nom.	12%
Stratford Sun Limited	12%
Strategic Partners	10%
Zero Nominees Pty Ltd	7%
Top 20 Shareholders	82%

## HIGHLIGHTS

- **Bootu Creek Manganese Mine, Northern Territory:**
  - Export shipments resumed with 172,306t of product shipped
  - Quarterly manganese production of 94,492t @ 40.4% Mn
  - Revised annual production strategy of 500,000tpa being executed
  - Operating costs expected to fall from temporarily elevated first quarter levels following revised mine plan, optimisations and cost reductions
  - Construction of internally funded A\$12.6M rejects re-treatment plant underway
  - 72% increase in Mineral Resources to 30.6Mt @ 24.1% Mn including Ore Reserves doubling to 22.4Mt @ 22.1% Mn
- **Qinzhou Smelter, China:**
  - Production of 10,173 tonnes of High Carbon Ferro Manganese
  - Approvals received for new sinter ore plant with planned production capacity of 300,000 tpa.
- **Market volatility continuing, with a return of confidence to the manganese market subject to the interaction of a complex range of demand and supply side factors.**
- **OMQ (smelter) and OMS (marketing and trading) businesses cash flow positive for the Quarter with OMM (Bootu Creek) operations expected to be cash flow positive for the remainder of 2009, following the settlement of all outstanding foreign exchange contracts by the end of May 2009.**
- **Continued strong financial position with significant cash reserves and negligible debt, enabling the OMH Group to continue to internally fund organic growth projects.**

Diversified commodity marketing, metals and mining house OM Holdings Limited (ASX: OMH – “OMH”) has reaffirmed the financial and operating strengths of its Australian and Chinese businesses after reporting a strong quarterly shipping performance for three months to 31 March 2009.

In its March 2009 Quarterly Report lodged today, OMH reported high-grade manganese ore shipments **totalling 172,306 wet tonnes**. Ore shipments were suspended during the December 2008 Quarter, when the manganese ore market – like most commodity sectors – was severely impacted by the short-term effects of the Global Financial Crisis.

The Company’s 100%-owned **Bootu Creek Manganese Mine** in the Northern Territory posted production for the March Quarter of **94,492 tonnes** at an average grade of **40.4% Mn** (Dec 2008 Quarter: 143,465 tonnes at 42.2% Mn).

This represented 94% of budgeted production for what is a seasonally a lower production quarter due to the wet season in northern Australia. This was in line with the Company's revised 2009 production strategy which is currently being executed based on a 30% reduction in annualised production to 500,000tpa.

"Our production volumes and operating costs at Bootu Creek – which averaged A\$6.84/dmtu for the March 2009 Quarter – were influenced by several short-term factors," commented OMH CEO, Peter Toth. "These included planned processing plant shutdowns over the New Year period, trial processing of low-grade mineralised ore, inclement wet weather conditions, opportunistic plant shutdowns for repairs and maintenance and additional mine development work," he said. "Actual C1 unit costs for the March Quarter are not representative of normal steady-state production, and for the rest of 2009 operating costs are forecast to be in line with the costs achieved in 2008."

Mr Toth said this would largely be driven by the new optimised Bootu Creek mine plan developed for 2009/10 which is focused on ensuring maximum production flexibility and lowest cost production scenarios centred on grade, yield and recovery considerations. "This mine plan, which is based on our updated Mineral Resource and Ore Reserve position announced during the Quarter, is aimed at minimising cost and maximising short and long-term value in the context of changing market dynamics," he said.

As reported during the Quarter, the highly successful 2008 exploration program at Bootu Creek resulted in a 72% increase in total Mineral Resources to 30.6 million tonnes at 24.1% Mn with Ore Reserves more than doubling to 22.4 million tonnes at 22.1% Mn. This landmark upgrade, by far the most significant in the operating history of the Bootu Creek mine, has successfully extended the life-of-mine plan based on the Mineral Resource inventory to approximately 15 years based on the actual 2008 ore mining rate of 2Mtpa.

During the Quarter, construction commenced on the new A\$12.6 million rejects re-treatment plant at Bootu Creek, which is being internally funded from operating cash flows. The additional production capability from commissioning of this facility (scheduled for the December 2009 Quarter) will enable production to reach an annualised rate of 900,000 tonnes heading into 2010.

The Company's 100%-owned **Qinzhou Smelter** in Guangxi, China produced 10,173 tonnes of High Carbon Ferro Manganese during the March 2009 Quarter, exceeding its production budget by 17%. "The Qinzhou smelter continued to produce and sell well despite the prevailing challenging market," Mr Toth said. "Our OMQ business remained cash flow positive and achieved an operating profit, reflecting our continued focus on achieving greater efficiencies and lowering production costs."

"The proposed US\$18 million sinter ore project is continuing to progress and received final approvals during the Quarter. This is another internally funded organic growth project for OMH which, once commissioned in the December 2009 Quarter, will be the largest manganese sinter plant in operation in China, initially with 300,000tpa production capability."

Mr Toth said the market environment for manganese ore and alloys continued to be complex and challenging, with Q1 and Q2 2009 manganese ore prices in the range of US\$4.80-US5.50/dmtu CIF China for 44% product – well below the record highs of US\$16/dmtu level seen last year.

"The return of market confidence in the manganese ore and alloy markets during 2009 will be driven by the interaction of a number of factors," he said. "These include the strength of Chinese domestic steel demand and the positive impact of the financial stimulus packages on Chinese steel consuming industries, the market impact of recently announced ore and alloy production cuts, as well as the impact of current prices on the production economics (and subsequently production levels) of high-grade, low cost Chinese domestic and marginal seaborne production."

"The current manganese ore prices make a large percentage of current manganese ore production short-term cash negative and long-term uneconomic, particularly in the low grade domestic and high-cost marginal seaborne segments. While demand conditions remain somewhat lacklustre, strategically or economically driven changes on the supply side will have a major impact on the overall global manganese unit supply demand balance. In this context there is definitely a light at the end of the tunnel," Mr Toth commented.

"Against this backdrop, we are developing a highly optimised mine plan supporting flexible production strategies for different market conditions at Bootu Creek. We are continuing to focus on ensuring that Bootu Creek maintains its position close to the bottom end of the cash cost curve for high-grade siliceous ore production globally – which we believe gives us a strong ongoing competitive advantage despite the prevailing market conditions."

"This, combined with a strong balance sheet and funding position, gives us the capability to move proactively to take advantage of any change in market conditions and at the same time continue to fund our organic growth strategy, which will be critical for unlocking long term value," Mr Toth said.

"Despite the challenging environment, the OMH Group is well positioned for the future – operationally, financially and strategically," he said.

- ENDS -

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

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*OMH listed on the ASX in March 1998 and has its foundations in metals trading – incorporating the sourcing and distribution of manganese ore products and subsequently in processing ores into ferro-manganese intermediate products. The OMH Group now operates commercial mining operations – leading to a fully integrated operation covering Australia, China and Singapore.*

*Through its wholly owned subsidiary, OM (Manganese) Ltd, OMH controls 100% of the Bootu Creek Manganese Mine ("Bootu Creek") located 110 km north of Tennant Creek in the Northern Territory.*

*Bootu Creek has demonstrated its capacity to produce up to 700,000 tonnes of manganese product annually. Bootu Creek has further exploration potential given that its tenement holdings extend over 3,355 km<sup>2</sup>.*

*Bootu Creek's manganese product is exclusively marketed by the OMH Group's own trading division with a proportion of the product consumed by the OMH Group's wholly-owned Qinzhou smelter located in south west China.*

*Through its Singapore based commodity trading activities, OMH has established itself as a significant manganese supplier to the Chinese market. Product from Bootu Creek has strengthened OMH's position in this market.*

### **Forward-Looking Statements**

*This release may include forward-looking statements. These forward-looking statements are based on management's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of OM Holdings Limited, which could cause actual results to differ materially from such statements. OM Holdings Limited makes no undertaking to subsequently update or revise the forward-looking statements made in this release to reflect events or circumstances after the date of this release.*

### **Competent Person's Statement**

*The information in this report which relates to resources and reserves is based on information compiled by Mr Craig Reddell and Mark Laing, both full time employees of OM (Manganese) Ltd and who are Members of the Australasian Institute of Mining and Metallurgy, and modelled by Mr Robert Spiers a full time employee of Hellman and Schofield Pty Ltd and who is a Member of the Australian Institute of Geoscientists. Mr Reddell, Mr Laing and Mr Spiers have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Reddell, Mr Laing and Mr Spiers consent to the reporting of this information in the form and context in which it appears.*