

# OM HOLDINGS LIMITED

(ARBN 081 028 337)



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23 July 2010

Company Announcements Office  
ASX Limited  
4<sup>th</sup> Floor  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

## 30 JUNE 2010 QUARTERLY MARKET UPDATE

The Board of OM Holdings Limited ("OMH") is pleased to provide the following market update.

### HIGHLIGHTS

#### OMM (100%, Bootu Creek, Australia)

- Quarterly production of 195,756 tonnes grading 37.2% Mn, representing an increase of 19% over the corresponding quarter last year and a 12% increase over the previous quarter.
- Six shipments made during Q2 2010 representing 173,510 dry tonnes.
- C1 unit cost of A\$4.74/dmtu during the Quarter was impacted by short term mine schedule and production issues, including higher stripping ratios associated with the commencement of new pits, mining of lower yielding ore bodies, absorption of fixed costs associated with the mobilisation of a 3<sup>rd</sup> mining fleet ahead of the benefit of additional ores as well as unseasonally high rainfall experienced during April and May, requiring the processing of lower yielding ores. However a reduction in unit costs to around the A\$4.00/dmtu level is expected for the remainder of 2010 as production increases are achieved.
- Optimisation of the high grade Shekuma pit is underway to facilitate additional access of high grade ore in the second half of 2010.
- Revised 2010 annual production target of 850,000 tonnes (driven by production and market strategies) comprising high value-in-use products for customers ranging from 35% Mn to 38% Mn.

#### Qinzhou smelter (100%, Guangxi, China)

- Production of 9,958 tonnes of High Carbon Ferro Manganese ("HCFMn") was more than double the preceding quarter. Production of 34,352 tonnes of Sinter Ore was achieved during the Quarter.
- Sales of 10,633 tonnes of HCFMn were recorded in the June 2010 Quarter.
- Furnace 102 re-commenced production on 26 June 2010 after the completion of all re-modification and reinforcement works.
- Demand for manganese alloys during June 2010 was weaker due to a general slow down in Chinese steel production and consumption of existing alloy stocks by steel mills.



## Market Outlook

- China's H1 2010 crude steel production was 323 million tonnes. This continues to support the view that Chinese crude steel production will be above 600 million tonnes in 2010, even with a production slow down during H2 2010.
- From January to May 2010, China imported 5.1 million tonnes of manganese ore. OM Materials (S) Pte Ltd ("OMS") analysis estimates that China will need to import more than 10 million tonnes of high grade manganese ore during 2010 to support its steel production output.
- During June 2010 a marked slowdown in manganese ore and alloy purchasing and sales activity in the Chinese market occurred. This was driven by falling steel prices and various levels of production cuts by steel mills as well as smelters relying on the consumption of port and smelter stocks rather than concluding outright new purchases.
- OMH considers that demand volatility will remain part of the Chinese economic, steel and steelmaking raw material landscape for the remainder of 2010. However the stabilisation of Chinese steel production levels, the conclusion of the manganese ore and alloy de-stocking process during Q3 2010 together with the underlying strength of the supply and demand fundamentals is expected to continue to support a robust imported high grade ore market during most of the second half of the calendar year, but certainly during Q4 of 2010.
- Supply and demand equilibrium and resulting market prices for imported high grade ores in the Chinese market will continue to be influenced by:
  - The general impact of the implementation of new Chinese economic stimulus, growth targets and its specific implications on underlying steel consumption and production;
  - The speed and extent of the manganese ore and alloy de-stocking process; and
  - Production and stock levels of major and marginal ore producers together with the economics of domestic Chinese low grade manganese ore production.

## Corporate

- Peter Toth, OMH's Group CEO, was elected as the new Chairman of the International Manganese Institute during its Annual Conference in Paris in May 2010.
- Completed the acquisition of a 26% investment in Ntsimbintle Mining (Proprietary) Limited ("Ntsimbintle") for A\$64 million with Ntsimbintle holding a 50.1% interest in the Tshipi Kalahari Manganese Project in South Africa. The investment was fully funded by way of financing provided by Standard Chartered Bank.
- OMS successfully negotiated and concluded in early Q3 2010 a Short Term Consultancy and Marketing Agency Agreement with Sydvaranger Gruve AS ("SVG"), a wholly owned subsidiary of Northern Iron Limited ("NFE") for short term marketing arrangements and for both parties to negotiate a long term formal marketing agency agreement by 30 September 2010 for uncommitted product into the Asian market.
- OMS also executed a Loan Facility Agreement with SVG, whereby OMS provided a US\$10 million loan facility to SVG for the purpose of providing ongoing working capital funding at NFE's Sydvaranger Iron Ore Project, with the facility fully drawn down by SVG in early Q3 2010.



**OM MANGANESE LTD (“OMM”) – 100% OWNED**

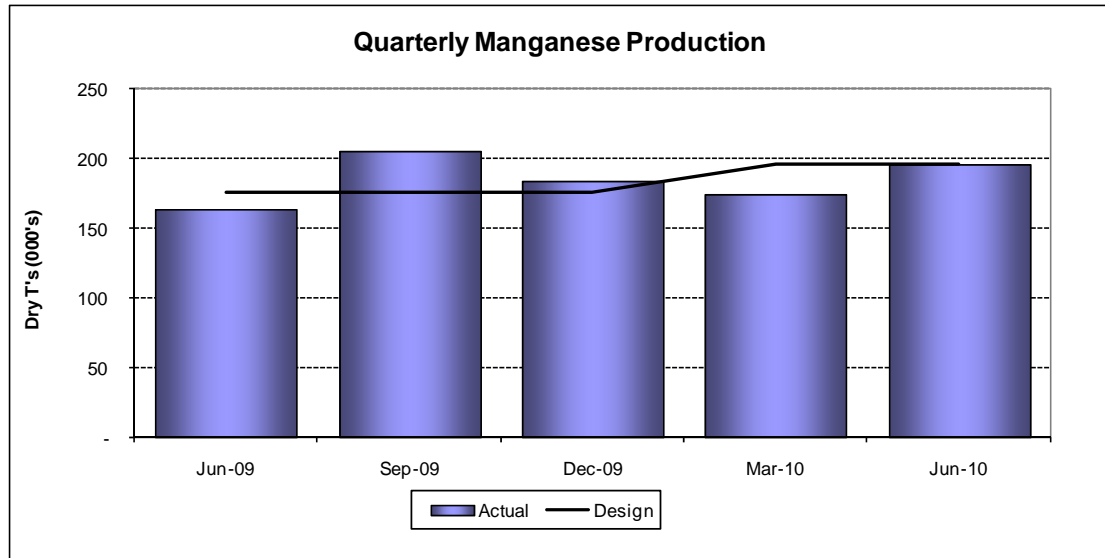
**Bootu Creek Manganese Mine – Northern Territory, Australia**

Production from the Bootu Creek Manganese Mine for the June 2010 Quarter is summarised below:

	Unit	June 2010 Quarter	FYTD 2010	Mar 2010 Quarter	June 2009 Quarter
<b>Mining</b>					
Total Material Mined	BCMs	2,983,208	5,419,245	2,436,037	2,967,301
Ore Mined – tonnes	dt	519,471	939,779	420,308	595,764
Ore Mined – Mn grade	%	21.66	21.81	22.01	23.41
<b>Production</b>					
Lump – tonnes	dt	125,457	219,701	94,244	136,390
Lump – Mn grade	%	36.98	37.26	37.63	36.64
Fines – tonnes	dt	37,406	65,567	28,161	27,644
Fines – Mn grade	%	39.05	39.65	40.45	42.27
SPP Fines – tonnes	dt	32,893	85,200	52,307	-
SPP Fines – Mn grade	%	36.19	36.05	35.96	-
<b>Total Production – tonnes</b>	dt	<b>195,756</b>	<b>370,468</b>	<b>174,712</b>	<b>164,034</b>
<b>Total Production – Mn grade</b>	%	<b>37.24</b>	<b>37.40</b>	<b>37.58</b>	<b>37.59</b>
<b>Sales</b>					
Lump – tonnes	dt	115,076	209,342	94,266	172,287
Lump – Mn grade	%	37.92	38.05	38.21	38.54
Fines – tonnes	dt	19,608	35,277	15,669	28,685
Fines – Mn grade	%	40.12	41.28	42.72	42.40
SPP Fines – tonnes	dt	38,826	105,540	66,714	-
SPP Fines – Mn grade	%	37.46	36.98	36.70	-
<b>Total Sales – tonnes (dry)</b>	dt	<b>173,510</b>	<b>350,159</b>	<b>176,649</b>	<b>200,972</b>
<b>Total Sales – Mn grade</b>	%	<b>38.07</b>	<b>38.05</b>	<b>38.04</b>	<b>39.09</b>

The Bootu Creek Manganese Mine delivered production of 195,756 tonnes at an average grade of 37.2% Mn in the June 2010 Quarter. Production for the Quarter was impacted by unseasonal wet weather which hampered access to higher grade ores requiring the blending of lower grade ores resulting in reduced plant yields. The in-pit rainfall during the June 2010 Quarter was 105 mm (compared to Q2 2009 and Q2 2008 which both recorded nil rainfall) and had the effect of extending the traditional wet season from March into May 2010. Scrubber feed rates were in-line with budget and plant utilisation rates remained above budget.

The production strategy implemented in mid-2009 to maximise product yield and metal recovery performance from each variation in ore grade and quality while maintaining a high value-in-use product for customers, with product grades ranging from 35% Mn to 38% Mn, will be continued for the remainder of 2010.



## Mining

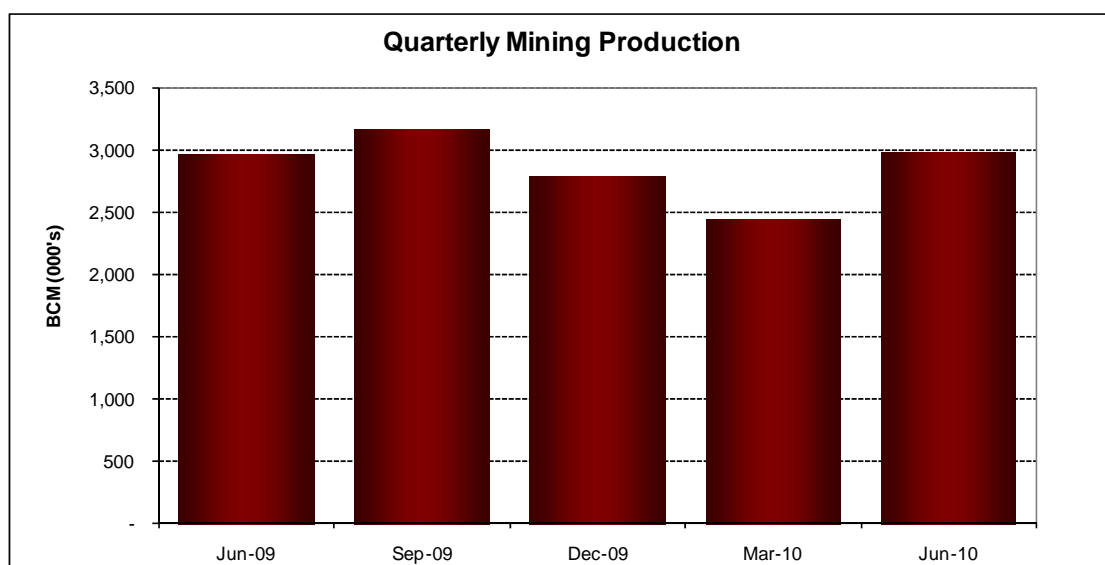
Mining activities during the June 2010 Quarter included mining in the Chugga South, Tourag 2 pits and Tourag #3 starter pit, and advancing the Chugga North pit.

Approximately 3 million bank cubic metres ("bcm") of material was mined during the June 2010 Quarter.

High-grade ore stocks remained low over the June 2010 Quarter as a result of unseasonal high rain fall during April and May (>100mm) effecting the short term mine schedule. In-pit broken ore stocks remained high in both the Chugga South and Tourag 2 pits at the end of the Quarter.

Reconciliations of actual ore tonnes mined versus the Ore Reserve model were positive during the Quarter with the performance of the ore bodies improving at depth as the material became less oxidised.

A third mine production fleet was mobilised during the 2nd half of March 2010 expanding mining capacity so as to facilitate an increase in ore feed stock. Medium term mine schedules are currently being optimised for the fleet to commence a cut-back in the high grade Shekuma pit to access high grade ore stocks in the second half of the year.





**The recently developed Tourag #3 Starter Pit**

### Processing

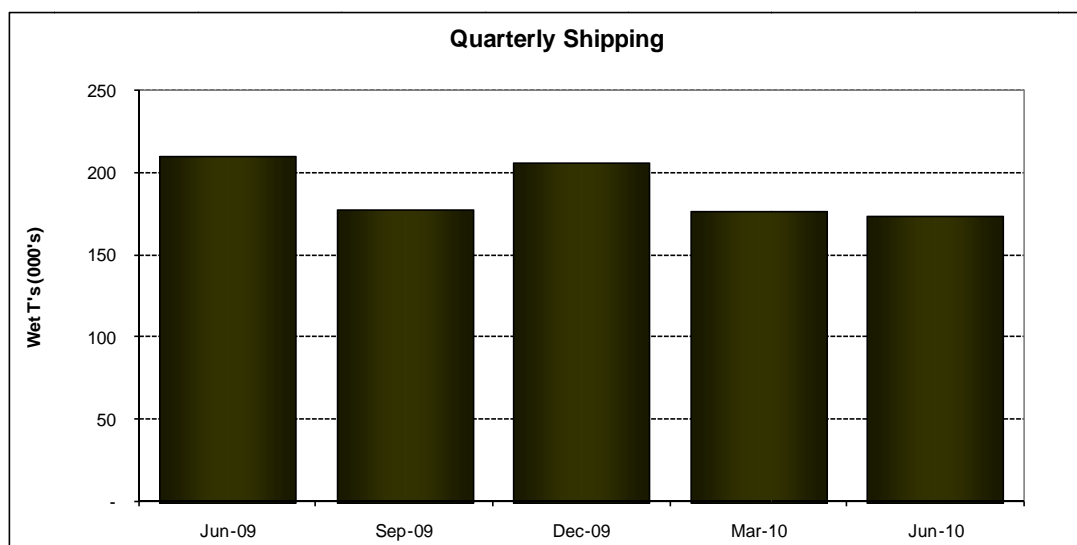
Production for the June 2010 Quarter was adversely effected principally due to the feeding of lower yielding ores. Whilst production for the June Quarter was below budget expectations, it represented a significant improvement of 19% over the corresponding period last year and a 12% increase over the previous quarter. Production for the remainder of the year is forecast at 80,000 tonnes per month.

The Secondary Processing Plant ("SPP") failed to achieve budgeted production during the Quarter due to excessively high wear rates on the rolls crushers causing higher circulating loads and reducing screening efficiency. Modifications are currently being implemented to the crushers and screens to permanently rectify the identified issues.

The SPP heavy media plant exceeded design rates for extended periods during the Quarter with several days achieving greater than 1,000 tonnes of sinter feed grade product.

### Logistics

During the June 2010 Quarter a total of 173,510 dry tonnes (181,198 wet tonnes) of manganese product was exported in 6 shipments through the Port of Darwin.

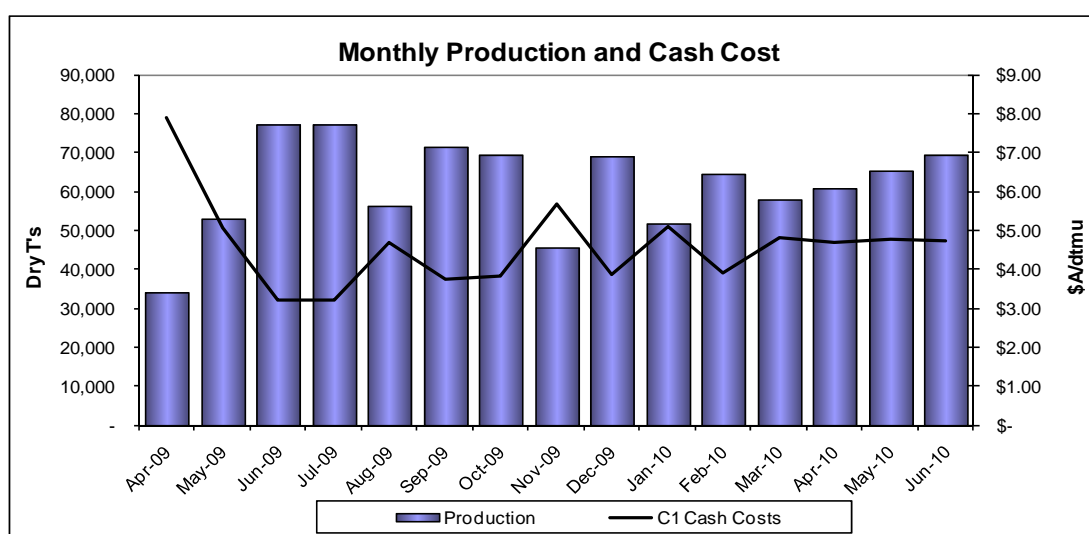




## Cash Operating Costs (C1)

C1 unit cash operating costs for the June 2010 Quarter were A\$4.74/dmtu ranging on a monthly basis from A\$4.69/dmtu to A\$4.78/dmtu, which were above budget expectations as a result of short term mine schedule and production issues, including higher stripping ratios associated with the commencement of new pits, mining of lower yielding ore bodies, absorption of fixed costs associated with the mobilisation of a 3<sup>rd</sup> mining fleet ahead of the benefit of additional ores to be mined as well as unseasonably high rainfall experienced during April and May, requiring the processing of lower yielding ores.

Reductions in unit costs are expected going forward as production increases to 80,000 tonnes per month. Forecast C1 unit cash operating costs for the second half of the 2010 year are estimated to be around the A\$4.00/dmtu level. C1 unit cash costs continue to include the fully expensed direct cash operating costs associated with mining activities (including pre-strip and advance mine development costs).



## Hedging and Financing

As at 30 June 2010, OMM had no outstanding forward exchange contracts or borrowings.

## Bootu Creek Exploration

The Bootu Creek 2010 delineation and exploration drill program commenced in early June 2010 following delays due to an extended wet season. RC (Reverse Circulation) drilling commenced a delineation program to extend the existing Mineral Resource at Yaka deposit to the south-east with 110 drill holes (for 7,650 metres) completed by the end of June. Initial assay results are encouraging and confirm the south east extension of the Yaka deposit.

The planned drill program for Q3 2010 includes a further 10,000 metres of RC drilling to delineate Mineral Resource extensions to the north of both Masai and Chugga North deposits, followed by 2,500 metres of exploration RC drilling to test drill targets determined from recent field mapping activities at south Renner Springs, Helen Springs and Looa Bore project areas.

A second phase of RC drilling is planned in Q4 2010 for initial resource delineation at Renner Springs following the grant of an SEL (Substitute Exploration Licence) over the northern portion of the Renner Springs project area.



## External Exploration Projects

### **Waddikee Project - OMM earning a 60% interest**

Monax Mining Limited (ASX:MOX) commenced exploration in late 2009 under a farm-in agreement where OMM has agreed to fund A\$2 million over 4 years to acquire a 60% interest in the Waddikee Project (on EL3357) located on the Eyre Peninsula, South Australia.

Detailed geological mapping, soil sampling and auger drilling defined up to six separate manganese horizons and a 5 km strike length at the Jamieson Tank prospect. A recent drilling program completed in June 2010 comprised 83 slimline RC drill holes (on 200 metre spaced drill traverses) for a total of 4,565 metres with 13 of 14 planned traverses successfully completed. The highest individual sample was **1m @ 31.3% Mn from 9m** (JTRC117).

Results have confirmed the presence of up to five manganese horizons and, although not specifically targeted, several iron rich zones situated above magnetite mineralisation. The manganese intersections are generally low to moderate in iron and low in phosphorus.

Compilation of the data to produce a 3D model of the manganese rich horizons to assist with future drilling is underway.

Monax also completed an auger sampling program targeting other potential zones of manganese and iron within EL3357 which extends over an area of 1,000 square kilometres. A total of 480 samples were collected and have been submitted for analysis.

**For further information** on the Waddikee Project drill program, please refer to Monax Mining Limited ASX releases lodged on 24 June 2010 and 16 July 2010.

[www.monaxmining.com.au](http://www.monaxmining.com.au)

### **Caraptee Hill Project – OMM earning a 60% interest**

Archer Exploration Limited (ASX:AXE) and OMM signed a farm-in agreement on 28 January 2010 whereby OMM has agreed to fund \$0.6 million over 4 years to acquire a 60% interest in the manganese and iron rights on Archer's EL3711. The project area is contiguous with the Monax/OMM Waddikee Project and is being explored in conjunction with that project.

A drill program of 18 slimline RC holes, totalling 738 metres, was completed in June 2010 and intersected several narrow manganese horizons located along strike from those intersected on Monax's EL3357. The last two holes also intersected moderate to high grade iron zones situated above magnetite mineralisation.

[www.archerexploration.com.au](http://www.archerexploration.com.au)

#### Competent Person's Statement

*The details contained in this report pertain to information compiled by Mr Craig Reddell, a full time employee of OM (Manganese) Ltd and who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Reddell has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the December 2004 Edition of the "Australian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Reddell consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.*

*The information in this report that relates to Monax Mining Limited's and Archer Exploration Limited's Exploration Results is based on information compiled by Mr G M Ferris, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Ferris is employed full time by Monax Mining Limited as Managing Director and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the December 2004 Edition of the "Australian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Ferris consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.*



## OMM Outlook

Production for the remainder of 2010 is estimated to be 225,000 to 240,000 tonnes per quarter as the availability of high grade feed stocks, higher yielding ore improvements and further process optimisation initiatives are implemented.

The September 2010 Quarterly shipping and sales volumes are expected to be approximately 150,000 -180,000 tonnes.

### OM MATERIALS (QINZHOU) Co Ltd ("OMQ") - GUANGXI, CHINA-100% OWNED

## Production

### Smelter

During the June 2010 Quarter, OMQ produced 9,958 tonnes of High Carbon Ferro Manganese ("HCFeMn").

Furnace 102 recommenced production on 26 June 2010 after re-modification and reinforcement works were completed.

Production at the Qinzhou smelter for the June 2010 Quarter is summarised below:

	Unit	June 2010 Quarter	FYTD 2010	March 2010 Quarter	June 2009 Quarter
<b>Production</b>					
High Carbon Ferro Manganese ("HCFeMn")	t	9,958	14,154	4,196	6,279
Sinter Product – tonnes	t	34,352	40,001	5,649	-
<b>Sales (External)</b>					
High Carbon Ferro Manganese ("HCFeMn")	t	10,633	14,305	3,671	3,359

### Sinter Ore Plant

Production of 34,352 tonnes of sinter ore was achieved in the June 2010 Quarter. The sinter plant production performance was influenced by the continued fine tuning of optimum manganese ore blends.

### OMQ Sales

During the June 2010 Quarter, OMQ secured 10,633 tonnes of HCFeMn and 2,514 tonnes of external sinter ore sales.

### OMQ Outlook

China steel prices are likely to continue to weaken in Q3 2010 as the steel industry suffers from a temporary over supply of alloy production and the effect of the Central Government's decision to remove export rebates for some steel products. As steel mills are expected to reduce production, demand for ferroalloys may be impacted, placing continued pressure on manganese alloy prices during Q3 2010.



## **OM Materials (S) Pte Ltd ("OMS") – Singapore 100% Owned**

### **Trading Operations and Market Outlook**

During the June 2010 Quarter, OMS shipped 181,198 wet tonnes of OMM manganese ore product and 46,541 wet tonnes of third party manganese ore product. More third party ore was shipped to OMQ for blending purposes in the production of sinter ore.

OMM's imported high grade siliceous ore continues to be well received by customers. The high silica and low phosphorous content is a complementary blend with low grade domestic ores for the production of both high carbon ferro manganese and silico manganese alloys.

China crude steel production from January to June 2010 was 323 million tonnes, representing a 21% increase over the same period in 2009. This continues to support the view that Chinese crude steel production will be above 600 million tonnes in 2010.

From January to May 2010, China imported 5.1 million tonnes of manganese ore, representing a 217% increase over the same period in 2009. OMS in-house analysis estimates that China will need to import more than 10 million tonnes of manganese ore to support 600 million tonnes of crude steel production.

It was reported that BHPB had increased the price of its 44% Mn lump from US\$7.85/dmtu CIF for May 2010 shipments to US\$8.70/dmtu for June and July 2010 shipments. It is understood that industry-wide sales and purchasing activity was slow in the Chinese market during June 2010.

The continued credit tightening had started to impact on underlying demand and resulting steel production. Crude steel production had decreased from 56.1 million tonnes in May 2010 to 53.8 million tonnes in June 2010. High finished steel inventory and iron ore inventory at the ports had started to impact the cash flow and profitability of steel mills.

The recent successive policy changes to curb excessive production and discourage export of steel and ferroalloys also had a negative impact on the industry. The VAT rebate for exports of certain steel products was withdrawn and power costs were increased across all major ferroalloy producing provinces.

Many manganese alloy smelters had reduced production during June 2010 as a result of reduced demand and increased costs of production. However the cutback in the supply of manganese alloys exceeds the reduced demand and it is expected that the subsequent recovery will be stronger following a recovery of production levels and completion of a de-stocking cycle.

Although steel production is expected to reduce in line with the slower growth in the Chinese economy, we expect the monthly steel production to exceed 50 million tonnes and this will continue to support a healthy demand for imported high-grade manganese ores.

## **NORTHERN IRON LIMITED ("NFE") – 15% INTEREST**

OM Holdings Limited presently holds a 15% interest in NFE, with a current market value of approximately A\$64 million.

As previously announced NFE owns and operates the Sydvaranger iron ore mine in northern Norway and it is considered that the operation has the potential to become an independent long life world class emerging iron ore opportunity. OMM's commodity diversification strategy incorporating this investment is in line with its stated objective of building a significant carbon steel materials business. The investment is also viewed as strategically important and complementary to OMM's existing operations within the global steel materials business.

In early Q3 2010, OMS successfully concluded a Short Term Consultancy and Marketing Agency Agreement ("Agreement") with Sydvaranger Gruve AS ("SVG"), a wholly owned subsidiary of NFE. Under the terms of the Agreement SVG has appointed OMS to provide



short term consultancy and marketing agency services including the marketing of uncommitted iron ore product from SVG's Sydvaranger Iron Ore Project into the Asian market for a period up to 31 March 2011.

Under the terms of the Agreement, both parties have the right to negotiate a long term formal marketing agency agreement by 30 September 2010 for uncommitted product into the Asian market, as previously agreed at the time of OMH's subscription for NFE shares in January 2010.

OMS also executed a Loan Facility Agreement with SVG, whereby OMS agreed to provide a US\$10 million loan facility to SVG for the purpose of providing ongoing working capital funding at NFE's Sydvaranger Iron Ore Project. The facility was guaranteed by NFE, was provided on commercial terms and is repayable within twelve (12) months of first draw-down. SVG drew down this facility in early Q3 2010.

The loan facility, together with the intention to act as SVG's long term marketing agent into the Asian market underpins OMH's longer term commitment to the Sydvaranger Iron Ore Project as it seeks to achieve name plate grade and production capacity.

#### **SHAW RIVER RESOURCES LIMITED ("SRR") – 12.5% INTEREST**

OM Holdings Limited presently holds a 12.5% interest in SRR, with a current market value of approximately A\$4 million.

[www.shawriver.com.au](http://www.shawriver.com.au)

#### **SCANDINAVIAN RESOURCES LIMITED ("SCR") – 19.6% INTEREST**

OM Holdings Limited presently holds a 19.6% interest in SCR, which has iron ore exploration opportunities in Sweden. The investment has a current market value of approximately A\$2 million.

[www.scandinavianresources.com](http://www.scandinavianresources.com)

#### **TERRITORY RESOURCES LIMITED ("TTY") – 6.8% INTEREST**

OM Holdings Limited presently holds a 6.8% interest in TTY, with a current market value of approximately A\$4 million.

#### **Capital**

As at 30 June 2010 OMH had 498,485,150 ordinary shares and 43,020,000 unlisted options on issue.

During Q2 2010 7,475,000 unlisted options were exercised and 7,000,000 unlisted options lapsed following cessation of employment of employees.

Yours faithfully

**OM HOLDINGS LIMITED**

Heng Siow Kwee/Julie Wolseley  
**Company Secretary**



## ABOUT OM HOLDINGS LIMITED

*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 the capacity to produce 1,000,000 tonnes of manganese product annually. Bootu Creek has further exploration potential given that its tenement holdings extend over 3,300km<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 and sinter ore plant 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, a positioned that is strengthened by products from Bootu Creek and Qinzhou.*

*OMH is a constituent of the S&P/ASX 200 a leading securities index.*

*OMH also holds the following strategic shareholding interests in ASX listed entities:*

- *15% shareholding in **Northern Iron Limited** (ASX Code: NFE), a company presently producing iron ore from its Sydvaranger iron ore mine located in northern Norway;*
- *12% shareholding in **Shaw River Resources Limited** (ASX Code: SRR), a company presently exploring for manganese in Western Australia and Ghana;*
- *19% shareholding in **Scandinavian Resources Limited** (ASX Code: SCR), a company presently exploring for iron ore, manganese, gold and copper in Sweden and Norway; and*
- *7% shareholding in **Territory Resources Limited** (ASX Code: TTY), a company operating the Frances Creek iron ore mine in the Northern Territory.*