

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

OM SARAWAK FERRO ALLOY SMELTING PROJECT UPDATE

The Board of OM Holdings Limited ("OMH" or the "Company") is pleased to provide the following update in relation to the Ferro Alloy Smelting Project in Sarawak, Malaysia (the "Project"), including the finalisation and targeted dissemination of a Supplementary Information Memorandum for a Project Finance Facility (the "Supplementary IM") by OM Materials (Sarawak) Sdn Bhd ("OM Sarawak"), the owner of the Project (and in which the Company holds an 80% interest).

HIGHLIGHTS

- Detailed engineering of the Project has been completed.
- OM Sarawak is planning to execute the Project in two phases while meeting its agreed Power Purchase Agreement obligations.
- The Phase 1 ferrosilicon production facility ("Phase 1") is expected to consist of *Plant A* with 6 units of 25.5 MVA furnaces and *Plant B* with 10 units of 25.5 MVA furnaces. The Phase 2 manganese production facility ("Phase 2") is expected to consist of *Plant C* with a further 6 units of 25.5 MVA furnaces and a 36m² sinter plant.
- Phase 1 is expected to expedite Project cash flows by fast-tracking higher margin ferrosilicon production, producing 308,000 tonnes per annum of ferrosilicon alloys, consuming 360 MW of power.
- Phase 1 is expected to commence production during Q1 2014 and will reach full capacity by Q4 2014.
- Phase 1 is expected to be implemented on an Engineering Procurement and Construction lump sum turnkey basis and negotiations are nearing conclusion with the main terms already settled.



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- The expected capital expenditure of Phase 1 is USD 397 million. This amount includes the costs of land, land clearance and power sub-station construction, collectively amounting to approximately USD 65 million, plus an embedded contingency.
 - The Supplementary IM, representing 70% of the total cost of Phase 1, has been presented to selected regional and international financial institutions seeking a USD 315 million project finance facility, with a targeted financial close by the end of 2012.
 - The Company's pro-rata share of the 30% equity funding requirement for Phase 1, taking into account pro-rata funds already committed, is expected to be funded from the Company's recent capital raisings and internal cash flows.
 - Phase 2 is undergoing further review during the next 6 months to identify additional value-add engineering solutions and further reduce its capital expenditure requirements.
 - Phase 2 is expected to consume the balance 140 MW of power by the end of Q2 2015.

PROJECT BACKGROUND

In July 2012, the Company announced that:

- A Project Finance Information Memorandum ("Original IM") for the Project had been dispatched to interested prospective lenders.
- The capital expenditure of the Project was estimated to be USD 592 million.
- OM Sarawak was seeking a project finance facility of approximately USD 428 million, representing 70% of total Project costs.
- The Project, located on 500 acres on land adjacent to the new Samalaju Port, consisted of 22 sets of 25.5 MVA submerged electric arc furnaces and one 36m² manganese ore sintering line.
- The Project contemplated production of approximately 310,000 tonnes of ferrosilicon alloys and approximately 265,000 tonnes of manganese alloys and 300,000 tonnes of manganese sinter.
- The engineering design with detailed mechanical and electrical drawings was to be completed in Q3 2012.

In August 2012, the Company advised that it received a positive response to the Original IM with initial indicative funding participation amounts from 6 major regional and international banks. Together, the funding participation amounts from these financial institutions have well exceeded the Project's original debt funding requirements.



PROJECT PROGRESS SINCE JULY 2012

OM Sarawak has continued to advance multiple work streams in order to optimise the Project and prepare for implementation. Major milestones achieved included the:

- Execution of the power substation contract with Pestech Sdn. Bhd;
- Execution of an off-take agreement with JFE Shoji Trade Corporation;
- Execution of an off-take agreement with Hanwa Co., Ltd; and
- Completion of a non-renounceable entitlement offer of new ordinary shares in the Company, with approximately 40% participation raising approximately AUD 28 million.

PHASE 1 – KEY FEATURES

- As foreshadowed in the investor presentation dated 16 August 2012, the Project will be undertaken in two phases.
- This phased execution of the Project is designed to expedite cash flows and allow additional construction and ramp-up flexibility. Phase 1 is expected to fast-track the higher margin ferrosilicon production, while providing additional time for further technical and commercial optimisation of Phase 2.
- The Supplementary IM seeks a USD 315 million project finance facility, representing 70% of the total cost of Phase 1. The Supplementary IM and has been prepared and presented to selected regional and international financial institutions with the continued assistance of Standard Chartered Bank as the Project's Financial Advisor.
- The expected capital expenditure of Phase 1 is USD 397 million. This amount includes the costs of land, land clearance and power sub-station construction, collectively amounting to approximately USD 65 million, plus an embedded contingency. Phase 1's capital expenditure benefits from significant savings achieved from revised value-add engineering solutions and lower construction raw material costs.



- The capital expenditure of the original Project plan compares to the capital expenditure of the current Phase 1 plan as follows:

	Original	Current (Phase 1)
Capital expenditure	USD 592 million	USD 397 million
Less cost of land and land clearance and Power Sub-Station	~ USD 65 million	~ USD 65 million
Less cost of Manganese Sinter Plant	~ USD 15 million	-
Adjusted capital expenditure	~ USD 512 million	~ USD 332 million
Number of furnaces	22	16
Cost per furnace	~ USD 23.3 million	~ USD 20.7 million

- Under the Phase 1 Base Case financial model, projected cash flows demonstrate a continuing ability to service the USD 315 million of Project debt and maintain strong credit metrics under a range of downside scenarios. Phase 1 remains highly competitive even on an assumed 'stand-alone' basis with robust financial metrics, remaining firmly at the lower end of the industry cost curve.
- In line with the overall Project execution strategy, Phase 1 will benefit from long-term feedstock arrangements for key raw materials and its location affords it certain advantages with respect to logistics and procurement channels.
- The objective remains the securing of a minimum of 60% of the Project's production by way of off-take agreements, with the balance intended to be sold under market based arrangements, affording the Company enhanced operational flexibility and an opportunity to maximise value and leverage in-house marketing and sales capabilities, along with those of the Project's strategic partners.

CONCLUSION

The Project continues to benefit from a combination of competitive advantages, including but not limited to a competitively priced and reliable power supply, geographic proximity to raw materials and customers, tax incentives, lack of import and export duties and existing and under-development infrastructure.



The Project continues to represent an outstanding investment opportunity on the basis of strong underlying market fundamentals for steelmaking ferro alloys, changing industry supply dynamics, and the competitiveness and favourable location of Sarawak as a ferro alloy production centre.

Yours faithfully
OM HOLDINGS LIMITED

Heng Siow Kwee/Julie Wolseley
Company Secretary



BACKGROUND INFORMATION ON 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 2,400km².

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.

OMH is a constituent of the S&P/ASX 300 a leading securities index.

OMH holds a 26% investment in Ntsimbintle Mining (Proprietary) Ltd, which holds a 50.1% interest in the world class Tshipi Borwa manganese project in South Africa.

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

- 14% shareholding in **Northern Iron Limited** (ASX Code: NFE), a company presently producing iron ore from its Sydvaranger iron ore mine located in northern Norway; and
 - 4% shareholding in **Shaw River Manganese Limited** (ASX Code: SRR), a company presently exploring for manganese in Namibia, Western Australia and Ghana.
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