

OM HOLDINGS LIMITED

(ARBN 081 028 337)



No. of Pages Lodged: 10

11 July 2012

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 announce the completion and targeted dissemination of an Information Memorandum ("IM") for the Project Finance Facility being sought in connection with the Company's Ferro Alloy Smelting Project in Sarawak, Malaysia ("the Project"), and at the same time provide an update on the status of the Project.

HIGHLIGHTS

- The Project Finance Information Memorandum for the Project has been completed and dispatched to interested prospective lenders.
- The IM updates the November 2011 Definitive Feasibility Study ("DFS"). It demonstrates improved Project economics and confirms the Project's financial robustness.
- Independently forecast CRU sales price and key raw material input cost assumptions in the IM base case model account primarily for the improved Project economics.
- The increase in expected CAPEX over the DFS estimate relates to higher equipment, labour and installation costs.
- The Project is underpinned by strategic and operating competitive advantages, including a long term low cost power supply.
- All conditions precedent of the power supply contract were satisfied in May 2012.
- Binding off-take term sheets with JFE Shoji and Hanwa were signed during June and July 2012.
- Plant design, forecast production volumes, product mix and ramp-up schedules have been optimised.
- Ferrosilicon production planned to be commissioned as a priority in Q1 2014 to take advantage of favourable market fundamentals, off-take commitments, higher margins and the ability to expedite Project cash flows.

IM PROCESS DESCRIPTION

OM Materials (Sarawak) Sdn Bhd ("OM Sarawak") (the owner of the Project in which the Company holds an 80% interest) engaged Standard Chartered Bank ("SCB" or "the Financial Advisor") to develop and distribute the IM to interested prospective lenders.

The Project Finance Facility is expected to be an integral part of satisfying the overall Project funding requirement allowing OM Sarawak to build one of the world's lowest cost ferro alloy smelting plants in the fastest growing steel producing and consuming region.

For personal use only



SCB is acting as OM Sarawak's Financial Advisor to secure a Project Finance Facility for the Project. The preparation of the IM and associated due diligence process has been and will continue to be subject to independent technical review by Evans & Peck (a member of the WorleyParsons Group). CRU Strategies (a division of CRU International Limited) has been engaged for the purpose of providing independent market analysis, forecast key raw material cost prices and alloy sale price forecasts which have been incorporated into the IM base case modeling.

PROJECT DESCRIPTION

OM Sarawak was incorporated to develop a world-class greenfield manganese and ferrosilicon alloy smelter in the Samalaju Industrial Park, Sarawak, Malaysia.

The Project benefits from a number of competitive advantages, including but not limited to:

- a competitively priced and reliable power supply;
- geographic proximity to raw materials and end users;
- tax incentives;
- no import and export duties; and
- established existing and under-development infrastructure.

The Project's annual production capacity is expected to be 575,000tpa of ferro alloys, consisting of 265,000tpa of manganese ferro alloys and 310,000tpa of ferrosilicon alloys, in addition to 300,000tpa of sintered manganese ore, most of which will be used internally in the manganese alloy production process.

PROJECT RATIONALE

The Project continues to represent a strong 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.

The Project's two key economic drivers are energy cost and proximity to market, both of which are critical competitive differentiators for the Project.

Low Cost Producer

The Project has been independently assessed and is expected to be a low cost ferro alloy producer, with its estimated range of costs of production placing it in the lowest quartile of the global industry cost curve of steelmaking alloy producers.

Long Term Vision & Support Framework in Sarawak

The Project is being developed within a purpose-built industrial park as part of a Sarawak Government sponsored initiative to attract energy intensive industries to the region.

Favourable Changing Industry Dynamics

Economic growth driven by urbanisation, industrialisation, infrastructure development and the rise of the middle class in China and the rest of developing Asia is expected to sustain demand for crude steel and steelmaking alloys over the long-term.

Over and above the need for additional steelmaking alloy capacity to support long-term demand fundamentals, there is also a clearly observable dynamic of low cost alloy producers displacing high cost producers, especially in a rising energy cost environment.



China in 2011 accounted for approximately 50% of global manganese alloy production and approximately 70% of the global supply of ferrosilicon. China continues to focus on reducing its carbon footprint and improving its energy efficiency. This entails the implementation of a Government imposed 20-25% export tax on ferro alloys. Industry commentators, including CRU, expect that by 2015 China will limit domestic alloy production to sustain domestic demand only. This will present significant market opportunities for low cost regional producers, such as OM Sarawak. This transformation trend is already well underway for manganese alloys and is expected to be closely followed by ferrosilicon alloys.

Proven Technology, Experienced Management Team and EPC Contractor

The Project plans to construct 22 sets of 25.5MVA submerged arc furnaces and one 36m² manganese ore sintering line. The plant design has been optimised to consist of three independent but connected smelting facilities which will allow for maximum construction, commissioning and production optionality and flexibility, while fully benefiting from operational synergies and economies of scale and enhancing the Project's ability to respond to market changes and remain profitable throughout the commodity cycles.

The Project will be owner-operated and leverage on the Company's experience in the construction, commissioning and operation of smelting facilities of this nature.

The Project will be implemented on an engineering, procurement and construction ("EPC") lump sum turnkey basis. The scope of the EPC contract will encompass execution of detailed engineering, procurement of equipment and materials and testing and commissioning of the Project facilities.

The appropriateness of the equipment, process and implementation has been reviewed by the IM's independent technical advisor, Evans & Peck.

Long-term Power Purchase Agreement

A key component of the competitive positioning of the Project is a long-term power supply agreement signed with Syarikat SESCO Berhad ("SESCO") on 2 February 2012. The agreement is structured on a take-or-pay basis for an initial term of 20 years, with a fixed tariff that is both (i) competitive by international standards and (ii) subject only to adjustment for inflation at an agreed rate which is lower than historic and forecast price escalation in the energy sector globally and, in particular, in other ferro alloy producing countries.

CURRENT PROJECT STATUS

The Project is well advanced, with significant milestones achieved to date, including:

Land: 500 acres of land located adjacent to the new Samalaju Port has been allocated by the Bintulu Development Authority and accepted by OM Sarawak.

Manufacturing Licence: In September 2011 the Ministry of International Trade and Industry of Malaysia issued a manufacturing licence to OM Sarawak.

Power: On 2 February 2012, OM Sarawak executed a long-term power supply agreement with SESCO for the supply of 500MW of power capacity to the Project, covering 100% of its expected power requirements. In May 2012, OM Sarawak satisfied all of the conditions precedent under the power supply agreement.

Earthworks: Approximately 85% of the work is completed and the Project site is expected to be ready for commencement of construction by August 2012.

Engineering Design: OM Sarawak executed an Engineering Design Contract with Sinosteel Jilin in January 2012. The majority of the civil and structural drawings of the plant have been completed, with the mechanical and electrical drawings expected to be completed in Q3 2012.



Environment Impact Assessment: The Detailed Environmental Impact Assessment (“DEIA”) was approved by the Department of Environment of Malaysia in late May 2012. It had been prepared and submitted in accordance with the Sarawak State’s Natural Resources and Environment Order, 1997 and Malaysia’s Environmental Quality Act, 1974. This environmental approval was a major milestone in the development of the Project, being a prerequisite for commencement of construction. The DEIA was subject to a public review process, with approvals from various state and federal government departments.

Power Substation: The construction, testing and commissioning of the power substation is on the Project’s critical path and is expected to be completed by Q3 2013. The substation tender has closed, and OM Sarawak is currently in the process of shortlisting the preferred tenderer and proceeding to negotiating contact terms. This contract is expected to be incorporated into the EPC contract.

Product off-take: Binding off-take term sheets with JFE Shoji Trade Corporation and Hanwa Co. Ltd were executed in June 2012 and July 2012, respectively.

STRATEGIC PROJECT PARTNER

The Project is a joint venture between OMH (80%) and Cahya Mata Sarawak Sdn Bhd (“CMS”) (20%). CMS is a leading conglomerate listed on the Main Market of the Malaysian Stock Exchange. Most of its operations are based in Sarawak and it is one of the leading private sector companies in the largest state in Malaysia, employing approximately 2,000 people. Since formation in 1974 as a manufacturer of cement, CMS has grown into a conglomerate whose portfolio today spans construction materials, construction, road maintenance, property development, trading, financial services and education.

PROJECT ECONOMIC ANALYSIS

The Project is expected to be a significant low-cost global player in the industry, generating robust cash flows over a sustained period.

The base case financial model cash flow forecast in the IM demonstrates a continuing ability to service Project debt and maintain strong credit metrics under a diverse suite of downside scenarios.

Key Forecast IM Financial Metrics

The financial metrics set out below for 100% of the Project (compared to the DFS metrics of November 2011) are derived from the IM and based on OM Sarawak’s forecast product tonnes and product mix, and independently forecast CRU sales prices and key raw materials input cost assumptions.

DESCRIPTION	IM BASE CASE (JUNE 2012)	DFS (NOVEMBER 2011)
Expected Average Annual Turnover	~ US\$1.16 billion	~ US\$924 million
Expected Project IRR (after tax, ungeared)	33%	30%
Expected Average Annual Operating Cash Flow	~ US\$286 million	~ US\$158 million
Expected Project NPV @ 10%	~ US\$1.3 billion	~ US\$667 million
Expected Payback Period (excl. construction period)	3 years	3 years
Expected Project CAPEX	US\$592 million	US\$502 million

One of the key variables contributing to the difference between the DFS and the IM base case financial model outcomes has been the inclusion in the IM of CRU’s independent alloy sales prices forecasts as well as certain key raw material cost estimates.

For personal use only



The DFS financial modeling was completed on the basis of the Company's internally generated (higher) input cost assumptions and (more conservative) sales price forecast assessments.

Expected Project Timing

- Expected signing of Project Finance Facility documents in Q3 2012
- Expected construction start in Q3 2012
- Expected construction period of ~ 30 months
- Expected first production in Q1 2014
 - **Phase 1 - Ferrosilicon** production expected to be commissioned as a priority in Q1 2014 in order to take advantage of favourable market fundamentals, off-take commitments, higher margins and ability to expedite Project cash flows
 - **Phase 2 - Silicon Manganese and High Carbon Ferromanganese** production expected to be commissioned in Q1 2015
- Expected full commercial operation and steady state production by mid-2015
- Expected operation period of minimum 20 years

Base Case Financial Assumptions

CAPEX: The Project's projected CAPEX has been revised up to USD 592 million. The key components of the increase in forecast CAPEX from OM Sarawak's previous DFS CAPEX estimate of USD 502 million is due to additional costs associated with the design, installation and commissioning of the power substation as a result of increased requirements related to power factor specifications by the grid system operator, in order to improve the stability and efficiency of the transmission network, requiring higher equipment specifications, additional transformers and automation systems. Furthermore, higher than anticipated raw material prices, labour costs, installation and logistics costs associated with the civil and structural engineering of the Project's plant and equipment contributed to an increase in Project's projected CAPEX.

Debt: The Project is expected to be 70% project finance funded by a consortium of international and regional banks (including major Malaysian banks).

OM Sarawak is seeking to secure a Project Finance Facility of approximately USD 428 million which will fund, in addition to the Project CAPEX, the funding of working capital requirements.

Equity: Both OMH and CMS as shareholders will provide equity for the Project for an amount equivalent to 30% of the total Project cost.

The total equity funding requirement of the Project is estimated at USD 184 million, to be funded pro-rata between the Company (80%) and CMS (20%).

CMS' share of equity funding is approximately USD 37 million. CMS has advised OM Sarawak that its full equity funding requirement is in place.

The Company's share of equity funding is approximately USD 147 million. Earlier this year the Company successfully completed a series of equity placements and the issue of convertible notes totaling approximately AUD 56 million, with Boustead, Hanwa and a number of institutional investors, in connection with, and providing positive endorsement of the Project. OMH is currently assessing a number of alternatives to secure the balance of its required equity contribution.



In 2012, the OMH Group consolidated and restructured its existing term loan facilities with Standard Chartered Bank, providing appropriate financial flexibility to accommodate its operating strategy and progress the development of its strategic growth projects, specifically including this Project in Malaysia. As part of the loan restructuring agreement the Company has made a lump-sum loan repayment of USD 20 million on 15 June 2012, to be followed by a further lump-sum loan repayment of USD 10 million on 15 July 2012. Following these lump sum loan repayments the total amount outstanding under the term loan facilities with Standard Chartered Bank will reduce to approximately USD 59.5 million.

The Company has previously publicly announced its intention to monetise its investment in Northern Iron Limited (NFE).

Forecast Project Production Volumes (Base case model for 100% of the Project):

Products	Tonnes Per Annum (tpa)
Ferrosilicon	~310,000
Silicon Manganese	~204,000
High Carbon Ferromanganese	~61,000
Sintered Manganese Ore	~300,000

Commodity Prices and Product Margins: The IM base case model product price assumptions factor in the forward market price view of the independent consultant, CRU. Prudent conservative downside cases have also been run on a gross margin basis, reflecting an element of correlation of product prices with raw materials.

Product	Expected Average Product Margins	
	IM BASE CASE (JUNE 2012)	DFS (NOVEMBER 2011)
Ferrosilicon	~ 44%	~ 27%
Manganese Alloys	~ 22.5%	~ 15%

Cost Escalation: Under the base case model, feedstock costs were inflated at 3.5% per annum (China's CPI), with the remaining feedstock cost and product prices projected under CRU's assumptions in nominal terms.

Tax: Company tax of 25% and a tax holiday of 5 years.

Base Exchange Rate: 1 USD to 3.1923MYR as of 30 June 2012 (Source: OANDA).

Interest Rate: The base case model assumptions are derived from the US LIBOR forward curve. Interest margins of 2.5% were modelled. Project cash flows were shown to be resilient to changes in interest rates.

MARKETING AND DISTRIBUTION STRATEGY

Sales to Japan, South Korea, Taiwan and South East Asia are natural geographical fits for the Project's products. The Middle East, Europe and USA make up the total potential market coverage. India and China provide longer term regional strategic growth opportunities as these markets gradually become net importers of alloys.

The strategic marketing objective of the Project is to secure up to 60% of its production by way of off-take agreements, focusing predominantly on end-user integrated steel mills. The balance is intended to be sold under market-driven arrangements affording the Project suitable operational flexibility and an opportunity to capture higher margin opportunities by leveraging its market reach and sales capabilities.



Under the base case model the off-take partners and anticipated secured annual production volumes (for 100% of the Project) are forecast as follows:

Actual/Targeted Off-takers	FeSi (t)	SiMn/HCFeMn (t)
Japan		
JFE Shoji Trade Corp	80,000	-
Hanwa Co. Ltd.	50,000	70,000
Other - Asia	~ 70,000	-
Other - Europe and/or US	~ 70,000	-
Total	~ 270,000	70,000

The Company's priority is to secure its targeted off-take commitments for OM Sarawak's ferrosilicon production first, in line the Project's expected production ramp-up and product-mix optimization outcomes, closely followed by the execution of off-take commitments for the Project's manganese alloy products.

RAW MATERIAL SUPPLY STRATEGY AND ARRANGEMENTS

The Project will benefit from long-term feedstock off-take arrangements for key raw materials, including captive sources such as manganese ore and other inputs produced as by-products. The Project's location also affords significant advantages with respect to logistics and procurement options.

Raw Materials	Expected Annual Consumption (t)
Manganese Ore	~ 650,000
Quartzite	~ 570,000
Reductants	~ 480,000
Others	~ 100,000
Total	~ 1,800,000

Manganese Ore – The Project will source high grade manganese ore from the Company's wholly owned 1mtpa capacity Bootu Creek Manganese Mine in Australia and from the Tshipi Manganese Mine in South Africa, in which the Company holds a 13% effective interest. OM Sarawak anticipates being able to complement its manganese ore sourcing requirements from third party seaborne, regional and domestic sources if and when appropriate.

Quartzite – The Project's quartzite sourcing strategy has been designed to ensure supply security for the majority of its quartzite requirements. To date OM Sarawak has executed two off-take term sheets with Chinese quartzite suppliers covering approximately 50% of the Project's total requirements. Longer term, OM Sarawak will explore additional sourcing opportunities in China, India and South East Asia in the form of off-take, investments and/or production joint ventures.

Reductants - OM Sarawak expects to source its reductant requirements from China through direct imports and is in detailed discussions with several Chinese suppliers of suitable quality reductants to finalize supply agreements. OM Sarawak has also established relationships with the world's major coke suppliers and trading companies to explore the possibility of sourcing outside of China. OM Sarawak will continue to investigate the availability of local and regional sources of reductants as well as potential future in-house production of reductants.



UPDATED REVIEW OF PROJECT RISKS

As part of the DFS and IM process Project risks have been identified and where possible strategies have been implemented to mitigate such risk factors. Specific and general key Project risks include:

Market Risk

Sound underlying market fundamentals, with changing dynamics in the industry presenting opportunities for low cost producers such as OM Sarawak. The Project has begun the process of securing long-term supply and off-take agreements in the target markets for 60% of production. It is not the intention to fully contract production volumes given the strong competitive positioning of the Project affording it capacity to withstand margin pressure. In terms of feedstock supply the Project will benefit from vertical integration and other inputs that can be readily sourced.

Feedstock Supply Security Risk

The Project will benefit from a degree of vertical integration, with the intention to source manganese ore from captive sources such as the Company's Bootu Creek manganese mine in Australia and from the Tshipi Project currently under development in South Africa. Bootu Creek is operational, with a demonstrated operating record, and Tshipi is scheduled to come on stream well in advance of commissioning of this Project. The required feedstock and raw materials are readily available from the market, with no supply constraints expected for any of the key inputs.

Construction Risk

The Project will be implemented under a fixed price EPC contract. The EPC contractor is a highly experienced partner with a demonstrated track record in the sector. OM Sarawak will work with the Company which has first-hand experience of implementing and operating a facility of this nature and will oversee Project implementation. Overlaying this is satisfactory capacity in the overall funding plan, including embedded contingency as well as completion undertakings from OM Sarawak's shareholders. To support the financing of the Project, OMH and CMS will provide a completion guarantee, which is expected to be on a several pro-rata basis. Under this, OMH and CMS will, in effect, commit to the Project entering into commercial operation on time and to a required level by an agreed backstop date. This guarantee would cease upon declaration of 'Completion', which would be subject to certain pre-agreed technical and economic tests.

Operational Risk

The overall plant design and smelting process is of common configuration and the technology selected is widely used with a longstanding demonstrated operational track record across the industry. The Company is experienced in operating facilities of this nature. In addition to manufacturing and installation Sinosteel Jilin will provide services, including training, operating/maintenance services and support through commissioning and completion testing.

Take-or-Pay Power Purchase Obligations

The long-term power supply agreement has been structured with flexibility to withstand any delay in the construction schedule and/or in the rate of ramp-up of production. Under the base case model, 96% of the allocated capacity is expected to be utilized. The credentials of the Project's shareholders, coupled with the proven nature of the technology and the average load factors in the industry, provide assurance that the Project is capable of operating at this minimum level on a consistent basis.



Development of Samalaju Port

The development schedule incorporates sufficient buffer in the timeline for the Samalaju Port to be built in advance of the Project entering into commercial operation. A contingency plan includes use of the Bintulu Port, which is in close proximity to the site and has sufficient capacity to accommodate the needs of the Project through the construction phase. The Samalaju Port progress is actively being monitored by OM Sarawak, with key milestones tracked and regular meetings held with the Port authorities. Construction has commenced on the Samalaju Port.

Environmental & Social Risk

The Project has been subject to extensive environmental and social due diligence, coordinated by the leading consultant, Chemsain. It is fully permitted, with the DEIA approved by the Department of Environment of Malaysia. There is commitment to develop, implement and operate the plant in accordance with best practice, including compliance with the Equator Principles. Environment and social review is also part of the scope of work being undertaken by Evans & Peck.

Political Risk

The Samalaju Industrial Park, in which the Project is located, is part of a Government sponsored initiative to attract energy intensive industries to the region. The Project is expected to deliver significant benefits to Malaysia, during both the construction and operating phases, including long-term employment, substantial export revenues, local feedstock sourcing, and electricity tariff payments, as well as economic multiplier effects and tax revenues. Malaysia has a stable political and business environment.

Yours faithfully

OM HOLDINGS LIMITED

Heng Siow Kwee/Julie Wolseley

Company Secretary

Forward-looking statements

This announcement contains certain forward-looking statements. The words “expect”, “anticipate”, “estimate”, “intend”, “believe”, “guidance”, “should”, “could”, “may”, “will”, “predict”, “plan” and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings, production levels, rates of return, levels of capital expenditure, financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. In addition, the proposed Project Finance Facility is subject to negotiation, agreement and execution of formal documentation with prospective lenders. No representation, warranty or assurance (express or implied) is given that the Project Finance Facility will be obtained by OM Sarawak on terms acceptable to it and within the expected timeframe.



BACKGROUND PROFILE OF 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
- 8% shareholding in **Shaw River Manganese Limited** (ASX Code: SRR), a company presently exploring for manganese in Namibia, Western Australia and Ghana.