

OM Holdings Ltd

07:59 29 Sep 2009

Om Holdings and Pallinghurst birth pure manganese play

Pallinghurst's quest to become a major player in the manganese market took a major step forward Monday, with the announcement that it, and its co-investors, have signed a memorandum of understanding to with OM Holdings.

Under the MOU, the Australian Manganese producer, OM Holdings (ASX: OMH) will acquire a 49.9% equity interest from the Pallinghurst Co-Investors in the Tshipi Kalahari Manganese Project in exchange for 139,906,729 ordinary shares in OMH; and a 20% equity interest in the black empowerment group Ntsimbintle, which owns 50.1% of the project, for A\$49,2m in cash, roughly the value of 28m OMH shares.

Speaking on a conference call early this morning Brian Gilbertson, explained that, the existing group of investors (which includes South Korean steelmaker POSCO, Investec and AMCI Capital) in the Tshipi manganese project are extremely bullish about the long term prospects for the steel market, and indeed had been looking for a way to speed up the development of the mine but, chose to do the deal with OMH because its logic was compelling.

"The deal creates a company capable of competing quite vigorously in the international manganese market," Gilbertson said.

"It brings together the expertise of both parties, adds geographic diversification and the ability to blend two types of ore which will better meet customer requirements and it also brings with it OMH's presence in China," he said.

It is this access that Gilbertson was at pains to point out was something the existing co-investors didn't yet have access to and would have had to create from scratch.

OMH CEO, Peter Toth, said that in the Tswana language the world Tshipi beans beautiful and he could not have come up with a better word to describe the project on hand.

He added, "The new company will have operations that span across the value chain of the manganese industry, the business will operate in the most strategically important markets, Australia, South Africa and China.

"OMH is a skilled marketer of products in this market," he added.

Indeed, many seem impressed by the prospect of a company that will only produces manganese ore in both South Africa and Australia but also beneficiate that ore and market its products to Asia.

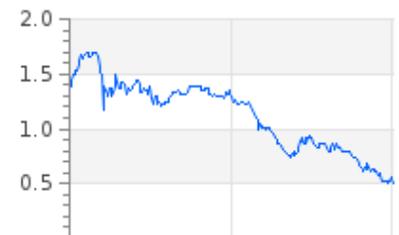
OMH Executive Chairman, Mr Low Ngee Tong noted in the press release, "OMH has proven that it can add significant value to the Bootu Creek Mine's Mineral Resource by producing and marketing low cost and high value in use products.

The Tshipi Kalahari Manganese Project, once in production, will allow further opportunities for OMH to use and market a unique suite of complementary ores.

Price: \$0.51

Market Cap: \$373.01 m

1 Year Share Price Graph



September 2018 March 2019 September 2019

Share Information

Code: OMH

Listing: ASX

52 week	High	Low
	1.7	0.47

Sector: Mining

Website: www.omholdingsltd.com

Company Synopsis:

OM Holdings Ltd (ASX:OMH) is listed on the Australian Securities Exchange.

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Following shareholder approval of this transaction OMH will aggressively pursue complementary business development opportunities such as the expansion of its Qinzhou smelting and sintering capacity and the feasibility study of smelting options outside China, including Indonesia which is supported by domestic manganese ore, proximity to the Bootu Creek operation and large domestic thermal coal resources supporting competitive power costs."

According to Toth, the deal is a landmark one for the Australian company, and "propels OMH into becoming one of the leading globally-integrated, independent manganese producers in the world".

To put into perspective exactly what OMH will get its hands on through the deal, the Tshipi project situated in the Kalahari Basin, has a total estimated mineral resource of 163.23 million tonnes at 37.1% Mn with significant potential for additional resources beyond the currently defined levels.

According to the MOU, the parties involved will need to spend US\$200 million to develop the project but the various interested parties say that "upon reaching a steady state production rate, the project is expected to be a producer in the lowest cost quartile.

"It is anticipated that the development of the mine will commence in 2010 with the aim to be in production no later than early 2013, in line with expected supporting rail and port infrastructure. A fast tracked mine development schedule and the identification of earlier logistics options are under investigation and could result in earlier market entry outcomes."

And, while the project brings both OMH and Pallinghurst (and its co-investors) into the manganese big leagues, Gilbertson made it clear that there was every reason to think this would not be the last deal these parties do together.

"I am very flattered that OMH has asked me to head up an Investment committee. As I mentioned earlier, my co-investors are very enthusiastic about the steel industry and its future prospects and they have deep pockets. I think we will find that the co-investors are willing to support us and we will see further developments in the space."

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