

OM HOLDINGS LIMITED

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Company Announcements Office
Australian Stock Exchange Limited
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Dear Sir/Madam

SIGNIFICANT PROGRESS ACHIEVED ON OM HOLDINGS LIMITED'S GROUP ACTIVITIES

Highlights

The Board is pleased to provide the following update on OM Holdings Limited's Group's activities. Over the past quarter a number of significant achievements have been attained as summarised below:

Bootu Creek Manganese Project - Northern Territory, Australia

- **Development of the Project is progressing in accordance with a revised project schedule and financial model with the Project anticipated to commence shipments of product that has been crushed and wet screened from an interim process plant in September 2005.**
- **Assessment of project financing/equity alternatives with respect to funding the process plant has commenced. The preferred option is to secure project financing based upon the Group's strong ungeared financial position and short payback period for the Project. The OMH Group also has the capacity to supplement such a line of project financing from its existing cash reserves.**

Qinzhou Ferro Alloy Processing Facility – South West China

- **Re-commencement of production from two furnaces with production and costs achieving budgeted expectations.**
- **Proposed merger arrangements with existing ferro alloy producers will be advanced once the Bootu Creek Manganese Project commences shipments in September 2005.**

Trading

- **Revenues and gross margins derived for the first quarter continued the trend recorded in the latter half of 2004.**
- **Initiatives are being implemented to further expand market coverage beyond Asia to include Europe, America and the Middle-East.**

REVIEW OF OPERATIONS

Bootu Creek Manganese Project

Bootu Creek Resources Pty Ltd ("BCR"), a wholly owned subsidiary of OM Holdings Limited has a 75% interest in the Bootu Creek Manganese Project ("the Project") and is the Manager of the Project.

Development of the Project at Bootu Creek, 130 km north of Tennant Creek in the Northern Territory is progressing in accordance with a revised project schedule and financial model and the following key milestones have been achieved:

- Completion of the design works and detailed drawings for the process plant.
- Completion of the design, fabrication and procurement of the dense media plant.
- Commissioning of the process plant is due to occur in late October 2005.
- Establishment of preferred mining and ore processing contractor.
- Construction of the 60 kilometre access and haul road due to be completed by the end of May 2005.
- Construction of the on-site accommodation village complete.
- Award of road haulage contract to Mitchell Corporation.
- Execution of a letter of intent with FreightLink to provide railings services.
- Delivery of stockpile stacker/ship loader expected in July 2005.
- Shipments of product that has been crushed and wet screened from an interim crushing and screening plant are expected to occur in September 2005.
- Assessment of project financing/equity alternatives with respect to funding the process plant has commenced.

The revised schedule has been prepared following the need to secure alternative arrangements principally in relation to the construction and initial financing of the process plant. As previously advised to the market in December 2004 Henry Walker Eltin Limited ("HWE") was selected to be the preferred contract miner, process plant builder and process plant operator. HWE had also agreed to carry the cost of construction of the process plant with a later transfer to the Project. HWE went into voluntary administration in late January 2005 and the administrator has since advised that HWE will not be able to perform the contractual arrangements including the construction and initial financing of the process plant. Accordingly BCR has taken over direct responsibility for managing the final design and construction of the process plant. The revised cost estimate for constructing the process plant will be approximately \$19.3 million which will now be funded by the joint venture participants.

BCR has expeditiously responded to these changes and ensured that the completed design for the process plant will be available for the award of a lump sum construction contract for the process plant.

It is anticipated that commissioning of the process plant will commence at the beginning of November 2005.

BCR is also presently assessing the mobilisation and operation of a hired interim crushing and screening plant so as to commit to the commencement of shipping activities in September 2005. Such a plant can be sourced and can be made available for commissioning with effect from August 2005. In-house studies indicate that the interim crushing and screening plant will be economically viable to operate with production anticipated to be approximately 40,000 tonnes of lump per month. The interim process plant will be supplementary to the process plant presently under construction and will not be a replacement to the main plant. The process plant will have a dense media plant which is a pre-requisite to enable consistent grade to be achieved.

The Darwin Port Corporation has advised that it anticipates the completion of construction of the new port facilities by late August 2005.

BCR has commenced earthworks at the Darwin Port to develop a suitable area for the construction of shipping stockpiles.

Following the inability of HWE to continue as mining contractor, BCR was required to re-tender the mining contract works. BCR is in final negotiations with a preferred tenderer to enter a three year contract for the mining and processing of ore. Increases in pricing between the original contract and the new contract are modest in light of current market pressures. Mobilisation of mining equipment and personnel to site is due to occur in late July 2005.

The construction of the 60 km haulage road between the mine site and the rail siding is scheduled to be completed by the end of May 2005. The Stuart Highway underpass has been completed.

BCR has awarded the road haulage contract to Mitchell Corporation, a major haulage contractor operating in WA, Queensland and with experience hauling manganese.

An accommodation village constructed for 90 occupants has been completed.

Site earthworks for the process plant have been completed. Site infrastructure such as offices, workshops, fuelling facilities are anticipated to be completed by late June 2005.

In late April 2005 BCR entered into a letter of intent with FreightLink to commence the necessary infrastructure to enable railings to the Darwin Port to occur in late August 2005.

BCR is presently undertaking advanced negotiations with a lessor of wagons for initial use. These wagons are of a configuration suitable for carrying and discharging rail ballast, and will be suitable for carrying lump ore. Testing of modifications to these wagons to ascertain their long term suitability for carrying both lump and fines products is underway as an alternative to the proposed purchase of new wagons.

The revised project schedule and financial model is expected to deliver the following financial parameters:

- Total estimated capital expenditure requirement of \$40 million of which BCR's obligation is \$30 million. The increase in capital expenditure is mainly attributable to the joint venture partners being responsible for funding the capital cost of the process plant of \$19.3 million and site establishment costs of approximately \$3.7 million. To date BCR has funded its share of cash calls to the extent of \$13 million. BCR's share of the remaining cash calls of \$17 million is anticipated to be funded by internally generated cash flows from the OMH Group supplemented by a line of project financing or equity instruments both of which are presently being assessed. The Company has the capacity to issue shares however the Board considers that the Groups lowly geared financial position and short payback period for the project will lend itself to project financing alternatives.
- Annual sales of 450,000 tonnes of lump product and 150,000 tonnes of fines product. Further exploration drilling is planned to replace the mined reserves and extend the mine life beyond 10 years. The product has a low phosphorus grade and will be attractive to ferro alloy smelters.
- Based on a manganese lump product price of US\$3.00/Mn Unit (which is a 15% discount to the current market price) and an exchange rate of US\$0.78 average annual revenues for the first five years of production are anticipated to be \$85 million per annum.
- Average annual operating costs (including royalties) for the five year period are expected to be \$58 million per annum.
- Average annual EBITDA for the five year period are expected to be \$27 million per annum.

Qinzhou Ferro Alloy Processing Facility – South West China

The Qinzhou ferro alloy project is located in the Guangxi Province in south west China.

The key operating milestones achieved over the past quarter include the following:

- Production re-commenced as planned in February 2005 following Chinese New Year. Since re-commencement of operations alloy production to date has been 6,000 tonnes with all high carbon ferro-manganese delivered to POSCO based upon a long term contract.
- Furnace 2 has been producing high carbon ferro-manganese (“HcFeMn”) and production has been sustained at 72 tonnes per day during March/April 2005. It has achieved budgeted expectations on output and costs.
- Furnace 1 started producing silicon-manganese (“SiMn”) in the middle of March 2005, and production has been less efficient than expected and accordingly furnace equipment is being modified with an aim to resolve the lower efficiencies. However, owing to current market conditions the operations will be changing to accommodate the need to change to HcFeMn or McFeMn production soon. Furnace 1 will change from SiMn to HcFeMn or McFeMn.

The proposed merger of other existing China based ferro alloy operations will be further pursued and formalised in the latter half of 2005 following the commencement of production from the Bootu Creek Manganese Mine.

Trading

OMH's wholly-owned trading subsidiary OM Materials (S) Pte Ltd has continued to record sound operating results in the first quarter of 2005 brought about by forward sales to steelmakers in China. OMS has also benefited by sales of manganese and chrome alloy for the quarter.

The price of manganese ore is expected to remain stable with iron ore prices still tending to trend higher for the remainder of the 2005 year. Though manganese and iron ore are closely related because of their use in the steel making industry, the general increased supply of manganese ore worldwide will possibly curtail the sharp escalations in manganese prices experienced in 2004 and early 2005.

For the remainder of the 2005 year OM Materials (S) Pte Ltd expects to:

- (i) Expand its market coverage to include Europe, America and the Middle-East. Presently the core business is concentrated almost entirely in East Asia.
- (ii) Accelerate efforts to source additional supplies of manganese and chrome ore, including alloys from Africa and Turkey and to compliment the production profile of manganese ore due to be delivered from the Bootu Creek Manganese Project scheduled to commence during the last quarter of 2005.
- (iii) Prepare to enter the market for iron ore sales into China, mainly from India. This may be further supported by the alliance created with Territory Iron Limited (in which OMH holds a 25% strategic investment) and the potential iron ore which may be produced following from the development of its projects.

OMH is continuing to optimise its opportunities in the current environment and to further leverage off the strong cash generation of its trading business to pursue aggressively in its future growth and continued development by creating a fully integrated group encompassing production, processing and trading businesses.

Yours faithfully

OM HOLDINGS LIMITED

Heng Siow Kwee/Julie Wolseley
Company Secretary