

OM HOLDINGS LIMITED

(ARBN 081 028 337)



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Company Announcements Office
ASX Limited
4th Floor
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

OPERATIONAL, MARKETING AND PRODUCTION UPDATE

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

HIGHLIGHTS

- Bootu Creek Manganese Mine on track to achieve record production of ~690,000 tonnes for calendar year 2008.
- Revised marketing strategy implemented in response to weaker short term manganese demand triggered by the impact of the global financial crisis on Chinese steel production.
- Bootu Creek Manganese Mine annual production rate to be reduced by approximately 30% to 500,000 tonnes for 2009. The subsequent rebuilding of ROM stockpiles will provide capacity to return to production of 700,000 tonnes per annum with improved product yield and metal recovery performance, once market conditions improve.
- Suspension of manganese product shipments by OM (Manganese) Ltd ("OMM") during October and November 2008 in response to weak market conditions. OMM's product shipments are likely to continue to be influenced by the prevailing market conditions during the remainder of December 2008, however, shipping activities are expected to recommence during early Q1 2009 in response to lower inventory stockpiles located at various smelters and ports in China.
- OMH Group remains in a strong financial position with robust cash reserves, a solid balance sheet with essentially no debt and no requirement to procure debt or equity to support ongoing operations.
- Alloy production at the OM Materials (Qinzhou) Co Ltd ("OMQ") facility on track to exceed annual record production of 44,000 tonnes of High Carbon Ferro Manganese, achieved primarily from the operation of one furnace. All domestic and export sales commitments continue to be fulfilled.
- Close to 88,000 metres of RC drilling and 2,800 metres of diamond drilling within a A\$10 million annual budgeted program have been completed at the Bootu Creek Manganese Mine with a significant revision to the Mineral Resource inventory expected to be released in Q1 2009. Assay results will be finalised in January 2009 and Mineral Resource estimation is scheduled for completion during Q1 2009. Exploration expenditure for 2009 is expected to be significantly reduced following the extent and success of the 2008 program.
- Drill and assay results received to date support a substantial increase to the December 2007 Mineral Resource base of 17.75 million tonnes at 25.7% Mn.
- Initial testwork on drill core from new Mineral Resources outlined on the Western Limb of the Mineral Lease 24031 has confirmed that a high grade product could be produced with mass yields in line with existing Ore Reserves.



MARKETING AND PRODUCTION STRATEGY

As a result of the impact of the global credit crisis on Chinese steel production and current market volatility, the OMH Group has recently reassessed its operational and marketing strategies in order to optimise the Company's short, medium and long term delivery options and to ensure maximum flexibility given the current global demand weakness and volatility.

This strategy was developed as a direct response to market conditions that have arisen in the manganese market over the past two months. The market has been characterised by limited transparency between manganese product demand and supply fundamentals as well as the lack of available trade finance and credit in China during Q4 2008. This has resulted in the absence of a transactable market price despite the previously published quarterly benchmark of US\$16.30/dmtu CIF China for 44% Mn grade material.

Initiatives adopted by the OMH Group in response to these circumstances have included:

- suspension of shipments during October and November 2008 in order to minimise the OMH Group's exposure to discharge port stockpiling, provisional pricing and unnecessary counterparty and credit risks;
- planning for the likelihood that shipments will not resume during December 2008, as market conditions remain weak;
- the planned temporary cessation of processing activities at the Bootu Creek Manganese Mine for a two week period over Christmas and New Year. However, mining activities will continue so as to advance waste mining and expose additional ore to supplement ROM ore stocks ahead of the wet season and for the 2009 production year;
- continuing to advance the planned commissioning of the OMQ sinter plant in the latter half of 2009, as a result of which commissioning of OMM's rejects re-treatment plant (which is expected to initially generate a further 150,000 tonnes per annum of 35% Mn fines) will be deferred to coincide with the commissioning of the OMQ sinter plant. In the interim, detailed design of the rejects re-treatment plant continues and procurement of screening and conveying equipment has commenced; and
- advancing planning for a production strategy for 2009 which reduces annualised output by approximately 30% to 500,000 tonnes but aims to provide increased ROM ore stockpiles to support an improved product yield and metal recovery performance during 2009. The Company is confident that, despite the preliminary reduced production outlook for 2009, it is well placed to be responsive to returning to annualised production rates of at least 700,000 tonnes per annum once market conditions improve. The Company also considers it can significantly value add to its production in 2009 by implementing a number of operational objectives. These measures include efficient management of the changeover of its mining contractor (from both an operational and cost perspective), planning ahead for the expected wet season in Q1 2009, optimising mine planning including accelerated pre-strip activities, introducing further improvements to the processing plant and implementing further operating cost reduction strategies.

STRONG FINANCIAL POSITION

OMH Group's consolidated cash reserves remain robust despite the deferral of shipping activities during Q4 2008. The OMH Group remains strongly funded internally, with the significant cash benefit of product stockpiles to be realised as sales in 2009.

OMH Group continues to benefit from a strong balance sheet with negligible debt and does not foresee any requirement to procure debt or equity to support ongoing operations.

The cessation of shipments during Q4 of 2008 impacted on the delivery of OMM's forward exchange contracts against planned manganese ore revenues for this period.

An additional cargo of ore sold during September 2008 (that was brought forward from Q4 2008) allowed OMM to discharge its October 2008 forward exchange contract commitments.

During November 2008, OMM closed out forward exchange contracts with a mark-to-market loss of A\$6.0 million.

In the event that OMM makes no shipments during December 2008 it will close out further forward exchange contracts with an expected mark-to-market loss of A\$6.6 million, assuming an AUD/USD exchange rate of 0.65.



OMM's 2009 forward exchange contracts total US\$146.4 million at an average AUD/USD exchange rate of 0.77 with a current mark-to-market loss of A\$35.2 million, assuming an AUD/USD exchange rate of 0.65.

OUTLOOK

Despite the challenging global market conditions and the impact this has had for raw materials providers to the steel industry, the OMH Group views this period as a time of opportunity to remain focussed on optimising its delivery options, operating strategies and cost structures so as to be well positioned for a rebound once the market sentiment and demand improve.

In particular, the Bootu Creek Manganese Mine has consistently demonstrated its capability to deliver at least 700,000 tonnes per annum. This operation underpins the OMH Group's flexibility with respect to executing optimum production strategies in terms of mining, processing, smelting, trading and logistics and its ability to respond proactively to prevailing market conditions.

The OMH Group's strong financial position and growth opportunities through expansion alternatives place it in a unique position to take advantage of not only the recovery when it does occur, but also in pursuing other opportunities which the Directors believe will arise in the current difficult, credit-constrained global market.

The return to market confidence will be driven by the timing and volume of future demand for resources. From a future demand perspective, the Company considers that China will continue to achieve growth and performance from ongoing industrialisation and urbanisation. This projected long-term demand will be supported in the short term by the Chinese Government which recently announced a growth stimulus package that involves the expenditure of over A\$870 billion over two years for infrastructure, post-earthquake reconstruction and housing, supplemented by reduced taxes and tariffs and interest rate cuts.

The Company considers that its strategies to curtail manganese shipments during Q4 2008 and production during 2009 are prudent in the current market environment. Despite the current market uncertainty, the OMH Group remains confident that its strategy, operational and financial structures across each of its business units remains sound and solid. The Company expects that shipments of manganese product from OMM will resume during early Q1 2009 on the basis of better visibility around the prevailing supply and demand balance and corresponding market clearing prices, as well as due to the reduction of manganese and alloy product stockpiles at various smelters and Chinese ports.

UPDATE ON INVESTMENT BY CONSOLIDATED MINERALS LIMITED

As announced recently, Consolidated Minerals Limited ("ConsMin"), through a wholly owned subsidiary, has acquired an 11% shareholding in the Company. OMH senior management recently met with a ConsMin representative to understand its intentions with respect to its investment in the Company and were advised that its accumulated holding is financial in nature.

OMH acknowledges that its current share price represents an outstanding investment opportunity considering the quality of its assets, its financial position and the organic and inorganic growth potential which it has the capability of delivering over time.

OMH is continuing to closely monitor movements on its share register and implement strategies to maximise the value of the Company in the current challenging market conditions.

Yours faithfully

OM HOLDINGS LIMITED

Heng Siow Kwee/Julie Wolseley

Company Secretary

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.



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 up to 700,000 tonnes of manganese product annually. Bootu Creek has further exploration potential given that its tenement holdings extend over 3,364 km².

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.

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