



Media Release

ASX: OMH

15 December 2008

## OMH ANNOUNCES REVISED MANGANESE PRODUCTION AND MARKETING STRATEGY

**STRONG PRODUCTION & STOCKPILE POSITION FACILITATES FLEXIBLE PRODUCTION, MARKETING APPROACH**

### OM HOLDINGS LIMITED

(ARBN 081 028 337)

ASX code: OMH

Share price: A\$0.94  
(at close of trade on 12 December 2008)

Market capitalisation: ~A\$449M

Ordinary shares on issue: 477.4M  
Unlisted options on issue: 72.4M

#### Board

Executive Chairman  
Mr Low Ngee Tong

Executive Director, CEO  
Mr Peter Toth

Executive Director, CFO  
Mr Ong Beng Chong

Non Executive Director  
Ms Julie Anne Wolseley

Non Executive Director  
Mr John Raubenheimer

Non Executive Director  
Mr Tan Peng Chin

Non Executive Director  
Mr Wong Fong Fui

Non Executive Director  
Mr Thomas Teo Liang Huat

#### Top Shareholders

Board/Management	22%
HSBC Custody Nom.	12%
Stratford Sun Ltd	11%
Strategic Partners	10%
Zero Nominees Pty Ltd	7%
Top 20 Shareholders	81%

### KEY POINTS

- Bootu Creek Manganese Mine on track to achieve record annual production of ~690,000t of high-grade manganese for calendar 2008.
- Revised short-term production and marketing strategy implemented in response to weaker short-term manganese demand.
- Bootu Creek annual production rate to be reduced by ~30% to 500,000 tonnes for 2009. Emphasis to be placed on increasing pre-stripping activity and rebuilding of run of mine (ROM) ore stockpiles.
- Capacity to return quickly to annualised production of 700,000tpa once market conditions improve.
- Suspension of product shipments during October and November 2008 in response to weak market conditions. Shipping activities are likely to continue to be influenced by the prevailing market conditions during December 2008 but are expected to recommence in Q1 2009 as China based product inventory stockpiles are further depleted.
- OMH remains in a strong financial position with robust cash reserves, a solid balance sheet and essentially no debt, and no requirement to procure debt or equity to support ongoing operations.
- ~90,000m of RC and diamond drilling completed at Bootu Creek with an updated Mineral Resource inventory expected during Q1 2009. Preliminary results support a substantial increase in the current resource base.

Diversified commodity marketing, metals and mining house, OM Holdings Limited (ASX: OMH – “OMH”), has reaffirmed the financial strength and flexibility of its vertically integrated manganese business after announcing a revised marketing strategy for Q4 2008 and production strategy for 2009 in response to weaker short term manganese demand arising from the impact of the global financial crisis on Chinese steel production.

OMH said today (**Monday**) that continued strong output from its 100%-owned Bootu Creek Manganese Mine in the Northern Territory, combined with increased stockpiles and a strong financial position had enabled it to tailor its production and marketing strategies to respond proactively to prevailing market conditions.

Bootu Creek has posted strong monthly production performances for the months of October and November, with the operation on track to achieve record annual production of approximately 690,000 tonnes for calendar 2008 – in line with guidance for the year of 700,000 tonnes.

In order to minimise exposure to discharge port stockpiling, provisional pricing and unnecessary counterparty and credit risks during the current period of weaker demand, manganese shipments have been suspended during October and November 2008. Product shipments are likely to continue to be influenced by the current market conditions during December 2008, however shipping activities are expected to recommence in Q1 2009 in response to better visibility of the supply and demand balance, the corresponding market clearing price as well as lower product inventory stockpiles located in China.

OMH's CEO, Mr Peter Toth, said the Company had reassessed its operational and marketing strategies as a result of the impact of the global credit crisis in order to optimise its short term marketing and short-to-medium term production strategies to ensure maximum flexibility given current global demand weakness and volatility.

"This strategy has been developed in direct response to the market conditions that have arisen in the manganese market in the past two months, which has been characterised by limited transparency between demand and supply fundamentals and the absence of a transactable market price," he said.

"We are well advanced in planning a production strategy for 2009 which reduces our annualised mine output by approximately 30% to 500,000 tonnes, but which aims to allow an increasing pre-stripping activity and the rebuilding our ROM ore stockpiles to support an improved product yield and metal recovery performance during 2009 and beyond. We are confident that, despite a reduced production outlook, we will be well placed to be responsive to returning to annualised production rates of at least 700,000 tonnes per annum once market conditions improve," Mr Toth added.

A number of detailed operating strategies have been developed within the Group as part of this approach, including:

- temporarily ceasing processing activities at Bootu Creek over a two-week period over Christmas and New Year, although mining activities will continue to progress waste mining so as to expose additional ore to supplement ROM ore stocks ahead of the expected wet season;
- continuing to advance the planned commissioning of the sinter plant at the manganese ferro-alloy plant in China towards the end of 2009 and deferring the planned commissioning of the proposed rejects re-treatment plant at Bootu Creek, which is expected to initially generate a further 150,000tpa of 35% Mn fines, so as to coincide with the commissioning of the sinter plant; and
- implementing other mine and process plant improvements during the period of reduced production in 2009 including optimisation of mine planning including accelerated pre-strip activities, introducing further improvements to the processing plant and implementation of additional operating cost reduction strategies.

Mr Toth said the OMH Group's consolidated cash reserves remain robust despite the deferral of shipping activities during the fourth quarter of 2008, with the OMH Group remaining strongly funded internally and the significant cash benefit of product stockpiles to be realised as sales in 2009.

"Despite the challenging global market conditions, which are impacting all raw materials suppliers, we believe that this is a time of opportunity to remain focused on optimising our marketing and production options, operating strategies and cost structures so that we are well placed to navigate through the current challenging market conditions and take full advantage of a rebound once market sentiment and demand improve.

"The Bootu Creek Mine has consistently demonstrated its capability to deliver at least 700,000tpa of high-grade manganese," Mr Toth continued. "This strategy demonstrates our flexibility to execute optimum production strategies in terms of mining, processing, smelting, trading and logistics and to adjust proactively to prevailing market conditions.

"Our strong financial position and growth opportunities through expansion alternatives put us in a unique position, not only to withstand the current market environment and take advantage of the recovery when it occurs but also in pursuing other opportunities which we believe will arise in a difficult, credit-constrained global market."

Mr Toth said the organic growth potential of the Group's manganese operations had been reinforced by the success of the 2008 exploration program at Bootu Creek, with approximately 90,000 metres of drilling completed and an updated Mineral Resource estimate expected during Q1 2009. "The drill and assay results received to date support a substantial increase to our current resource base of 17.75 million tonnes at 25.7% Mn," he said.

### **Investment by Consolidated Minerals Limited**

Mr Toth noted that senior OMH executives had met recently with a representative of Consolidated Minerals Limited (“ConsMin”) after ConsMin recently acquired an 11% shareholding in OMH. “We were advised that its accumulated holding is financial in nature. We are continuing to closely monitor movements on our share register and implement strategies to maximise the value of the Company in the current challenging market conditions,” Mr Toth added.

**- ENDS -**

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### **BACKGROUND PROFILE OF OM HOLDINGS LIMITED**

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*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 km<sup>2</sup>.*

*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.*