



Media Release

ASX: OMH

24 August 2009

OMH GROUP MAINTAINS STRONG GROWTH PLATFORM AND POSTS \$10.8M FIRST HALF NET PROFIT

ALL OPERATIONS WELL POSITIONED TO BENEFIT FROM STRONGER SECOND HALF OUTLOOK

OM HOLDINGS LIMITED

(ARBN 081 028 337)

ASX code: OMH

Share price: \$1.76
(at close of trade on 21 Aug 2009)

Market capitalisation: -A\$864M

Ordinary shares on issue: 490.7M

Unlisted options on issue: 58.6M

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 Tan Peng Chin

Non Executive Director
Mr Wong Fong Fui

Non Executive Director
Mr Thomas Teo Liang Huat

Top Shareholders

Board/Management	23%
HSBC Custody Nom	12%
Stratford Sun Limited	12%
Strategic Partners	10%
Zero Nominees Pty Ltd	6%
Top 20 Shareholders	82%

HIGHLIGHTS

- **Net first half profit after tax of \$10.8M***
- **Lower sales revenue of \$127.9M reflected sharp drop in manganese prices**
- **Strong financial position maintained with \$78.9M in cash and no external debt**
- **Improved 2H 2009 outlook with manganese prices continuing to strengthen underpinned by a production target of 700,000 tonnes for the full year**
- **Strong platform to further bolster earnings growth following successful implementation of new production and marketing strategy in Q2 2009**

Diversified commodity marketing, metals and mining house OM Holdings Limited (**ASX: OMH** – “**OMH**”) today reported a **\$10.8 million** net profit after tax for the six months to 30 June 2009 and provided a positive outlook for its second half operating and financial performance.

The first half result was sharply lower than the record \$96.9 million net profit for the previous corresponding period, when the global manganese market reached unprecedented highs.

The sharp falls in manganese ore and alloy prices in the second half of 2009 following the onset of the Global Financial Crisis resulted in a 55% fall in sales revenue to \$127.9 million (2008: \$285.2 million).

In light of the difficult first half operational conditions, the OMH Board has conservatively decided not to declare an interim dividend.

OMH posted a gross profit of \$32.4 million for the first half (2008: \$144.6 million) while the bottom line result was impacted by fully expensing exploration expenditure of \$0.8 million, foreign exchange losses of \$14.5 million, IFRS adjustments of \$2.6 million and depreciation/amortisation of \$4.0 million. An inventory write-back of \$26.4 million was recorded in relation to utility grade ore stockpiles which had demonstrated positive processing capabilities aligned with the revised marketing strategy implemented during the period which is directed towards achieving maximum production of manganese grade products ranging from 35% to 42% Mn with specific silica and iron content.

The result translated to a basic earnings per share of 2 cents for the six months to 30 June 2009 (2008: 21 cents). Net tangible asset backing was 51 cents per share as at 30 June 2009 (2008: 50 cents per share).

Importantly, the Company was able to maintain its robust financial position at balance date despite the lower operating result and challenging operating conditions, with total cash reserves (including cash collateral) standing at \$78.9 million, inventories of \$91.6 million, receivables of \$15.2 million and listed investments of \$8.8 million. OMH had no external borrowings at 30 June 2009 and significant expansion projects well underway at its manganese ore and alloy operations are due to be commissioned in Q4 2009 both of which are being internally funded from operating cash flows.

***Note: All Dollar values in this release are Australian Dollars unless otherwise specified**

Bootu Creek Manganese Mine (Australia)

OMM's key operation the Bootu Creek Manganese Mine in the Northern Territory achieved a solid net operating profit after tax of \$6.9 million (2008: \$55.4 million) for the first half, based on strong production totalling 258,526 tonnes grading 38.6% Mn (2008: 346,378 tonnes at 42.0% Mn). Record ore shipments of 363,650 tonnes at 40.3% Mn were achieved for the six months to 30 June 2009.

As reported previously, the Company has successfully implemented a new production strategy based on extracting maximum value from Bootu Creek's inherent production flexibility and optionality by developing the capability to produce a unique product suite ranging from 35-42% Mn. The revised mining and production plan, including improvements to mining efficiency and an aggressive focus on pre-stripping and ROM stockpile building, has laid the foundations for increasing production and falling cash operating costs.

This revised production strategy has strongly demonstrated marketing opportunities to sell a suite of product grades at a premium to the benchmark pricing, facilitating the write-back of stockpiled utility grade ROM material which will continue to be utilised as blended ore feed throughout the second half of 2009 and beyond. In addition, the accelerated mining activity has significantly increased high grade ROM stockpiles at balance date and these will continue to expanded.

C1 production costs continued to decrease in the first half from A\$6.84/dmtu for the March 2009 Quarter to A\$3.22/dmtu for the June 2009 Quarter, reflecting the success of the new production strategy. Forecast C1 unit cash operating costs for the remainder of the financial year are estimated to be sustainable at the A\$3.50/dmtu level, to be influenced by production tonnes and product grades produced. During the first half, OMM delivered against or closed out its outstanding foreign currency hedge book incurring losses of \$13.4 million. OMM presently has no contracted hedging obligations.

Marketing, Trading and Logistics Operations (Singapore)

The Singapore-based trading operations achieved a net operating profit after tax of \$0.5 million (2008: \$37.6 million) for the first half, despite the difficult market conditions. A total of 465,580 tonnes of ore and alloys were traded, a decrease of 14% compared to the previous corresponding half.

Strengthening demand in the Chinese domestic construction steel market over the past few months is assisting a rebound in demand for silico manganese alloys, which directly benefits siliceous manganese ore producers such as the Bootu Creek operation.

Qinzhou Smelter (China)

OMH's Qinzhou smelter in China contributed a net operating profit after tax of \$0.8 million (2008: \$12.9 million), based on production of 16,452 tonnes of High Carbon Ferro Manganese (HC FeMn). Sales of 9,460 tonnes of HC FeMn were achieved, impacted by low market procurement activities in the domestic and export markets. The internally funded US\$18 million sinter ore plant remains on track for commissioning during Q4 of 2009.

Management Comment & Outlook

"Our first half performance reflects the challenging operating and global market conditions," said OMH's CEO, Mr Peter Toth. "We are encouraged that in these very difficult circumstances the Company was able to deliver a solid EBIT margin of 8.6% and 4.3% return on capital employed, while preserving our strong cash position and robust balance sheet with no debt. More importantly, we devised and implemented a production and marketing strategy which provides an excellent foundation for the Company to benefit from as market conditions improve.

"While the outlook for the steel industry remains volatile, we are seeing a strong recovery in Chinese manganese alloy and ore demand driven by strong underlying Chinese domestic long-product steel consumption and production," he continued. "Our July and August ex-stock ore sales were priced at US\$4.75/dmtu and US\$6.40/dmtu respectively on an ex-Qinzhou stockpile basis – and current market conditions indicate that the ore price will remain firm, driven by strengthening market fundamentals.

"We are optimistic about the second half operating and financial outlook, and we expect all three key business units to outperform our first half results by a significant margin," Mr Toth added. "Our second half operational and financial performance expectations are underpinned by ambitious operating KPI's for the Bootu Creek operation, combined with a strategically executed marketing strategy for the rest of 2009 on the back of strengthening demand and prices. Also, the closer we get to the commissioning of our Secondary Processing Plant (previously called the Rejects Re-treatment Plant) at Bootu Creek and our Sinter Ore Plant in China, the more excited we become about the ability of these projects to generate significant operating synergies across the Group and make a significant operational and financial contribution to the Company's performance during 2010."

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Forward-Looking Statements

This release may include forward-looking statements. These forward-looking statements are based on management's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of OM Holdings Limited, that could cause actual results to differ materially from such statements. OM Holdings Limited makes no undertaking to subsequently update or revise the forward-looking statements made in this release to reflect events or circumstances after the date of this release.