

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, CORPORATE AND STRATEGIC UPDATE

The Directors of OM Holdings Limited ("the Company" or "OMH") are pleased to provide the following update regarding:

- Record operational performance achieved at the Bootu Creek manganese mine during Q2 2011 and H1 2011 coupled with strong ore and alloy sales are generating healthy cash flows, debt servicing capability and positive (unaudited) first half EBITDA and NPAT results despite depressed spot manganese prices and a strong AUD;
- Continued focus on the development of the Company's Malaysian smelting projects through the completion of a Bankable Feasibility Study, the finalisation of the Power Purchase Agreement ("PPA") and the formalisation of off-take and joint venture discussions;
- The current status of legal proceedings in the Federal Court of Australia and the Company's decision to discontinue the Hong Kong Stock Exchange ("HKSE") dual listing process, and
- The evaluation of the potential de-merger of the Company's smelting and marketing/trading businesses into an independently listed corporate entity in order to streamline the Company's strategic direction, create two independent pure play mining and smelting businesses, ensure independent funding capability for both businesses while unlocking significant unrealised value for the benefit of OMH Shareholders.



RECORD OPERATIONAL PERFORMANCE

The Company is pleased to advise that its production and sales performance for the second quarter of 2011 has been exceptionally strong.

The Bootu Creek manganese mine has achieved a record Q2 2011 quarterly and H1 2011 half yearly operating performance of approximately 265,000 tonnes and 447,000 tonnes, respectively. The mining operation has also achieved a record half-yearly shipping performance of approximately 495,000 wet tonnes during H1 2011.

The mine continues to demonstrate the capability of operating at an annualised production capacity of 1 million tonnes with a C1 cash cost below A\$4/dmtu.

The mine produced 100,243 tonnes of product during April 2011 at a C1 cash cost of A\$3.16/dmtu on an FOB Darwin basis. During May 2011 the mine produced 98,818 tonnes of product at a C1 cash cost of A\$3.48/dmtu. Monthly production for June 2011 exceeded 66,000 tonnes notwithstanding scheduled maintenance brought forward from Q3 2011 during the month.

The Company's Qinzhou plant produced more than 20,000 tonnes of alloy during Q2 2011 and is on track to exceed its annual budget of 60,000 tonnes. The sinter plant has produced close to 65,000 tonnes of product during Q2 2011 in line with its budgeted targets.

The Company's ore and alloy sales have been similarly strong during the second quarter of 2011. While the manganese ore spot price remains under pressure due to supply side pressures, demand for the Company's products remains exceptionally strong from Chinese end users.

The Company's cash position and cash generation capability remains strong and in addition to adequately servicing its debt obligations it will post a positive unaudited half year EBITDA and NPAT result despite challenging first quarter operating and first half market and currency conditions.

Given the prevailing market price and exchange rate conditions throughout H1 2011 the operating result will be markedly lower than what was achieved in the preceding half year period.

MALAYSIAN SMELTING PROJECTS

In an environment of increasing global crude steel production and manganese unit consumption, a fundamental transformation of Chinese alloy export structures driven by power and labour costs, export duties, government and environmental pressures, OMH is formulating an organic downstream alloy smelting strategy focusing on low cost and strategically located alloy production centres in Malaysia supplying the Asian steel industry.

The Malaysian manganese and ferro silicon smelting project is underpinned by a unique combination of competitive advantages including competitively priced reliable power supply, geographic location close to raw materials and end users, tax incentives, no import and export duties, pro-business government policies, skilled local workforce and well established existing infrastructure.

OM Materials (Johor) Sdn Bhd – 100% owned (West Malaysia)

The Company's 100% owned project in Johor (Tanjung Langsat) is focused on developing an integrated logistics and alloy production centre with a production capacity of 66,000 tonnes of manganese alloy and 300,000 tonnes of manganese sinter, together with a stockpiling, blending and distribution centre capable of handling up to 500,000 tonnes of raw materials.



The Company has acquired 40-hectares of land strategically located adjacent to a developed port supported by excellent transport logistics. The US\$20 million cost of the land is being financed by the Company using debt (80%) and cash (20%), with the Company having paid US\$4 million prior to 30 June 2011. Construction is scheduled to commence in Q4 2011, after all land clearing earthworks have been completed by the vendor, Johor Corporation (a statutory body formed by the Johor State Government). Production is expected to commence during Q1 2013.

The feasibility study of the Johor project indicates a payback period of less than 5 years with a total investment of US\$70 million (including the land acquisition). A detailed environmental impact assessment is currently underway and will be completed by Q1 2012.

OM Materials (Sarawak) Sdn Bhd – 100% owned (East Malaysia)

OM Materials (Sarawak) Sdn Bhd (“OM Sarawak”), a wholly-owned subsidiary of the Company is seeking to construct a manganese and ferrosilicon alloy smelter in the Samalaju Industrial Park with a production capacity of 300,000 tonnes of manganese ferro alloys and 300,000 tonnes of ferrosilicon alloys.

Capitalising on a unique early mover advantage to establish one of the world's most strategically located and lowest cost smelting projects, OM Sarawak has entered into an exclusive Memorandum of Understanding with Syarikat Sesco Berhad for the supply of 500MW of power capacity on competitive terms and conditions via a long term Power Purchase Agreement (“PPA”). The PPA negotiations are expected to be completed by Q3 2011. In addition, OM Sarawak has been allocated 500 acres of land located adjacent to the yet to be developed Samalaju Port. The negotiation of an earthworks contract is nearing completion, with an expected contractual value of approximately A\$22 million. The awarding of the earthworks contract is critical and is a pre-requisite to the PPA negotiations process.

The Company anticipates completing a Bankable Feasibility Study (“BFS”), including a full environmental impact assessment by Q4 2011. The project's pre-feasibility study indicates a payback period of less than 5 years with a total investment of approximately US\$450 million (including land). Commercial operations are expected to commence in early 2014 with full capacity production targeted to be reached by Q1 2015. The total investment cost of the project is expected to be funded by way of equity and project financing. The Company will also continue to explore other funding options and alternatives.

The Company is in definitive discussions with potential strategic and off-take joint venture partners regarding asset and/or subsidiary level participation in the Sarawak project.

FEDERAL COURT OF AUSTRALIA PROCEEDINGS

Further to the previous ASX announcements released on 9 and 13 May 2011 respectively, the Company is still awaiting a decision from the Federal Court of Australia regarding the proceedings brought by Stratford Sun Limited (“ConsMin”) in respect of certain resolutions considered at the Company's AGM held on 20 April 2011 and, in particular, the Company's proposed dual listing in Hong Kong.

The Hearing in the Federal Court of Australia was held on 13 May 2011.

Since that time, the OMH Board has reviewed and considered the recent volatile global market environment including the current state of the international economic environment, the global manganese and Hong Kong equity markets and has now concluded that the Company needs to proactively assess alternative strategic options in order to execute its growth strategy.



DISCONTINUATION OF HONG KONG DUAL LISTING APPLICATION AND STRATEGIC REVIEW OF DE-MERGING THE COMPANY'S SMELTING AND MARKETING/TRADING BUSINESSES

While the current and long term manganese demand environment remains robust, issues on the supply side resulting in high producer, trader and port stocks continue to put pressure on spot manganese ore prices.

It is clear that the Company's recent share price has been negatively impacted by the prevailing manganese market conditions, manganese ore spot price volatilities and general capital market conditions. Unfortunately, additional uncertainties associated with the legal proceedings brought by ConsMin and its impact on the Hong Kong dual listing process has resulted in a lack of clarity regarding the Company's ability to execute the Hong Kong dual listing in accordance with its original timetable.

The Company has now re-assessed its dual listing application lodged with the HKSE. In light of the unfavourable market conditions, global market volatilities, the current state of the manganese market and the Company's recent share price performance, the Board has now formed a view that the proposed dual listing is not currently in the best interests of the Company and has decided to discontinue with its plans to pursue a dual listing on the HKSE.

Accordingly the Company will now actively evaluate a number of alternative strategic approaches with respect to ensuring it is appropriately positioned both strategically and financially to execute its growth strategy.

The Company has commenced a review examining a proposal for the potential de-merger of the Company's smelting and marketing/trading businesses from the Company's existing mining operations in order to:

- Seek to align the businesses' core activities, geographical focus and strategic direction with Shareholders' expectations;
- Create a focused and streamlined structure for unlocking and extracting currently unrecognised and unrealised Shareholder value for all OMH Shareholders
- Ensure that the respective standalone businesses are able to attract long term strategic partners and investors in order to raise capital to execute their respective strategies as appropriate; and
- Provide OMH shareholders with a clear choice as to which sector they may wish to invest in, as determined by their individual preferences and investment criteria.

If the evaluation determines that the de-merger is in the best interests of the Company the Company's mining operations may then comprise of (1) the Bootu Creek mining operation and associated corporate infrastructure, (2) the strategic investment in Ntsimbintle and (3) OMH's investments in manganese exploration companies and projects.

The mining business will continue to focus on further optimisation of the Bootu Creek manganese mine to expand its mineral resource and further reduce its operating costs, an aggressive regional exploration program, active involvement in the development of the Tshipi Borwa mine in South Africa and identification and capture of high quality manganese ore resources and/or assets in Australia, South Africa and globally.

An independent downstream smelting and marketing/trading business would be expected to focus on (1) an Asia focused marketing and trading of steelmaking raw materials, (2) the operation of the Qinzhou sinter and smelting plant and (3) the execution of the Malaysian smelting project including the completion of the BFS, finalisation of the PPA, formalisation of an on-going joint venture and off-take discussions and the funding, construction and commissioning of the project.

As part of a comprehensive process the Company will consider and review all suitable options and alternatives to achieve the above strategic outcomes. Furthermore, the Company is also evaluating the divestment of some of its investment holdings in order to streamline its strategic direction and further strengthen its overall financial position.



CONCLUSION

In this operational and strategic context the Company remains laser focused on ensuring continued strong operating and financial performance from its existing assets, maximising cash flows across all businesses and maintaining a strong financial position.

The Company will continue to update its Shareholders with regards to its strategic initiatives including the proposal on the corporate restructuring once the study and formal recommendations are considered by the Board.

Yours faithfully

OM HOLDINGS LIMITED

Heng Siow Kwee/Julie Wolseley
Company Secretary



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 1,000,000 tonnes of manganese product annually. Bootu Creek has further exploration potential given that its tenement holdings extend over 2,600km².

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.

OMH is a constituent of the S&P/ASX 200 a leading securities index.

OMH holds a 26% investment in Ntsimbintle Mining (Proprietary) Ltd, which holds a 50.1% interest in the world class Tshipi Borwa manganese project in South Africa.

OMH also holds the following strategic shareholding interests in ASX listed entities:

- *16% shareholding in **Northern Iron Limited** (ASX Code: NFE), a company presently producing iron ore from its Sydvaranger iron ore mine located in northern Norway;*
 - *8% shareholding in **Shaw River Resources Limited** (ASX Code: SRR), a company presently exploring for manganese in Western Australia and Ghana; and*
 - *16% shareholding in **Scandinavian Resources Ltd** (ASX Code: SCR), a company presently exploring for iron ore, manganese, gold and copper in Sweden and Norway.*
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