OM HOLDINGS LIMITED

(ARBN 081 028 337)

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ASX Market Announcements
ASX Limited
4th Floor
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SYDNEY NSW 2000

Dear Sir/Madam

DECEMBER 2013 QUARTERLY PRODUCTION AND MARKET UPDATE

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

HIGHLIGHTS

OPERATING PERFORMANCE

EXPLORATION AND MINING (OMM, 100% owned Bootu Creek Manganese Mine)

- **Production at Bootu Creek is back on track! Record quarterly manganese ore production of 271,971 tonnes grading 35.5% Mn achieved for the December 2013 Quarter. Improved ore supply from the newly developed Yaka and staged Shekuma deposits contributed to a production increase of 80% from the previous quarter. 2013 full-year production of 826,599 tonnes**

- **Above 100,000 tonnes production achieved for two consecutive months during the December 2013 Quarter and included an all-time record monthly production of 100,402 tonnes achieved in November 2013**

- **December 2013 quarterly manganese ore shipments of 218,126 wet tonnes (205,933 dry tonnes), impacted by cyclonic conditions in the Northern Territory during late December 2013. Full year 2013 shipments of 797,589 wet tonnes (758,600 dry tonnes)**

- **December 2013 Quarter C1 unit cost of A$3.70/dmtu included fully expensed cut-back and pre-stripping costs. 2013 full year C1 unit costs of A$4.56/dmtu, negatively affected by poor yielding Zulu ores during the September 2013 Quarter**

- **The mine's Q1 2014 shipping schedule is expected to be slightly impacted by infrastructure damage sustained on the Katherine-Darwin section of the railway line last week, due to weather damage**

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PROCESSING (OMQ, 100% owned Smelter and Sinter Plant in Qinzhou)

- **Record quarterly production 23,760 High Carbon Ferro Manganese ("HCFeMn")**
- **Record 2013 annual production of 94,118 tonnes of HCFeMn (2012: 80,801 tonnes), representing a 16.5% year-on-year increase**
- **Quarterly production 49,933 tonnes of manganese sinter ore; annual production of 245,158 tonnes**
- **Quarterly sales of 21,869 tonnes of HCFeMn; record 2013 annual sales of 84,339 tonnes of HCFeMn (2012: 76,427 tonnes), representing a 10.4% year-on-year increase**
- **Quarterly sales of 20,643 tonnes of manganese sinter ore; annual sales of 122,072 tonnes achieved in 2013**

TRADING AND MARKET OUTLOOK

- **573,942 tonnes of equity and third party ores and alloys were transacted during the quarter**
- **Buyer restocking during the quarter pushed the index ore price (44%Mn published by Metal Bulletin) to US$5.22/dmtu CIF China in October 2013 and US$5.20/dmtu in November 2013, before receding back to US$5.11/dmtu CIF China during December 2013**
- **China's November 2013 year-to-date crude steel production reached 712 million tonnes, an increase of 9.4% year-on-year. World crude steel production for the same period reached 1.45 billion tonnes, representing an increase of 4% year-on-year**
- **According to the International Manganese Institute ("IMnI") China's November 2013 year-to-date manganese ore imports reached 14.9 million tonnes, a 33% increase from the corresponding period in 2012**

OM SARAWAK (80%, Samalaju, Malaysia)

- **Overall construction progress of Phase 1 of the OM Sarawak ferrosilicon production facility (expressed in terms of cumulated earned value) stands at 48% at the end of December 2013**
- **The Project's power substation construction is 84% complete with testing and commissioning expected in Q1 2014**
- **The first consignment of equipment fabricated by Sinosteel currently in transit from China, is expected to be delivered to site in January 2014**

TSHIPI (13% indirect interest)

- **Manganese ore continues to be mined, railed and exported. 263,578 tonnes of ores were shipped during the quarter**
- **Construction of the permanent 2.4mtpa processing plant and supporting infrastructure remains on track with previously advised completion and budget targets**

EXPLORATION AND MINING

OM (MANGANESE) LTD ("OMM")

BOOTU CREEK MANGANESE MINE (100%, Northern Territory, Australia)

Production from the Bootu Creek Manganese Mine for the December 2013 Quarter is summarised below:

	Unit	Dec 2013 Quarter	FYTD 2013	Sept 2013 Quarter	Dec 2012 Quarter
Mining					
Total Material Mined	bcms	2,238,169	7,178,868	2,060,080	799,154
Ore Mined – tonnes	dt	586,853	1,842,955	466,539	438,797
Ore Mined – Mn grade	%	23.96	21.77	20.01	23.65
Production					
Lumps – tonnes	dt	190,657	561,499	90,894	114,884
Lumps – Mn grade	%	34.90	34.23	34.24	36.19
Fines/SPP – tonnes	dt	81,314	265,101	59,949	62,732
Fines/SPP – Mn grade	%	36.74	36.69	36.35	36.89
Total Production – tonnes	**dt**	**271,971**	**826,599**	**150,843**	**177,616**
Total Production – Mn grade	**%**	**35.45**	**35.02**	**35.08**	**36.44**
Sales					
Lumps – tonnes	dt	135,735	505,397	107,221	200,197
Lumps – Mn grade	%	34.22	34.15	35.01	35.82
Fines/SPP – tonnes	dt	70,197	253,203	70,376	100,583
Fines/SPP – Mn grade	%	37.18	36.88	36.55	37.40
Total Sales – tonnes	**dt**	**205,933**	**758,600**	**177,596**	**300,780**
Total Sales – Mn grade	**%**	**35.23**	**35.06**	**35.62**	**36.35**

Mining

Mining activities during the December 2013 Quarter were focused on the newly developed Yaka deposit and the continuation of a cut-back of the Shekuma deposit.

Total material movement during the December 2013 Quarter was 2.24 million bcm. Total ore mined during the December 2013 Quarter was 0.587 million tonnes at 23.96% Mn.

Ore production in the December 2013 Quarter was in line with a new mining schedule adopted late in the September 2013 Quarter focusing on mining activities in the new Yaka deposit and new stages within the established Shekuma deposit. Ore from the new mining areas consisted of highly competent and high-yielding material with elevated manganese grades throughout the length of the deposits. It is expected that ore from the Yaka and Shekuma deposits will continue to form the basis of the mine's feed for the remainder of the 2014 financial year.

Processing

Production for the December 2013 Quarter was a record 271,971 tonnes at an average grade of 35.45% Mn and included two consecutive months (November and December) where production exceeded 100,000 tonnes. November 2013 registered an all-time record production of 100,402 tonnes at a manganese grade of 35.22%.

Production for the quarter improved with higher grade, competent ore supply from the new Shekuma (stage) and Yaka deposits which significantly improved process plant mass yields. It is expected that ore from the new deposits will form the bulk of ore supply for the remainder of the 2014 financial year and will underpin a positive improvement in process plant mass yields.

Logistics

During the December 2013 Quarter a total of 218,126 wet tonnes (205,933 dry tonnes) of manganese product was exported through the Port of Darwin in 6 vessels.

Due to stormy, cyclonic conditions in late December, the final vessel was only partially loaded in 2013 and the majority of the cargo was recorded as 2014 cargo.

Unit Operating Costs

The C1 unit cash operating cost for the December 2013 Quarter was A$3.70/dmtu, an improvement over the previous quarter, and was contributed by the higher yielding nature of the Shekuma and Yaka ores. The C1 unit cost included the fully expensed top-cut and pre-strip activities in the Shekuma and Yaka deposits.

OMM Operating Outlook

The mine's production target for 2014 is based around a normalised and fully optimised life of mine strip ratio mining operation with the majority of the ore supply sourced from the Yaka and Shekuma deposits producing approximately 900,000 product tonnes at a C1 unit production cost of approximately A$4.00/dmtu. This mining and production strategy ensures a solid operating platform during the current price environment whilst allowing maximum production flexibility to respond to changing circumstances.

The mine’s Q1 2014 shipping schedule is expected to be slightly impacted by infrastructure damage to an estimated 300 meter section of the Katherine-Darwin railway line, due to weather damage caused by severe storms noted above. This incident is not expected to have a significant impact on the Company’s marketing and trading operations due to the seasonal slow-down in ore purchasing by Chinese customers during the Chinese New Year period.

PROCESSING

OM MATERIALS (QINZHOU) Co Ltd ("OMQ") (100%, Guangxi, China)

Production from the Qinzhou smelter and sinter plant for the December 2013 Quarter is summarised below:

	Dec 2013 Quarter	FYTD 2013	Sep 2013 Quarter	Dec 2012 Quarter
Tonnes				
Production				
High Carbon Ferro Manganese ('HCFeMn")	**23,760**	94,118	**23,359**	**23,428**
Mn Sinter Ore	**49,933**	245,158	**68,748**	**81,428**
Sales				
High Carbon Ferro Manganese ('HCFeMn")	**21,869**	84,339	**19,017**	**27,537**
Mn Sinter Ore	**20,643**	122,072	**43,207**	**72,397**

Production

OMQ achieved record annual production of 94,118 tonnes of HCFeMn alloy in 2013, being 1.57 times of its original design capacity. This new record represents a 16.5% increase from the previous record achieved in 2012 of 80,801 tonnes. Production for the December 2013 Quarter was also a record 23,760 tonnes of HCFeMn, the highest record achieved since the plant was commissioned in 2004. Both Furnace #101 and #102 set a new record for continuous operation for 1083 days and 1110 days.

Manganese sinter production for the December 2013 Quarter was 49,933 tonnes, and a total of 245,158 tonnes for 2013.

Sales

Sales of HCFeMn during the December 2013 Quarter totalled 21,869 tonnes. Total sales of 84,339 tonnes achieved for the year, representing a 10.4% year-on-year increase over the 76,427 tonnes recorded in 2012.

Manganese sinter ores sales were 122,072 tonnes during the year.

MARKETING AND TRADING, AND MARKET OUTLOOK

During the December 2013 Quarter, the Marketing and Trading division sold 573,942 tonnes of ore and alloy, an improvement of over 90,000 tonnes over the September 2013 Quarter. Ores shipped from the Tshipi mine in South Africa (of which the Group owns an effective interest of 13%) and from the wholly-owned Bootu Creek mine in Australia contributed to this increase.

According to Worldsteel, crude steel production in China during the period up to November 2013 amounted to 712 million tonnes, up 9.4% year-on-year and world crude steel production for the same period was 1,447 million tonnes, up 4% year-on-year. China's crude steel production in November 2013 was also up 6% from the same corresponding period in 2012, reaching 60.9 million tonnes.

According to the IMnI, year-to-date China imported 14.9 million tonnes of manganese ore, a 33% increase over the same corresponding period in 2012.

Buyer restocking during the quarter pushed the ore benchmark index price (44%Mn published by Metal Bulletin) to US$5.22/dmtu CIF China in October 2013 and US$5.20/dmtu in November 2013, before receding back to the closing price of the previous quarter's level at US$5.11/dmtu.

<u>OM MATERIALS (SARAWAK) SDN BHD ("OM Sarawak") (80%, Samalaju, East Malaysia)</u>

OM Sarawak owns a Ferro Alloy Smelting Project in the Samalaju Industrial Park in Sarawak, Malaysia ("Project"). Phase 1 of the Project is currently being constructed consisting of a ferrosilicon production facility with the capacity to produce 308,000 tonnes per annum of ferrosilicon alloys.

The Project's overall progress expressed as the cumulated earned project value was approximately 48% at the end of December 2013, which is approximately 19% behind schedule.

Power Supply

Construction of the 275kV power substation was 84% complete at the end of December 2013. Procurement and delivery of all critical equipment has been completed and the substation is expected to be ready for testing and commissioning during Q1 2014, well in advance of the Project's Phase 1 commissioning.

EPC Contract

The Engineering, Procurement and Construction ("EPC") contract is being carried out by Sinohydro Corporation Limited and Sinohydro Corporation (M) Sdn Bhd (together "Sinohydro"), and Sinosteel Jilin Electro-Mechanical Equipment Co. Ltd ("Sinosteel") as a nominated sub-contractor.

<u>Delivery and Performance</u>

The EPC contract works for civil, structural, equipment fabrication and installation was approximately 42% complete at the end of the December 2013 Quarter, approximately 21% behind schedule. The slower than planned rate of deployment of construction workers is the primary cause for the delay. The EPC Contractor has adopted a comprehensive rectification strategy to make up the shortfall and remains committed to the commencement of commissioning of Phase 1 in Q2 2014 and reaching 100% project completion and full-scale commercial operation in Q2 2015.

The project remains Lost Time Injury free since site construction commenced in March 2013.

<u>Construction and Procurement</u>

Sinohydro's construction activity continued on the civil and concreting works for Plant A and Plant B. Foundations and structural concreting works have been established for the main furnace workshops and auxiliary buildings.

Sinosteel's procurement and fabrication work in China remains ahead of schedule. Equipment fabrication for Plant A is complete, and fabrication work for furnaces, electrode, material loading, de-dusting and cooling systems has now commenced for Plant B. Site preparation is underway for equipment installation with the first consignment of equipment expected to be delivered to site during January 2014.

Wiring Check for GIS Switchgear

Main Workshop

OM Holdings Limited

CORPORATE

Tshipi é Ntle Manganese Mining (Pty) Ltd ("Tshipi")

OMH has an effective 13% interest in Tshipi through its 26% strategic partnership with Ntsimbintle Mining (Proprietary) Limited, the majority 50.1% owner of Tshipi.

Tshipi owns 2 manganese prospects in the world class Kalahari Manganese field, namely Tshipi Borwa and Tshipi Bokone.

Tshipi Borwa Manganese Mine

Activities at Tshipi Borwa during the December 2013 Quarter included the production and sale of manganese, using the temporary crushing and screening circuit, whilst continuing with the construction of the permanent 2.4 million tonne per annum processing plant and support facilities.

Transnet rail has committed to make available two trains per week while one additional train per week is at Transnet's discretion. Alternative road/rail solutions have been implemented to increase the logistics capacity available to Tshipi including the use of sea containers and open topped containers (skiptainers). These alternatives rely predominantly on rail transportation, while road transportation alternatives are also being pursued and adopted.

263,578 tonnes of manganese was shipped during the December 2013 Quarter while total manganese transported to ports amounted to 309,545 tonnes.

CAPITAL STRUCTURE

There were no movements in the share capital structure of the Company during the December 2013 Quarter. As at 31 December 2013, the Company had 733,423,337 ordinary shares, 25,000,000 convertible notes and 6,000,000 unlisted options on issue.

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 its extensive tenement holdings in the area.

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 300 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:

- *11% shareholding in **Northern Iron Limited** (ASX Code: NFE), a company presently producing iron ore from its Sydvaranger iron ore mine located in northern Norway; and*

- *4% shareholding in **Shaw River Resources Limited** (ASX Code: SRR), a company presently exploring for manganese in Namibia, Western Australia and Ghana*