

29 April 2008

ASX Code: MHM

NEW PROJECT: SILICA PRODUCTION POTENTIAL

Highlights

- **Significant potential for silica production**
- **Historic estimation (pre-JORC) of 2.78 Mt @ 99.13% SiO₂, including 0.8 Mt @ 99.6 SiO₂**
- **Medium-term cash flow potential**
- **Off-take agreements under negotiation. Early suggestions that market for Silica at the stated grade for approximately \$400-\$600 per tonne**

A new exploration area recently acquired by Macquarie Harbour Mining shows significant potential for the exploitation of a known quartzite silica deposit. Uses of quartzite include chips for the electronics industry, plasma and LCD television screens, solar panels, a variety of glass products, a variety of products for the filler industry (grout etc.) and some paints.

The quartzite silica was explored by Comalco in the mid-1970's, and review of historic reports published by Comalco states a volume and purity of;

2.78Mt @ 99.13% SiO₂ (Al₂O₃: 0.34%, Fe₂O₃: 0.04%, CaO: <0.01%, MgO: 0.10%, TiO₂: 0.02%).

This figure is the calculated weighted average from three deposit areas:

Mount Antill: 1.72Mt @ 98.92% SiO₂ (Al₂O₃: 0.46%, Fe₂O₃: 0.07%, CaO: <0.01%, MgO: 0.14%, TiO₂: 0.02%)

North Escarpment: 0.8Mt @ 99.60% SiO₂ (Al₂O₃: 0.07%, Fe₂O₃: 0.01%, CaO: <0.01%, MgO: 0.02%, TiO₂: 0.01%)

Mount Obvious: 0.26Mt @ 98.92% SiO₂ (Al₂O₃: 0.52%, Fe₂O₃: 0.05%, CaO: <0.01%, MgO: 0.13%, TiO₂: 0.02%)

Additionally **2.71Mt @ ~98.5% SiO₂** is present in a fourth area, known as the Grandfathers area.

It is important to note that the stated purity and tonnages are not JORC-compliant, and several hundred metres of diamond drilling and associated analytical work is planned with a view to defining a JORC resource.

The Company believes there is significant potential to upgrade both the grade and tonnage of the resource. Initial reports on analytical work noted contamination with iron (Fe) and aluminium (Al) from crushing and grinding by the laboratory equipment. Further, samples were taken from at or very near surface and may have been affected by contamination from weathering of nearby shales and vegetation. The Company proposes a drilling programme to be conducted in the upcoming field season between October 2008 and April 2009. It is probable the new test work will increase the grade and indicate lesser amounts of any contamination showing increased silica purity.

The exploration area, EL63/2007 is located on the northern end of Cape Sorell on Tasmania's west coast. The location of these silica occurrences is relatively flat with thick low scrub cover and good outcrop and shallow overburden will help facilitate exploration/mining activity. The exploration area has easy access to Strahan via boat/barge, facilitating transportation of equipment and personnel. The Company has identified several sites that show potential to establish a port to load silica onto ships; alternatively 'ore' can be barged or pumped to Strahan and trucked/trained to Burnie for shipping.

The Company is currently undertaking market research for the formulation of a plan for production capacity and product specification to meet market demands. The Company has begun initial endeavors concerning marketing of the silica, with a two-pronged approach of targeting both local consumers/processors and the potential for export into Asia and beyond. The Company has engaged AusTrade to assist with the product's export potential and is following several direct export opportunities.

The area known as North Escarpment, reported to contain 0.8Mt @ 99.60% SiO₂ is likely to be the initial target for further exploration. Commercial interest has been shown for material of this purity, and expressions of interest from potential buyers suggest an estimated value \$400 to \$600 per tonne. It should be noted that Silica is not a readily quoted and traded commodity and the economic viability of this project will depend largely on the negotiation of a suitable off-take agreement. However, early investigations by the Company have suggested there would be a commercial interest in the silica, particularly the higher-grade portion around North Escarpment.

Managing Director Frank Rogers comments "This is a promising new development for MHM, building upon the Company's philosophy of short to medium term income generating projects that will offset further exploration of "enduring" targets on Tasmania's West Coast."

He continues "The Silica Project will become one of the primary projects on the West Coast, and we anticipate drilling to commence in the upcoming field season. Until this time, the Company is busy progressing the gold and tin programmes in the north east of Tasmania. We have recently completed the first round of drilling of the gold targets and initial indications are promising – though the first independent assays will be received shortly. The tin program is also scheduled to commence in the coming quarter, providing further opportunity for short-term income generation."

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The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Joe Booth, a Fellow of The Australian Institute of Mining and Metallurgy. Mr Booth has sufficient experience deemed relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Booth consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

About Macquarie Harbour Mining Limited

Macquarie Harbour Mining Limited (MHM) holds strategically placed tenements in two of Tasmania's historic and most productive mining regions. In the north east MHM is targeting gold and alluvial tin mineralisation for early income potential for further exploration expenditure. On Tasmania's west coast MHM has a diverse range of mineral targets including iron ore, copper, gold, nickel, zinc and lead. The company is targeting mineralisation of a style similar to the renowned Mt Lyell, Rosebery, Hellyer, Henty and Avebury mines.

Gladstone Gold Project (north east): The MHM Gladstone exploration license has the potential to host significant and under-explored gold mineralisation. The tenement area contains five old gold mines that fall along a 10 km strike length. Many of these mines closed while still producing gold due to problems with excess water and sulphide-hosted ore. These problems can now be overcome. Reported grades have been as high as 90 g/t.

Musselroe Tin Project (north east): The Musselroe tin project targets the potential for significant alluvial tin deposits throughout the Musselroe region. A historic tin mining region, early explorers were limited by technology and processing techniques though historic reported grades have been as high as 11.6 kg/m³. MHM believes the region has major potential as an early and ongoing income producing project.

Thomas Creek Copper Gold Project (west coast): The Thomas Creek area indicates porphyry copper-gold mineralisation of a similar style to Mt Lyell. The Thomas Creek project presents a priority target.

Hibbs Nickel Gold PGM & Birchs Polymetallic Project (west coast): The Hibbs & Birchs project areas contains several significant sub-projects including a 30 km ultramafic structure that hosts a nickel sulphide mineralisation. This is of a similar style to the Allegiance Avebury deposit to the north, gold, chromium and platinum group metal occurrences, and potential VHMS and porphyry-style mineralisation.

Double Cove Copper Gold Nickel Zinc & Iron Ore Project (west coast): The Double Cove exploration licence holds a number of highly prospective priority targets that include iron ore (hematite-magnetite) mineralisation and identified copper, gold, zinc and nickel occurrences.

Strahan Nickel Zinc Project (west coast): The Strahan project will explore both extensions to the known nickel sulphide mineralisation to the south of Macquarie Harbour and a 25 km strike of the highly prospective Mt Read Volcanics encompassed by the tenement area. This tenement forms an integral part of the MHM's strategy in exploring the west coast of Tasmania.

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