

---

# Processing Agreement with Alcoa

---

ASX Release – 21 December 2009

## Highlights

- Aluminium Salt Slag processing agreement finalised with Alcoa
- Three year contract for between 33,000 and 39,000 tonnes of material
- \$300 payable per tonne of processed material, with Alcoa retaining ownership of recovered metal and salt, aluminium oxide to remain the property of Alreco
- Income to commence immediately upon completion of Aluminium Project acquisition, expected no later than 15 January 2010
- Satisfies one of the two key Conditions Precedent to completion of the Aluminium Project acquisition

---

## Overview

Macquarie Harbour Mining Limited (ASX:MHM) (MHM) is pleased to announce the completion of another of the key Conditions to the Aluminium Salt Slag Project acquisition.

Alcoa Rolled Products Pty Ltd (Alcoa) has now entered into a three-year Salt Slag processing agreement for between 33,000 and 39,000 tonnes of material. The contract provides for a payment of \$300 per tonne processed, with Alcoa retaining ownership of the recovered aluminium and salt but relinquishing ownership of the aluminium oxide.

As announced on 15 December 2009, MHM's wholly-owned subsidiary Alreco Pty Ltd (Alreco or the Company) has negotiated to acquire from Sims Aluminium Pty Ltd (Sims), a wholly-owned subsidiary of Sims Metal Management (ASX:SGM) an Aluminium Salt Slag business, associated plant and equipment and underlying land and buildings. The Alcoa contract will commence immediately upon settlement of this agreement, which is expected no later than 15 January 2010. Alreco will receive 60% of the EBIT profits from the Alcoa processing contract and has the first right of refusal to acquire 100% of the rights, subject to independent valuation and shareholder approval.

The three-year Alcoa processing agreement will act to ensure the Salt Slag processing facility operates at full capacity, and will contribute significant additional revenues to the Australian business in addition to the income from the Salt Slag landfill that has already been secured and the Sims processing contract that is presently being finalised.

The treatment of Aluminium Salt Slag as provided by Alreco is critical to the ongoing viability of the secondary aluminium industry for Alcoa. Alreco is confident that there will be significant opportunities to work in partnership with Alcoa on a global basis and is continuing to explore other opportunities including two potential processing plant in the United States.

## Company Comment

Chairman Basil Conti stated "This is another important milestone for Alreco and Macquarie Harbour Mining. The processing agreement with Alcoa will contribute substantial additional revenues to the Australian Salt Slag business, and presents an immense opportunity to explore avenues to partner Alcoa on a global basis. The agreement will result in immediate income upon completion of the Aluminium Project acquisition, and satisfies one of the remaining two key Conditions Precedent to settlement. On behalf of MHM I am pleased to report that we continue to deliver our promises, and I feel extremely confident the outstanding processing contract will be finalised by the end of December 2009."



macquarieharbour  
mining

ABN 41 124 212 175

### Corporate Detail

ASX Codes  
MHM, MHMO

Issued Capital  
79.3M Ordinary Shares  
27.5M Listed Options

Cash at 30 September 2009  
\$5.1 million

Substantial Shareholders  
Rogers Southern PL 16.4%  
Directors 20.0%

Chairman  
Basil Conti FCA, FCIS,  
FTIA

Managing Director  
Frank Rogers

Executive Director &  
Company Secretary  
Ben Mead B.Econ

Non-Executive Director  
Peter Robertson B.E.(Met),  
MBA

Non-Executive Director  
Dr Neil Allen B.Sc, PhD

Contact  
PO Box 21  
KINGSTON TAS 7050

Tel: +61 (0)3 6229 9955  
Fax: +61 (0)3 6229 8430

Email: [info@mhml.com.au](mailto:info@mhml.com.au)

Web: [www.mhml.com.au](http://www.mhml.com.au)

## Aluminium Project Background

Aluminium Salt Slag is a waste stream that results from the recycling of aluminium, a by-product from recyclers that has traditionally been placed in landfill. Due to regulatory changes by the EPA, this material can no longer be disposed in landfill and this has presented a major problem for the industry. Without a viable solution the secondary aluminium industry cannot continue to operate using the existing highly-efficient yet waste-generating processes.

Alreco has negotiated to acquire from Sims a Salt Slag processing facility in Moolap, Victoria which has been used to process material from its own smelting operations, together with that of Alcoa. The Sims process, however, still requires a significant portion of the material to be consigned to landfill at considerable expense. The existing plant will be upgraded to the specifications of a new technology that will greatly increase the efficiency and profitability of the process.

Prior to the incorporation of MHM, two of the Company's Directors Frank Rogers and Peter Robertson (the **Technology Providers**) developed a proprietary technology that provides a "closed-loop" solution to the Salt Slag waste issue. This technology removes the need for any of the waste to be consigned to landfill. The waste is processed and converted into its primary components being aluminium metal, salt and non-metallic product (aluminium oxide), which is a by-product that can be sold into a variety of other uses. Alreco has now acquired exclusive global rights to this technology from the Technology Providers.

The Australian rights to use the Technology developed by the Technology Providers is currently licensed to a third party (**Third Party**), which is an entity in which Frank Rogers and Peter Robertson (both directors of MHM) have an interest. The Third Party has agreed to sub-licence the right to use the Technology in Australia to Alreco.

The Third Party has access to a landfill owned by Alcoa containing 160,000 tonnes of aluminium waste, from which an estimated 16,000 tonnes of aluminium is expected to be recoverable. The Third Party has acquired from Alcoa the rights to 100% of the proceeds of materials recoverable from the landfill. In addition, the Third Party has negotiated a three-year tolling contract with Alcoa for the processing of Aluminium Salt Slag.

The Third Party and Alreco have executed a processing and sales agency agreement under which, in return for a fee, Alreco will process the Aluminium Salt Slag recovered from the Alcoa landfill and sell the resulting products as agent for the Third Party. Alreco will also perform the Third Party's obligations under the tolling contract to be finalised with the global aluminium company, as a sub-contractor. Alreco will receive 60% of the EBIT profits for performing these services for the Third Party, and has the first right of refusal to acquire 100% of the rights of the Third Party, subject to independent valuation and shareholder approval.

The Independent Directors of MHM are of the view that the negotiated structure between the Third Party and Alreco provides for the lowest risk transaction. The initial processing and sales agency and subsequent valuation by an Independent Expert permits the Independent Directors to be satisfied that the business is operating as anticipated prior affecting the acquisition of 100% of the Third Party rights, subject to shareholder approval. It is the view of the Independent Directors that a more accurate valuation for the Third Party rights can be derived in this manner.

Alreco is in the final stages of negotiating a Salt Slag processing agreement with Sims, which remains the final key Condition to settlement of the Aluminium Salt Slag Project acquisition. Alreco will retain 100% of the profits from this processing contract.

There is significant opportunity to expand the business overseas, particularly in the United States where in excess of 40-times the volume of Aluminium Salt Slag is produced compared to Australia. MHM has commenced discussions for the construction of two processing plants in the United States, and there is a strong interest in this respect.

### For Further Information

For further information please contact Ben Mead on +61 (0)3 6229 9955 or at [www.mhml.com.au](http://www.mhml.com.au).