
Processing Agreement with Sims Aluminium

ASX Release – 24 December 2009

Highlights

- Processing agreement signed with Sims Aluminium Pty Ltd
- Agreement provides for the processing of a range of materials including Aluminium Salt Slag, Aluminium Non-Salt Slag and Aluminium Dross
- Processing to commence immediately upon completion of Aluminium Project acquisition, anticipated to be no later than 15 January 2010
- Satisfies final key Conditions Precedent to completion of the Aluminium Project acquisition, settlement to occur upon transfer of EPA licenses and employee contracts
- Continuing discussions between the parties for the processing of additional materials
- Contract has the potential to generate substantial revenues in addition to those of the Alcoa processing agreement and Salt Slag Landfill reprocessing agreement that have already been negotiated

Overview

Macquarie Harbour Mining Limited (ASX:MHM) (**MHM**) is pleased to announce that it's wholly-owned subsidiary Alreco Pty Ltd (**Alreco** or the **Company**) has entered into a processing agreement with Sims Aluminium Pty Ltd (**Sims**), a wholly-owned subsidiary of Sims Metal Management Limited (ASX:SGM). The agreement provides for the processing of material by Alreco including Aluminium Salt Slag, Aluminium Non-Salt Slag and Aluminium Dross, and is expected to contribute substantial additional revenues to the Company.

The processing is for an initial period of 12 months, though the parties anticipate that the relationship will continue beyond this term. At the request of Sims, the specific details of the processing agreement are to remain Commercial-in-Confidence.

As announced on 15 December 2009, Alreco has negotiated to acquire from Sims an Aluminium Salt Slag business, associated plant and equipment and underlying land and buildings. Alreco has also acquired from a third party (**Third Party**) the exclusive global rights to a proprietary Salt Slag processing technology, entered into a contract with the Third Party for the processing of materials from a 160,000 Salt Slag landfill (estimated to contain at least 16,000 tonnes of aluminium) and a contract to perform the Third Party's obligations under a processing agreement that has been finalised with Alcoa Rolled Products Pty Ltd (**Alcoa**). Alreco will receive 60% of the EBIT profits for performing these services, 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 sign-off of the processing agreement between Sims and Alreco satisfies the final key Condition Precedent to the completion of the Aluminium Project acquisition. The contract will act to ensure the Salt Slag Processing Facility operates at full capacity, and is expected to contribute significant additional revenues to the Australian business and the significant opportunities to expand the business internationally.



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
P 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

Web: www.mhml.com.au

Company Comment

Chairman Basil Conti stated *"It is with absolute pleasure that we announce the satisfaction of the final key Condition to completion of the Aluminium Salt Slag Project acquisition. My team has worked very hard to achieve this goal over the course of the past twelve months, and it is immensely satisfying to conclude the key conditions to settlement prior to the end of 2009, as promised. Settlement will occur after the Christmas break, upon the transfer of EPA operating licenses and employee contracts. The processing agreement with Sims is expected to contribute substantial additional revenues to Alreco, as we will continue to provide a key service to the Sims Aluminium business. On behalf of my fellow Directors and employees of MHM we wish all our Shareholders a very merry Christmas and happy New Year."*

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, 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 is in the final stages of negotiating a tolling contract with a global aluminium company for the processing of Aluminium Salt Slag. This company wishes to remain unnamed until the agreement is finalised.

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.

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 a global aluminium company for the construction of two processing plants in the United States, for which there is strong interest.

For Further Information

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