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# Aluminium Project Progress Report

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ASX Release – 5 January 2010

## Highlights

- Settlement date confirmed to be 15 January 2010
- Production and income to commence immediately upon settlement. New technology to be implemented progressively, no interruptions to production during upgrade
- Plant upgrade to be completed Q2 2010
- Pre-tax profits of \$230,000 per month during plant upgrade, increasing to \$8.6 million per annum once the upgrade has completed
- Substantial opportunities to expand business overseas, discussions commenced for two plants in the United States, together with discussions to treat Salt Slag in Canada, Europe and South Africa

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## Overview

Macquarie Harbour Mining Limited (MHM) recently announced the completion of all key conditions to purchase of an Aluminium Salt Slag Processing Facility from Sims Aluminium Pty Ltd, a wholly-owned subsidiary of Sims Metal Management Limited (ASX:SGM) (Sims). MHM is pleased to announce that settlement will occur on 15 January 2010, resulting in immediate production and income generation. The aluminium project will be operated by MHM's wholly-owned special purpose subsidiary Alreco Pty Ltd (Alreco or the Company).

## Development Timetable

Settlement of the transaction will occur on 15 January 2010. If the EPA has not finalised the transfer of operating licenses from Sims, Alreco will be able to operate under the existing Sims licenses during this period. The licenses will be transferred in the normal course of business.

The upgrade of the existing Sims facility will commence immediately upon settlement. The upgrade will take 26 weeks, and has been planned such that there will be no interruption to ongoing production. During the upgrade phase the Aluminium Salt Slag landfill will not be processed. Whilst this means that the plant will be running at 40% capacity, the Company will continue to generate profits from both the Alcoa and Sims processing contracts during this period.

Upon completion of the upgrade, the plant will operate on a one-shift basis, providing ample flexibility to increase throughput as required by our customers.

## Anticipated Returns

During the plant upgrade period, the business is expected to earn pre-tax profits (EBITDA) of \$230,000 per month for Alreco.

Once the plant upgrade has completed, the business is expected to earn pre-tax profits of \$8,600,000 per annum for Alreco.

These estimates are based on projected income from supply contracts that have been finalised with Alcoa and Sims, income from the Alcoa landfill which will commence once the upgrade is completed, and operating expenses that have been verified by the Independent Technical Experts to the transaction, The Carnot Group.



macquarieharbour  
mining

ABN 41 124 212 175

## Corporate Detail

ASX Codes:  
MHM, MHMO

Issued Capital:  
70.0M Ordinary Shares  
27.5M Listed Options

Substantial Shareholders:  
Rogers Southern PL 17.7%  
Directors 22.5%

## Directors

Chairman  
Basil Conti FCA, FCIS,  
FTIA

Managing Director  
Frank Rogers

Executive Director  
Ben Mead B.Econ

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

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

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## **Opportunities for growth**

There is significant opportunity to expand the business overseas. Alreco has progressed discussions for additional processing facilities to be located in the United States where in excess of 40-times the volume of Aluminium Salt Slag is produced compared to Australia. Alreco has also received expressions of interest from parties in Canada, Europe and South Africa for Salt Slag Processing operations.

## **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).

## 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 has executed 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 a tolling contract with Alcoa, 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. Alreco has commenced discussions a global aluminium company for the construction of two processing plants in the United States, for which there is strong interest. Alreco has also received expressions of interest from parties in Canada, Europe and South Africa for Salt Slag Processing operations.