

ALUMINIUM PROJECT UPDATE

Geelong Council Approval

ASX Release – 3 December 2010



- MHM commences cultural heritage study on salt ponds area. Expected to conclude by mid-January
- Last remaining hurdle before council approval
- Operations at MHM facility proceeding very satisfactorily. Salt drying ponds final step to closed-loop processing
- Salt ponds will be interim measure with more advanced system of salt crystallisation also planned
- MHM has an alternate location for salt ponds, has been informed would not require a cultural heritage study. However, company believes fastest route to commencement of construction is to complete study on original location

MHM Metals Limited (ASX:MHM) is moving closer to council approval for evaporation ponds to be built adjacent to the company's operations south of Geelong, Victoria. Approval is being sought to construct the ponds on a nine-hectare property that has been leased to MHM by Alcoa for \$1 a year.

The closed-loop landfill-free technology for which MHM has exclusive global rights produces three valuable commodities. One is a blended salt brine solution that requires evaporation. Evaporation ponds are one way of recovering the salts.

MHM plans to use the intended new ponds for an initial period but to be followed by installation of an instant salt crystallisation system. This system will recover over 120 million litres of water each year from the Geelong operations. Instant salt crystallisation systems also enable MHM to establish salt slag processing facilities at sites where solar evaporation is not viable.

Alreco Pty Ltd, MHM's wholly-owned operating subsidiary for the Australian operations, submitted an initial application for evaporation pond approval in June 2010. The process has been delayed because the council has given conflicting advice about the need for a Cultural Heritage Management Plan (CHMP). A CHMP is a study to assess and manage cultural heritage values.

The application for evaporation pond approval was advertised to the community without objection. The company has now been given new advice from the council that a CHMP is required. MHM will now proceed with the CHMP and this is expected to take four weeks. MHM's operations at Moolap are proceeding to high levels of satisfaction, but will be improved further when salt ponds are constructed.

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CORPORATE DETAIL

ASX Codes:

MHM, MHMO

Issued Capital:

101.1M Ordinary Shares
26.6M Listed Options

Substantial Shareholders:

Rogers Southern PL 10.4%
Directors 12.7%
Top Twenty 30.3%

Directors:

Chairman
Basil Conti FCA, FCIS, FTIA

Managing Director
Frank Rogers

Executive Director
Ben Mead B.Econ

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

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Alreco has asked the council why incorrect advice was given and steps that can be taken to remedy the situation. The directors of MHM had hoped that the written advice would have been received by this time, but has not been forthcoming. The company believes this written advice should be received next week.

It is important to note that the company has other alternative locations upon which ponds can be built, including a two-and-a-half hectare property owned by Frank Rogers (Managing Director of MHM) that shares a common boundary with the nine-hectare Alcoa property. Consultants have advised Alreco that this alternate property would not trigger the requirement for a CHMP, but the company believes the fastest way to resolve the salt pond approval issue and commence construction of the ponds is to complete the CHMP on the original location.

MHM takes this opportunity to remind shareholders of important facts:

1. The use of evaporation ponds at this location is one of a number of options for MHM.
2. The delay in approval is irrelevant to the viability of the salt slag processing technology.
3. MHM continues to process salt slag under contracts with Alcoa and Sims.
4. Large sections of the upgraded processing plant in Geelong have been commissioned. These operations have exceeded expectations.
5. The strength of the Company's relationship with Alcoa is unchanged. Alcoa intends to end landfilling aluminium salt slag by 2015, and Alreco intends to make this achievable.
6. The continued co-operation with Smelter Service Corp and expansion into the United States remains unchanged.
7. The directors remain very positive about the opportunities for expansion into the United States.
8. The prospects for MHM to capture the global salt slag market remain compelling.

Further information:

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