

Company Update

ASX Release – 8 August 2012

Further to the MHM Quarterly Activities Report, MHM provides the following additional information for shareholders.

Geelong Plant Stockpile Tonnages

- There is just under 10,000 tonnes of bagged partly processed material stockpiled on top of the Alcoa landfill. It is this material that has been referred to in past announcements and which needs to be processed to allow access to the landfill. There is another approximately 5,000 tonnes of bagged partly processed material at the plant site. This does not urgently need to be processed.
- MHM has been paid for the partly processed material from which the aluminium has been removed and returned to Alcoa and Sims. When reprocessed, the AL80 and salt can be sold by MHM for additional income.
- Total unprocessed material stockpiled at the plant is around 11,000 tonnes. This unprocessed material was received from Alcoa and Sims, and MHM has received payment for this. MHM is required to return the aluminium to Alcoa and Sims when processed, and can sell the AL80 for MHM's own income. Alcoa will pay MHM an increased fee to get the salt back, or it can be sold by MHM to other parties.

Geelong Plant Receipts and Processing

Since the purchase of the Geelong facility, MHM has received slag and dross from Alcoa and Sims, and has received payment upon receipt. These funds have been used to generate the cash flow for the further development and refinement of the plant and processes, and not all the slag received has been fully processed. The partly processed and stockpiled slag has been stored on site or on Alcoa's landfill. Early this year, MHM's plan was to start processing this material and decreasing the stockpiles. In terms of priority for profitability, processing the landfill slag is the highest, but a substantial amount of the other material has to be processed before getting into the landfill, currently planned for late this year. Operationally, there is a need to get the balance right between working through the stockpiles and getting into the higher profitability material. It was planned to reduce the stockpiles over the past 6 months and blend a proportion of the partly processed material. This has not happened as forecast due to the following:

- There have been a number of production issues caused by a multitude of factors previously reported, much of which has been caused by the variability and unexpected volatility of incoming material requiring unplanned plant changes and upgrades.
- Although processed weekly tonnes have exceeded incoming tonnes on a number of occasions, stockpile reductions have not occurred as expected.



ASX Codes
MHM, MHMO

Issued Capital
108.9 Ordinary Shares
19.3 Listed Options

Substantial Shareholders
Rogers Southern PL 10%
Directors 13%
Top Twenty 34%

Directors
Chairman - Basil Conti
Managing Director – Phil Thick
Executive Director - Ben Mead
Executive Director - Simon Wells

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- Since the upgrade, the plant has processed its highest three weekly tonnages of 350t, 370 t and 500t last week, all well in excess of incoming tonnages. Following the ramp-up period MHM's target is to achieve ongoing processing rates of at least 1,000t per week.
- The company has received fairly consistently over the past 6 months an average of between 250t and 400t per week, which includes the 1,200t per month from Alcoa's plant, plus an additional truckload a week on average as Alcoa transfers part of its stockpile from its plant to MHM. Sims continues to supply both salt slag and non-salt slag at a rate varying from 100t to 200 t per month. This incoming material is obviously important to MHM as the tolling fees are required to cover the plant's operating costs.

Geelong Plant Profitability

MHM is aiming to commence landfill processing at the earliest possible date, however blending will need to continue. This will see profitability increase during that period, but the plant will not reach full profitability until the stockpiles are processed and the plant is effectively only processing new incoming material and the landfill.

Impact on US Plant

The US plant design is based on the upgraded Geelong plant, and as the process refinements completed over the past six months have resolved the issues of salt slag variability, the problems experienced at Geelong are not expected to be present in the US. Debt funding for the US plant will require firm cost estimates based on detailed design and the reliable performance of the Geelong plant. Funders are not likely to commit to providing the capital for the US plant until all costs have been received and design specifications demonstrated at Geelong. . In addition, the current global financial markets are not assisting in funding any new project. It is for these reasons that MHM expects funding to take several months to finalise. Construction of the US plant is expected to take 12 months from commencement, and in the Board's view the best estimate for completion of the US plant is by the end of 2013, accepting that this is still subject to a number of key elements being realised.

FURTHER INFORMATION:

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