

Quarterly Activities & Cashflow Report

ASX Release – 30 July 2010



macquarieharbour
mining

ABN 41 124 212 175

Aluminium Project Update

- Quarterly Gross Cash Receipts of \$1,268,000
- Quarterly Operating Cash Surplus of \$379,000 – lower than anticipated due to one-off extraordinary outgoings and reduced throughput due to maintenance shutdown from Alcoa
- Net Profit from commencement of operations to 30 June 2010 of \$1,129,641
- Plant throughput for the quarter 6,960 tonnes, 13,627 tonnes from commencement of operations to 30 June 2010
- Technology upgrade running on budget, progressing well – plans to expand throughput to 60,000 tpa once upgrade complete

Silica Project Update

- Continued negotiation for offtake, testing of additional samples provides positive results
- Samples of silica sand and crushed lump silica provided to interested parties
- Silicon smelter negotiations positive and ongoing

West Coast Tasmanian Exploration

- VTEM geophysical survey of Tasmanian precious and base metal assets highlights significant areas of prospectivity for copper-gold porphyry and VHMS deposits

African Gold Project Update

- Ongoing mining cost and metallurgical testwork study on the Miyabi Gold Project, a 520,000 oz Inferred and Indicated JORC-compliant resource located in Tanzania
- Preliminary mining costs lower than anticipated, metallurgical testwork ongoing with full results expected by end November 2011

Aluminium Project Update

The Aluminium Salt Slag Project, operated by wholly-owned subsidiary Alreco Pty Ltd (Alreco), continues to deliver profits during the technology upgrade.

Quarterly Gross Cash Receipts of \$1,268,000 were recorded during the period, for 6,960 tonnes of material. The Operating Cash Surplus for the period was \$379,000. Net Profit from commencement of operations to 30 June 2010 was \$1,129,641, for 13,627 tonnes of material.

Plant throughput was reduced during the quarter due to Alcoa's shutdown for maintenance. Alreco and Alcoa had agreed that material from Alcoa's salt slag stockpile would continue to be transferred to Alreco during the maintenance shutdown such that production would remain largely unaffected, however Alcoa encountered some permitting delays that affected this plan.

During the quarter, Alreco management made the strategic decision to landfill a portion of the stockpiled partly processed salt slag on site, which resulted in expenses of \$545,829. It is not expected that any further landfilling will occur beyond 30 June 2010 and consequently future expenses such as this will be avoided.

Corporate Detail

ASX Codes:
MHM, MHMO

Issued Capital:
87.5M Ordinary Shares
27.5M Listed Options

Substantial Shareholders:
Rogers Southern PL 12.11%
Directors 14.5%
Top Twenty 30.4%

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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It is important to note that the reduced profitability during the quarter is explicitly related to these two one-off events and is not related to any issues regarding the technology or costs of the upgrade. Despite these events the business remains profitable.

The Company remains on target to deliver an average net profit of \$230,000 per month during the course of the upgrade, as previously projected.

The technology upgrade continues to run to budget and is progressing well.

Silica Project Update

MHM continues to negotiate high purity lump silica offtake with a number of parties. Additional samples were provided to a number of these companies during the reporting period, and the feedback was positive in every case. MHM has also provided samples of crushed lump silica and silica sand to potential offtake partners, and again the feedback has been positive.

MHM continues to advance a development program with a targeted production of 80,000 tpa of high-purity silica by the end of 2010, however this program is contingent on the execution of satisfactory silica offtake agreements which continue to be negotiated. MHM has received inquiries for tonnage and is in the process of negotiating satisfactory pricing.

Discussions and meetings with key stakeholders regarding the Tasmanian silicon smelter proposal are positive and ongoing. Given the potential size of the capital investment in a silicon smelter, the current timing of decision-making is in line with other projects of this size.

West Coast Tasmanian Exploration Update

As previously announced, the Company recently completed a helicopter-borne geophysical survey (VTEM) over Western Tasmania, which has identified a number of targets. The survey was designed to locate conductive targets within prospective ground holding gold, copper, nickel and iron ore.

The results have drawn particular attention to the Thomas Creek Copper-Gold Project and Hill 99 Polymetallic Project areas.

Thomas Creek Copper Gold Project

Thomas Creek was first recognised as a potential porphyry style copper-gold deposit in 1993 by Plutonic Operations after soil sampling and geochemical surveys returned typical porphyry type signatures. However, opinion on the nature and style of the deposit have remained ambiguous even after 8 diamond drill holes were carried out in 1996. MHM's recent VTEM survey, reinterpretation of existing data and new techniques for analysing deposits of this nature have suggested that Thomas Creek is highly prospective.

Inspection of the Plutonic Operations drill core from Thomas Creek has revealed several observations not noted by previous companies which support that an alkali porphyry copper-gold system is present.

The first observation is that most of the copper minerals (mostly chalcopyrite) are very fine-grained and not visible to the naked eye. Possibly for this reason, much of the core has never been sampled or assayed, despite the intersections that were sampled being strongly anomalous in copper and sometimes gold. Thin section analysis shows that most of the copper-sulphides are very fine and are associated with magnetite and pyrite as separate discrete grains.

A second important observation not noted by previous companies is that the host rocks have extensive hematite dusting of feldspars which is typical of some porphyry alteration envelopes, especially at Newcrest's Cadia-Ridgeway Mine in New South Wales.

A third observation made of the host rock at Thomas Creek is the alteration of high temperature actinolite to chlorite, which in a typical porphyry model is classified as propylitic alteration. This type of alteration usually rims a porphyry system for several hundred metres together with pyrite, epidote and ferroan calcite. The alteration of actinolite to chlorite demonstrates retrogressive metamorphism by hydrothermal fluids typical of the outer shell of a porphyry system.

The fourth and vital observation was made from core from hole TC-5 from Thomas Creek. This is that there are significant hydrothermal breccias present in the core, with highly altered clasts within a matrix of more mafic composition. Highly altered zones containing strongly anomalous copper and gold mineralization confirm that this event was a mineralizing event. This indicates that there was strong hydrothermal activity in this system derived from an as yet undefined source, deeper down.

MHM will apply for approvals for a drilling program in early 2011 to test the extent of the mineralisation.

Hill 99 Zinc-Lead Project

The recent VTEM survey identified a number of strong anomalies approximately 2.5 km along strike from Hill 99 which are planned for field examination in November. The anomalies lie between Hill 99 and the old Noddy Creek prospect explored by BHP in the early 1970's. The existence of these anomalies within such a prospective zone is considered highly encouraging.

Hill 99 is a base metal (zinc-lead) target that was tested by a fan of three diamond drill holes from a single site in the late 1990's by a previous explorer. The target was selected based on anomalous stream sediment and soil samples and also by a geophysics (IP) anomaly. The IP target was not intersected due to difficult ground conditions. Recent re-examination of the core has confirmed that the anomalous Zn-Pb values are associated with strongly altered mafic volcanic rocks with similarities to other economic Zn-Pb deposits within the Mt Read Volcanic belt (Que River and Hellyer). Work is ongoing to test for further comparisons with known economic deposits to establish whether further drilling is warranted at Hill 99.

African Gold Project Update

MHM has received feedback from SRK Consulting (UK) regarding preliminary mining costs at the Miyabi Gold Project in Tanzania, whilst the metallurgical testwork remains ongoing.

The preliminary mining costs reported by SRK are lower than had been anticipated by MHM, and detail of these projected costs and any further results of significance will be reported once the metallurgical testwork has been completed. It is expected that this will occur by the end of November 2010.

Further Information

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

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Macquarie Harbour Mining Limited

ABN

41 124 212 175

Quarter ended ("current quarter")

30 June 2010

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
(i) Exploration activities	-	-
(ii) Aluminium processing activities	1,268	1,997
1.2 Payments for:		
(a) exploration and evaluation	(354)	(877)
(b) development	-	-
(c) production		
(i) Aluminium processing activities	(889)	(1,181)
(d) administration	(177)	(938)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	24	119
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	29
Net Operating Cash Flows	(128)	(851)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets		
(i) Exploration activities	(22)	(292)
(ii) Aluminium processing activities	(613)	(5,146)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	8	(100)
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(627)	(5,538)
1.13 Total operating and investing cash flows (carried forward)	(755)	(6,389)

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(755)	(6,389)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	6,173
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(5)	(21)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	(5)	6,152
	Net increase (decrease) in cash held	(760)	(237)
1.20	Cash at beginning of quarter/year to date	3,048	2,525
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,288	2,288

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	189
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

All transactions with directors are on normal commercial terms.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

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Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(281)
4.2 Development	-
Total	(281)

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,288	3,048
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,288	3,048

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	EL2-2007		100%	Nil
	EL66-2007		100%	Nil
	EL3-2007		100%	Nil
	EL35-2007		100%	Nil
6.2 Interests in mining tenements acquired or increased				

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Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	87,538,260	87,538,260		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	29,836,135	27,455,385	<i>Exercise price</i> 20 cents	<i>Expiry date</i> 31 August 2012
	1,000,000	-	20 cents	14 December 2013
	1,200,000	-	20 cents	28 November 2013
	450,000	-	25 cents	9 October 2014
	2,250,000	-	28 cents	30 November 2014
	100,000	-	28 cents	4 January 2015
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				


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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~/does not*~~ (*delete one*) give a true and fair view of the matters disclosed.

Sign here: _____
(Director/Company secretary)



Date: 28 July 2010

Print name: Benjamin Mead

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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