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# Quarterly Activities & Cashflow Report

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ASX Release – 28 October 2010



macquarieharbour  
mining

ABN 41 124 212 175

## Aluminium Project Update

- Quarterly Gross Cash Receipts of \$1,677,000
- Quarterly Operating Cash Surplus of \$1,015,000
- Technology upgrade running on budget, well advanced. Large sections of plant commissioned, performance exceeding expectations, awaiting council approval for salt ponds
- Continued discussions regarding global expansion

## Silica Project Update

- Continued negotiation for offtake, testing of additional samples provides positive results
- Silicon smelter negotiations positive and ongoing

## West Coast Tasmanian Exploration

- Continued interpretation of VTEM geophysical survey
- Ground-based exploration, soil sampling
- Project partners being sought for select projects

## African Gold Project Update

- Ongoing mining cost and metallurgical testwork analysis of the Miyabi Gold Project, a 520,000 oz Inferred and Indicated JORC-compliant resource located in Tanzania
- Results expected by end November 2010

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## 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 \$1,677,000 were recorded during the period, with a Quarterly Operating Cash Surplus of \$1,015,000.

Large sections of the upgraded plant have been commissioned, with performance of these sections exceeding expectations. Council approval for salt evaporation ponds is still outstanding, which prevents an exact date for final plant commissioning from being provided.

There has been no landfilling of salt slag residue since 30 June 2010, a factor that impacted upon the previous quarter's results.

The technology upgrade continues to run to budget.

Management is progressing discussions with a number of aluminium companies concerning the global expansion of the aluminium business. The previously reported visit from Alcoa USA will be delayed until completion of the technology upgrade, though Managing Director Frank Rogers and Executive Director Ben Mead will be visiting the USA during November 2010.

## Corporate Detail

ASX Codes:  
MHM, MHMO

Issued Capital:  
99.7M Ordinary Shares  
27.4M Listed Options  
7.6M Unlisted Options

## 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

## Contact

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## Silica Project Update

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 timeframe for reporting development in this respect cannot be stated with certainty. A number of parties remain engaged with negotiations for the Tasmanian silicon smelter proposal.

MHM continues negotiate satisfactory pricing for inquiries received to export silica into Asia.

## West Coast Tasmanian Exploration Update

The MHM exploration team continues to interpret the recently completed VTEM geophysical survey, using the data to commission track cutting and commence a ground-based soil and rock chip sampling programme. The team plans to use cost-effective exploration techniques throughout the upcoming summer field season to plan a drilling programme during 2011.

Company management is exploring potential project partnerships on a number of Tasmania gold, iron ore and base metal projects. The process is ongoing and incomplete.

## African Gold Project Update

As announced on 14 May 2010, MHM has signed a Letter of Intent with African Eagle Resources plc (AIM:AFE) (African Eagle) concerning a Joint Venture in respect of African Eagle's Miyabi Gold Project located in the Lake Victoria Goldfields, Tanzania.

Miyabi has a JORC-compliant resource containing 520,000 ozs of gold, summarised in the table below.

Classification	Tonnage (Mt)	Grade g/t Au	Ounces (Moz)
Indicated	7.88	1.45	0.37
Inferred	4.49	1.01	0.15
<b>Total</b>	<b>12.37</b>	<b>1.29</b>	<b>0.52</b>

*Miyabi Resource Estimate 0.5g/t cut off*

MHM's analysis of the results of the pre-feasibility study and metallurgical testwork is ongoing. It is expected that an update will be provided by the end of November 2010.

## 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).

## JORC Compliance / Competent Person's Statement

Information in this report that relates to Exploration results, Mineral Resources or Ore Reserves is based on information compiled by Richard Lindsay (Exploration Manager for MHM) who is a member of the Australian Institute of Geoscientists. Richard Lindsay has sufficient experience which is relevant to the style of mineralization and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Richard Lindsay consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

## Appendix 5B

### Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Macquarie Harbour Mining Limited

ABN

41 124 212 175

Quarter ended ("current quarter")

30 September 2010

#### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors		
(i) Exploration activities	-	-
(ii) Aluminium processing activities	1,677	1,677
1.2 Payments for		
(a) exploration & evaluation	(200)	(200)
(b) development	-	-
(c) production		
(i) Aluminium processing activities	(662)	(662)
(d) administration	(291)	(291)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	20	20
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>544</b>	<b>544</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets		
(i) Exploration activities	(1)	(1)
(ii) Aluminium processing activities	(1,235)	(1,235)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(1,236)</b>	<b>(1,236)</b>
1.13 Total operating and investing cash flows (carried forward)	(692)	(692)

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Appendix 5B  
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(692)	(692)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(6)	(6)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	(6)	(6)
	<b>Net increase (decrease) in cash held</b>	(698)	(698)
1.20	Cash at beginning of quarter/year to date	2,288	2,288
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	1,590	1,590

**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	993
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Included in the above are payments of \$823,000 to Project Development Corporation (an entity controlled by Mr Frank Rogers) in respect of the upgrade of the existing plant acquired in Alreco Pty Ltd.

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

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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

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### Financing facilities available

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	(203)
4.2 Development	-
4.3 Production	(1,470)
4.4 Administration	(272)
<b>Total</b>	<b>(1,945)</b>

### 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	1,590	2,288
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>1,590</b>	<b>2,288</b>

### 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			
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 (description)				
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 (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	29,836,135 1,000,000 1,200,000 450,000 2,250,000 100,000	27,455,385 - - - - -	<i>Exercise price</i> 20 cents 20 cents 20 cents 25 cents 28 cents 28 cents	<i>Expiry date</i> 31 August 2012 14 December 2013 28 November 2013 9 October 2014 30 November 2014 4 January 2015
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter				
7.11 Debentures (totals only)				

+ See chapter 19 for defined terms.

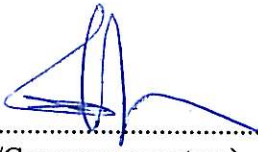
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7.12	Unsecured notes (totals only)		
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## Compliance statement

- 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:

  
..... Date: 28 October 2010  
(~~Director~~/Company secretary)

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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