

MHM PROGRESS REPORT

ASX Release – 2 September 2011



AUSTRALIAN ALUMINIUM OPERATIONS UPDATE

Operations in Geelong continue to progress. MHM Metals Ltd (ASX:MHM) subsidiary Alreco is pleased that aluminium recovery from recycled salt slag is far exceeding expectations. This additional volume of recovered metal has led to refinements to optimise the process. This is not uncommon with commissioning new processes.

These refinements will soon be completed. Alreco will then commence re-processing the stockpile of stored partly-processed salt slag, in addition to ongoing receipt of new salt slag, non-salt slag and dross. The stockpiled partly-processed material was accrued by Alreco as part of the exercise to continue processing operations in Geelong concurrent with new plant construction.

When this stockpile is reduced Alreco will begin processing Alcoa's 160,000 tonne salt slag landfill. Landfill processing will be used by Alreco to balance the throughput of the plant – processing the landfilled salt slag resource will vary according to the volumes received from Alcoa and Sims. This will enable Alreco to maximise plant throughput and efficiency. It is expected that the landfill will be processed at about 35,000 tonnes per year over five years, in addition to the estimated 24,000 tonnes per year from Sims and Alcoa. Alreco is also exploring opportunities to increase the 'non-landfill' feedstock.

Construction of the salt crystalliser is underway, and the technology providers have indicated that the system will be commissioned at the end of this calendar year.

The first AL80 shipment is awaiting departure.

Alreco continues to host prospective future client visitors from the United States at the Geelong plant. The company's priority is to keep building relationships and generate more supply contracts.

US ALUMINIUM OPERATIONS UPDATE

MHM Metals continues to advance salt slag recycling in the United States. The appointment of John Pugh in an executive role has yielded positive results for MHM, and feedback also suggests this was well regarded by the US aluminium industry.

The company continues to engage with US salt slag producers. It is evident that a major opportunity presents to recycle another waste stream from the aluminium industry, known as 'black dross'. Black dross is a by-product from reverberatory furnace operations and generally has a similar composition to salt slag, albeit often with a higher aluminium content. Black dross recycling also presents an opportunity to recover aluminium, salt/potash and aluminium oxides. This product differs from the dross product that MHM has been processing for Sims in Australia, which does not contain salts. MHM is in dialogue with a number of companies that produce large volumes of this material, and discussions for closed-loop recycling of black dross are continuing.

ASX Codes:
MHM, MHMO

Issued Capital:
102.3M Ordinary Shares
25.5M Listed Options

Substantial Shareholders:
Rogers Southern PL 10%
Directors 13%
Top Twenty 33%

Directors:
Chairman – Basil Conti

Managing Director – Frank Rogers

Executive Director – Ben Mead

Executive Director – Simon Wells

Non-Exec Director – Dr Neil Allen

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MHM is assessing a number of sites in the US for construction of the first salt slag and black dross recycling plant. This will depend on a number of factors, most importantly the proximity to salt slag and black dross suppliers. Recent discussions for black dross recycling may have some bearing on site determination. The company will determine the potential of these additional feedstocks prior to making an unconditional site acquisition. Irrespective, site due diligence including purchase price and negotiation of acquisition terms continues on a number of sites.

MHM has identified additional landfilled/stockpiled salt slag that may present opportunities for recycling and has begun research and entered discussions to assess viability.

MHM recently engaged with a number of companies with operations in the north eastern United States and south eastern Canada, to assess a further region for salt slag and black dross recycling. A substantial volume of material has been identified in this region as well as companies that are supportive of MHM's business and that share the imperative to cease landfilling.

MHM is also communicating with major US aluminium users such as the beverage can and automobile manufacturers to encourage support and participation. MHM is evidently creating substantial impact in parts of the US aluminium industry and receiving some very strong support.

Further information:

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