

MHM UPDATE

ASX Release – 23 February 2012



- 24-hour processing underway at Australian salt cake recycling operations
- Current daily plant throughput processing all new material received, in addition to 35–40 bags per day of partly processed stockpiled salt cake
- Daily throughput to increase as new staff gain additional experience
- Potential Alcoa shutdown of Point Henry Smelter would have no impact on MHM's operations
- First AL80 export shipment of 500 tonnes scheduled for 5 March 2012
- Acquisition of 115-acre site for construction of first US salt cake and black dross recycling facility
- US plant design and layout complete, preliminary engineering and permitting underway
- Timeframes and capital cost of first US facility to be confirmed with US engineering consultants
- Preliminary site works commenced
- Additional US supply contract negotiations ongoing and positive
- Project finance favouring non-dilutionary mechanisms. New York roadshow commencing 28 February to increase investor awareness and on-market support

AUSTRALIAN ALUMINIUM OPERATIONS UPDATE

Twenty-four hour processing is underway at the Geelong salt cake recycling facility. Current plant throughput is processing all salt cake being received, in addition to 35–40 bags per day of partly-processed stockpiled salt cake. Each bag of stockpiled material weighs approximately 1.5 tonnes, and the 10,000 tonne stockpile is expected to take about 3 months to process. Current daily plant throughput is expected to increase as new employees continue to gain experience. Updates of processing rates will be provided by the company.

When reprocessing the stockpile of partly-processed salt cake is completed, Alreco (MHM's subsidiary) will commence processing Alcoa's 160,000 tonne salt cake landfill. When landfill processing commences Alreco's earnings are expected to increase in line with the forecast EBITDA of \$8 million per annum.

The potential shut down of Alcoa's Point Henry Smelter would have no impact on MHM. All of Alcoa's Australian salt cake is produced at the Yennora Rolling Mill in New South Wales.

Impex has advised that customs paperwork relating to export of AL80, Alreco's aluminium oxide product, has been finalised and that the first shipment of 500 tonnes will depart the Geelong facility on 5 March 2012. The initial 500 tonne shipment was the initial volume agreed for shipment by customs, and this will ramp up to ensure that all Australian AL80 is exported.

The completion of customs paperwork is a major achievement for MHM as considerable effort was devoted to achieve this goal. The delays were a bureaucratic matter and unrelated to the desire of the end user to purchase the product. While Impex has exclusivity for AL80 only within Australia, it has expressed interest in also purchasing all AL80 produced in the US. MHM has received expressions of interest from other companies about purchasing all US-produced AL80.

ASX Codes
MHM, MHMO

Issued Capital
104.1M Ordinary Shares
24.0M Listed Options

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

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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US ALUMINIUM OPERATIONS UPDATE

US subsidiary MHM Metals Corporation has acquired a 115-acre landholding in Russellville, Kentucky. The \$838,000 purchase price was funded from existing cash reserves. The site contains existing buildings that will decrease the time and expense of plant construction and the site is zoned correctly for its purpose.

Plant layout and design for the Russellville facility has now been completed and management is working with engineering consultants to confirm capital cost and timeframe for completion. The existing buildings are ideally suited for the processing plant, and there is much enthusiasm in the management team for the property. Environmental permitting applications are being prepared and preliminary civil site works, renovations of the office facilities and preparation for expedited construction of the rail spur are underway.

MHM has a conservative preliminary budget estimate of US\$25 million for construction of its 250,000 tonne per annum plant, though it is expected that the existing site infrastructure and availability of second-hand processing equipment could reduce this figure below US\$20 million. Targeted earnings for this first US facility for salt cake and black dross processing, and aluminium oxide sales and ancillary activities is US\$25 million per annum when operating at full capacity. MHM expects the plant will operate at full capacity of 250,000 tonnes per annum within 12 months of commissioning.

MHM continues to negotiate additional supply contracts, and progress is positive. Management also continues to assess the viability of landfilled/stockpiled salt cake for recycling. The company is examining opportunities to acquire large volumes of aluminium oxide to produce AL80 for export and additional revenue generation.

Consideration of project-financing options is underway and will be finalised when the plant capital cost and drawdown schedule are confirmed. Management is confident that a number of options will be available. As always, management is keen to minimise any shareholder dilution to maximise Earnings Per Share and share price.

A New York investor roadshow will commence on 28 February 2012 to inform and engage new investors with the MHM story and continue to support the share price. A number of broking houses are expressing interest in publishing research on MHM, which should also benefit the company.

SILICA DIVISION UPDATE

MHM has engaged a corporate adviser to assist with the potential spin-off of the company's silica division and continues to make progress. Another priority is to secure offtake contracts for lump silica and silica flour to help underwrite the development of a Tasmanian silicon smelter.

Considerable effort has also been devoted to securing additional high purity silica reserves to help fast-track project development, offtake negotiations and lower production costs.

FURTHER INFORMATION:

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