

# MHM FIRST US SITE IN KENTUCKY WITH PROJECT INCENTIVES

ASX Release – 13 December 2011

- Preferred site is 115-acre industrial landholding in Russellville, Kentucky
- Existing buildings on site and property zoning to benefit timeframes and lower costs
- MHM has identified over 350,000 tonnes per annum of salt slag and black dross within an economic radius. Rail availability may further extend this economic distance
- Plant further north than originally anticipated to increase number of potential customers
- Kentucky Business Investment Program preliminary approval for US \$825,000 performance-based incentive
- Local government pledge of US\$250,000 for infrastructure-related expenses
- Further benefits possible via Tennessee Valley Authority, both from Valley Investment Initiative and possible low interest financing through the Economic Development Funds facility
- Details of site location and incentives confirmed today in ceremony/ media conference with Alreco, Office of the Governor of Kentucky, Mayor of Russellville and the Logan County Judge Executive

MHM Metals Limited (ASX:MHM) confirms the proposed property acquisition for construction of Alreco's first US salt slag and black dross recycling facility including details of government grants and financial incentives.

The brownfields industrial site comprises 115 acres in Russellville, Kentucky and contains a number of existing buildings that is expected to decrease the time and expense of plant construction. The site is zoned correctly for its intended purpose.

After assessing over 30 sites throughout the middle Tennessee and southern Kentucky region, the Russellville site has become the preferred location for plant construction. Factors that contributed to this include:

- Identification of in excess of 350,000 tonnes per annum of salt slag and black dross within an economic radius of the plant site
- The large acreage provides Alreco the opportunity to grow and assimilate planned future technology developments
- Government support and incentives, not only financial but also the pro-business environment in Logan County
- A highly skilled local workforce and availability of workers



**ASX Codes**  
MHM, MHMO

**Issued Capital**  
102.3M Ordinary Shares  
25.4M 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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- Availability of rail, with a high-quality rail operator
- Availability of ample electricity supplies to the property for initial and future requirements

While MHM had initially favoured a site in southern Tennessee close to two large salt slag producers, management made the strategic decision to locate further north. The Russellville location remains an economic distance from these two secondary aluminium companies, but makes the facility less dependent on volumes produced by these two companies by introducing additional salt slag and black dross producers further north. This strengthens MHM's negotiating position for future contracts, with Alreco's facility less reliant on any volume fluctuations from the two large producers on account of a changing business environment. As most US secondary aluminium producers operate on short-term contracts, the supply of salt slag over the long term can fluctuate and as such it is in Alreco's best interests to locate further north to access additional producers to lower supply volume risk over the long term.

The Kentucky Economic Development Finance Authority has preliminarily approved Alreco for tax incentives of up to \$825,000 through the Kentucky Business Investment program. The performance-based incentive allows Alreco to keep a portion of its investment over the term of the agreement through corporate income tax credits and wage assessments by meeting job and investment targets.

The City of Russellville, Logan County and the Logan County Industrial Development Authority have approved a further \$250,000 infrastructure grant to Alreco. These funds will be paid against expenses incurred for development of site infrastructure including a rail spur, electrical transmission, water and gas lines and site preparation works up to the agreed \$250,000 cap.

The details of the incentives were announced earlier today at a ceremony and media conference held by Alreco, the Office of the Governor of Kentucky, the Mayor of Russellville and the Logan County Judge Executive. Simon Wells, executive director of MHM was in attendance and a copy of his speech follows:

Good Afternoon: Governor Beshear, Judge Chick, Mayor Stratton, distinguished guests, ladies and gentlemen. It is a great pleasure to stand here before you today as we mark this significant development for the City of Russellville, Logan County, the Commonwealth of Kentucky and an event also of significance for the US aluminum industry.

The introduction of Alreco's aluminum by-product processing technology will be one of the most important developments for the US aluminum industry for decades. Alreco's new facility, which we plan to commence building in Russellville as soon as possible, will be the first US plant of its kind providing 'closed-loop' processing of aluminum salt slag and black dross, two industry by-products that have traditionally been disposed in landfills.

In short, what this means is that we turn a waste stream into valuable commodities with virtually no waste in our process.

The environmental and economic benefits of Alreco's world-first technology will have a profoundly positive impact. You should expect that a large part of the US aluminum industry will be closely watching Alreco's Russellville operations. This facility will be important to the entire aluminum industry and a jobs generator in the Commonwealth of Kentucky.

In these challenging economic times we must still strive to grow and do things better. Better efficiency, resourcefulness, making more with what we have. This is central to Alreco's approach to business. We have the solution to a long-standing industry problem of disposing salt slag and black dross in landfills. We will stop this waste and instead recover valuable commodities.

This has been the Holy Grail for the aluminum industry for decades. We are not only talking big about achieving this, but can point to our first plant south of Melbourne in Australia that is proving it. Alreco processes 100% of the salt slag produced by Australia's aluminum industry with nothing going to landfill. One of our happy customers in Australia is Alcoa, the world's largest aluminum producer.

We believe we can do the same in the United States and vastly improve industry practice. This is not being coerced by government regulation but being driven by industry initiative.

Alreco's technology separates the salt cake and black dross into its individual components of aluminum metal, aluminum oxide, and a salt and potassium chloride blend. All of these commodities have value and there are no residues or by-products that require disposal. These

products can be used by industry saving resources, reducing energy consumption and improving the sustainability of the aluminum industry.

To date, Alreco has signed three supply contracts with aluminum companies that embrace our technology and share this vision for an end to landfill of salt cake and black dross. There are a number of other companies that are also showing a keen interest with what we're about to do at this site in Russellville.

When all is said and done, I expect this facility will recycle up to 25% of the salt slag and black dross produced in the United States. Alreco may build additional plants in the US in due course, as we aspire to a 100% target market, but this first plant here in Kentucky will be critical - this will be a US first, this will be the first plant in the world after our plant in Australia to prove the technology. This plant will be our showpiece. This facility will set the benchmark, and show the rest of the industry that there is a better way.

The other part of this operation is to not only process waste streams but also to progressively process landfilled salt cake and black dross to recover commodities that were previously disposed in landfills. This will result in more environmental benefits, including substantially improving some sites that are experiencing problems with landfilled material. In Australia, Alcoa has permitted Alreco to reclaim a 350 million lb salt cake landfill. The landfill will be processed over 5 years, and when we're finished the site will be restored to pasture. In the US, Alreco is assessing existing landfills in the region to endeavour to yield similar economic and environmental benefits.

While Alreco brings the technology, the community of Logan County and the Commonwealth of Kentucky are part of this enterprise with their people, skills and support industries that we will greatly rely on. We look forward to a long and fruitful cooperation with the community, and the local and state governing bodies.

As you can no doubt sense, we are very optimistic about what we will achieve at this site. We believe this will be a 'win-win-win'. Alreco will provide aluminum producers access to a technology and processing that will greatly please their regulatory and community stakeholders. The process is environmentally beneficial and cost competitive compared to landfill, and the community also prospers through the creation of direct and indirect jobs and investment. With an anticipated 30 new jobs initially, there is good potential for both scale-up of operations and additional technologies that Alreco's parent company has under development.

Our executive team is based in Australia but will be regular visitors to Russellville. Our VP of Operations, John Pugh will no doubt become known to you all around town as this is where he lives. John is from East Tennessee, so you may have trouble understanding his accent so we apologise for that in advance... For further information please visit our website [www.alrecousa.com](http://www.alrecousa.com). We are extremely pleased with our choice in Russellville, Kentucky and look forward to working with you all.

MHM is working with engineering and environmental consultants to confirm a conservative timeframe for plant construction and commissioning. The details of the analysis will be provided to the market as soon as available. The anticipated processing capacity of the Russellville facility remains 200,000-250,000 tonnes per annum and potentially higher in due course. The company expects to ramp up to capacity over time, with the installed capacity met as additional contracts are signed. MHM has budgeted US\$25 million for construction, and expects to create at least 30 new jobs.

#### **FURTHER INFORMATION:**


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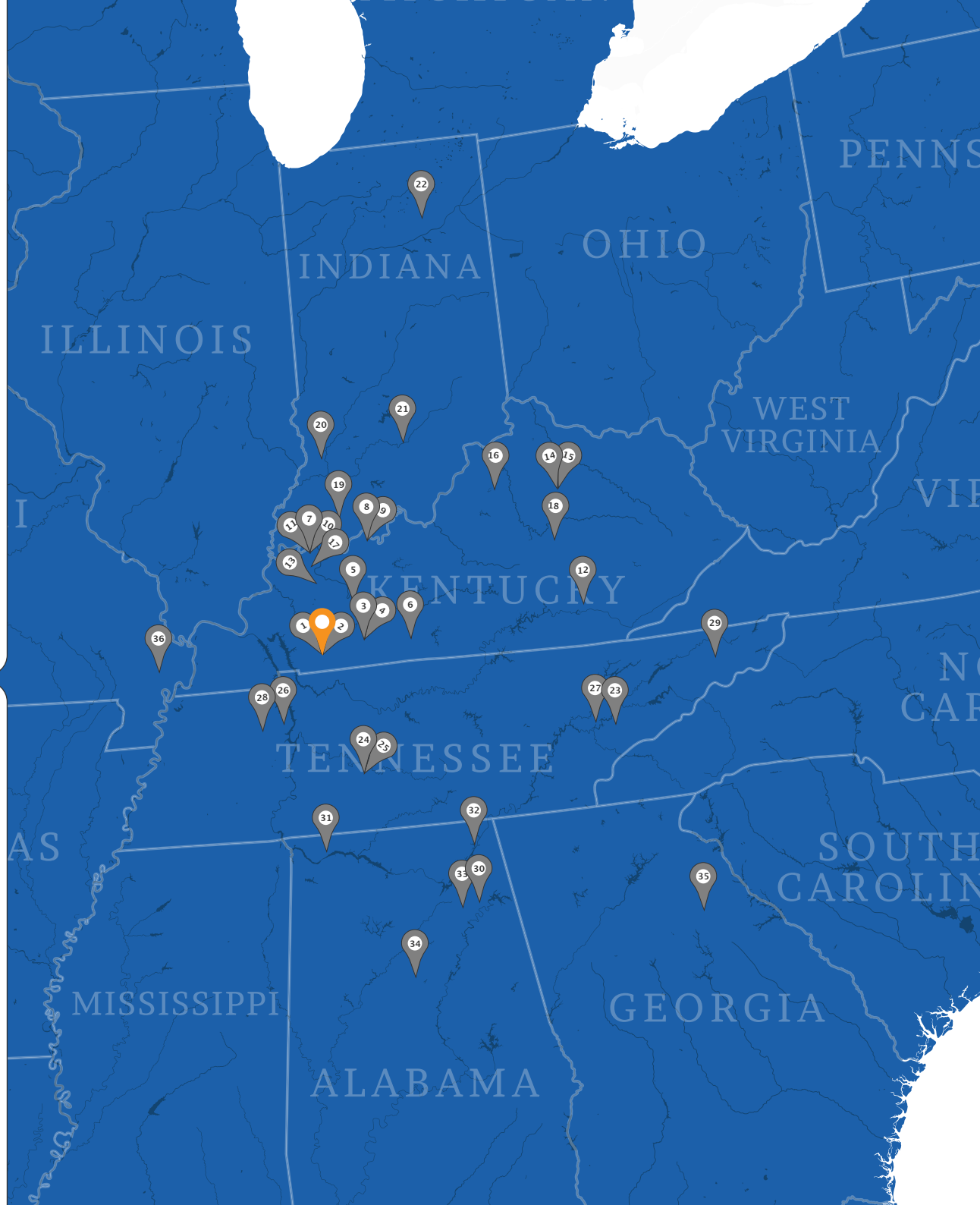
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# Regional Aluminium Producers



'Alreco' Russellville, Kentucky 



- |    |   |    |   |
|----|---|----|---|
| 1  | Logan Aluminum – Russellville, KY               | 19 | Alcoa – Warrick, IN                             |
| 2  | Sensus Precision Die Casting – Russellville, KY | 20 | Scepter – Bicknell, IN                          |
| 3  | Owl's Head Alloys – Bowling Green, KY           | 21 | NewCo – Bedford, IN                             |
| 4  | Trace Die Casting – Bowling Green, KY           | 22 | Aleris – Wabash, IN                             |
| 5  | Aleris – Morgantown, KY                         | 23 | Alcoa – Alcoa, TN                               |
| 6  | JL French – Glasgow, KY                         | 24 | Smelter Service – Mt Pleasant, TN               |
| 7  | Audubon Metals – Henderson, KY                  | 25 | Tennessee Aluminum Processors – Mt Pleasant, TN |
| 8  | Southwire Aluminum – Hawesville, KY             | 26 | Scepter – New Johnsonville, TN                  |
| 9  | Century Aluminum – Hawesville, KY               | 27 | Aleris – Loudon, TN                             |
| 10 | Gibbs Die Casting – Henderson, KY               | 28 | Noranda – Huntingdon, TN                        |
| 11 | Hydro Aluminum – Henderson, KY                  | 29 | Scepter – Greenville, TN                        |
| 12 | Aisin Automotive – London, KY                   | 30 | Tennessee Aluminum Processors – Gadsden, AL     |
| 13 | KY Electro Cycle – Madisonville, KY             | 31 | Wise Alloys – Muscle Shoals, AL                 |
| 14 | Kentucky Smelting – Paris, KY                   | 32 | Aluminum One – Scottsboro, AL                   |
| 15 | CMWA – Paris, KY                                | 33 | Aleris – Steele, AL                             |
| 16 | Ohio Valley Aluminum, Shelbyville, KY           | 34 | Bermco – Birmingham, AL                         |
| 17 | Alcan – Sebree, KY                              | 35 | Novelis – Greensboro, GA                        |
| 18 | Novelis – Berea, KY                             | 36 | Noranda – Sikeston, MO                          |