

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**YOU SHOULD READ THE DOCUMENT IN ITS ENTIRETY. IF YOU ARE IN ANY DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONSULT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER AS SOON AS POSSIBLE**

## **Bidder's Statement**

**ACCEPT** the unconditional (other than in respect of a "prescribed occurrences" condition) cash offer by

**CADMON VENTURES PTY LTD (ACN 617 176 253)**

**to acquire all of your ordinary shares in**

**MHM METALS LIMITED (ACN 124 212 175)**

**Consideration offered is:**

**\$0.0435 for each MHM Share that you own.**

Legal adviser

**STEINPREIS PAGANIN**   
Lawyers & Consultants

## **THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to how to deal with this document, you should consult your Broker or your legal, financial or other professional adviser as soon as possible.

## **IMPORTANT INFORMATION AND NOTICES**

### **Bidder's Statement**

This Bidder's Statement is given by Cadmon Ventures Pty Ltd (ACN 617 176 253) to MHM Metals Limited (ACN 124 212 175) under Part 6.5 of the Corporations Act and relates to the Offer. This Bidder's Statement is dated 23 February 2017 and includes an Offer dated [insert] to acquire Your MHM Shares.

### **Cadmon Ventures Pty Ltd**

The Bidder, Cadmon Ventures Pty Ltd, was incorporated in 2017 for the purpose of investing in emerging companies and small business ventures. The company also incubate and launch start-up initiatives across an array of industries in collaboration with world class researchers, such as the University of Western Australia.

The Bidder is wholly owned by Cadmon Advisory Pty Ltd. For further information on these entities please see Section 2.

### **Australian Securities and Investments Commission**

A copy of this Bidder's Statement was lodged with ASIC and sent to ASX on 23 February 2017. Neither ASIC nor ASX nor any of their officers takes any responsibility for the contents of this Bidder's Statement.

### **Offers outside Australia**

The distribution of this Bidder's Statement may, in some countries, be restricted by law or regulation. Accordingly, persons who come into possession of this Bidder's Statement should inform themselves of, and observe, those restrictions.

The Offer is not being made, directly or indirectly, in or into and will not be capable of acceptance from within any jurisdiction, if to do so would not be in compliance with the laws of that jurisdiction.

### **Forward looking statements**

This Bidder's Statement includes certain forward looking statements and statements of current intention (which include those in Section 5 of this Bidder's Statement). As such statements relate to future matters, they are subject to various inherent risks and uncertainties. These risks and uncertainties include factors and risks specific to the industries in which Bidder and MHM operate, as well as matters such as general economic conditions, many of which are outside of the control of the Bidder or MHM and their respective directors. These factors may cause the actual results, performance or achievements of the Bidder or MHM to differ, perhaps materially, from the results, performance or achievements expressed or implied by those forecasts or forward looking statements. The past performance of the Bidder and MHM is not a guarantee of future performance.

The forward looking statements do not constitute a representation that any such matter will be achieved in the amounts or by the dates indicated and are presented as a guide to assist you in assessing the Offer. The forward looking statements are based on information available to the Bidder at the date of this Bidder's Statement.

### **Investment decisions**

This Bidder's Statement does not take into account your individual investment objectives, financial or taxation situation or particular needs. You should therefore seek your own financial and taxation advice before deciding whether or not to accept the Offer.

### **Information on MHM**

All information in this Bidder's Statement relating to MHM has been prepared by the Bidder using information included in

public documents filed by MHM or published by MHM on its website. None of the information in this Bidder's Statement relating to MHM has been commented on or verified by MHM or independently verified by the Bidder for the purposes of this Bidder's Statement. Accordingly, subject to the Corporations Act, the Bidder does not make any representation or warranty, express or implied, as to the accuracy or completeness of such information. The information on MHM in this Bidder's Statement should not be considered comprehensive. In addition, the Corporations Act requires the directors of MHM to provide a Target's Statement to MHM Shareholders in response to this Bidder's Statement, setting out certain material information concerning MHM.

### **Privacy**

The Bidder has collected your information from the Register for the purposes of making the Offer and, if accepted, administering your holding of MHM Shares. The Corporations Act requires the names and addresses of MHM Shareholders to be held in a public register. Your information may be disclosed on a confidential basis to the Bidder's related bodies corporate and external service providers, and may be required to be disclosed to regulators, such as ASIC. The registered office of the Bidder is c/- Jeffrey Thomas & Partners, Unit 10, 446 Collins Street, Melbourne, Victoria 3000.

### **Defined terms and interpretation**

Unless otherwise noted, capitalised terms and certain abbreviations used in this Bidder's Statement are defined in the Glossary in Section 11. That Section also sets out certain rules of interpretation which apply to this Bidder's Statement.

## KEY DATES

Announcement Date	9 February 2017
Bidder's Statement lodged with ASIC and ASX	23 February 2017
Date of Offer*	[insert]
Offer closes (unless extended or withdrawn in accordance with the Corporations Act)*	7.00pm (AEDT) on [insert]

\* This date is indicative only and may be changed as permitted by the Corporations Act.

## HOW DO I ACCEPT THE OFFER?

You may only accept the Offer for all of Your MHM Shares. Acceptances must be received before the end of the Offer Period.

### **For Issuer Sponsored Holdings of MHM Shares (Securityholder Reference Number beginning with "I")**

To accept the Offer, complete the enclosed Issuer Acceptance Form in accordance with the instructions on it and return it in the enclosed envelope or to an address on the Issuer Acceptance Form so that it is received before 7.00pm (AEDT) on the last day of the Offer Period.

### **For CHESS Holdings of MHM Shares (Holder Identification Number beginning with "X")**

To accept the Offer, either contact your Controlling Participant (usually your Broker) and instruct them to accept the Offer on your behalf, or complete the enclosed CHESS Acceptance Form in accordance with the instructions on it and return it in the enclosed envelope or to an address on the CHESS Acceptance Form.

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Dear MHM Shareholder

### **Superior Off-Market Takeover Bid for MHM by the Bidder**

I am pleased to provide you with this unconditional (other than in respect of a “prescribed occurrences” condition<sup>1</sup>) Offer to acquire all of Your MHM Shares for \$0.0435 cash per MHM Share.

The Bidder considers that the Offer is attractive to MHM Shareholders and is superior to the Existing Offer as it is **almost 9% higher and is otherwise on the same terms**. The Offer Price of \$0.0435 per MHM Share, in cash, represents a premium of:<sup>2</sup>

- 8.75% above the Existing Offer;
- 24.29% to \$0.035, the closing price of MHM Shares on the ASX on 12 July 2016;
- 38.1% to \$0.0315, the 1 month volume weighted average price (**VWAP**) of MHM Shares;
- 35.51% to \$0.0321, the 3 month VWAP of MHM Shares;
- 40.32% to \$0.0310, the 6 month VWAP of MHM Shares; and
- 70.59% to \$0.0255, the 12 month VWAP of MHM Shares.

**The Offer is open for acceptance until 7.00pm (AEDT) on [insert] 2017, unless extended or withdrawn in accordance with the Corporations Act. To accept the Offer, please follow the instructions set out in Section 1.2 and on the enclosed Acceptance Form.**

I encourage you to strongly consider the Offer. As MHM shareholders are aware, MHM is currently suspended from trading as it has no main undertaking. As shown above, the Offer is very financially attractive; additionally, it is an easy way for shareholders to liquidate their investment which they would otherwise be unable to easily do as a result of this suspension.

Should shareholders not accept the Offer, they are likely to be subject to a dilution of their shareholding should MHM find a main undertaking and prior to acquiring this main undertaking, suffer a decline in the value of MHM due to a reduction in MHM’s cash reserves. For further information on the reasons to accept the Offer please see pages 8 and 9 of this Bidder’s Statement and Section 4 for risks in not accepting the Offer.

If you require additional assistance, please contact your Broker or financial advisor.

Yours sincerely

Kuek Jin (Cameron) Low  
Director

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<sup>1</sup> These include MHM splitting or consolidating its shares, MHM or a subsidiary buying-back or reducing its capital, MHM or a subsidiary issuing securities, MHM or a subsidiary disposing of the whole or a substantial part of its business or property, or the occurrence of insolvency events in respect of MHM or a subsidiary. See further the Frequently Asked Questions and Section 10.8 of this Bidder’s Statement.

<sup>2</sup> The premium is based on the last price at which MHM Shares traded on-market on the ASX up to and including 12 July 2016, the last day on which MHM Shares were traded prior to suspension from quotation of MHM Shares.

## Summary of the Offer

This summary provides an overview of the Offer and is qualified by the detailed information contained in this Bidder's Statement. You should read this Bidder's Statement in full before deciding whether or not to accept the Offer.

### **The Bidder**

The Bidder is Cadmon Ventures Pty Ltd.

As at the date of this Bidder's Statement, the Bidder does not have any interest in any MHM Shares.

Section 2 of this Bidder's Statement contains further information on the Bidder.

### **Offer**

The Offer consideration is \$0.0435 cash for every MHM Share acquired by the Bidder pursuant to the Offer. The Bidder is offering to acquire all of Your MHM Shares by way of an off-market takeover bid under Chapter 6 of the Corporations Act.

The Offer relates to all MHM Shares on issue on the Relevant Date which the Bidder does not already own.

### **Conditions to Offer**

Apart from an increased Offer Price, the Offer is subject to the same conditions as the Existing Offer, being that there are no "prescribed occurrences" – these include MHM splitting or consolidating its shares, MHM or a subsidiary buying-back or reducing its capital, MHM or a subsidiary issuing securities, MHM or a subsidiary disposing of the whole or a substantial part of its business or property, or the occurrence of insolvency events in respect of MHM or a subsidiary. See further the Frequently Asked Questions and Section 10.8 of this Bidder's Statement.

### **Offer Period**

The Offer closes at 7.00pm (AEDT) on [insert] 2017, unless it is extended or withdrawn by the Bidder in accordance with the Corporations Act.

### **How to Accept and Payment Date**

To accept the Offer you should follow the instructions set out in Section 1.2 and on the Acceptance Form. Your acceptance must be received before the Offer Period ends.

If you accept the Offer and the Offer becomes unconditional, the Bidder will pay you the consideration under the Offer by the later of:

- (a) 1 month after receipt of your valid acceptance; or
- (b) 1 month after the Offer becomes unconditional,

but in any event (assuming the Offer becomes or is determined unconditional), no later than the date 21 days after the end of the Offer Period.



# Why you should accept the Bidder's Offer

## 1. You will receive an attractive cash price for Your MHM Shares

The Offer is \$0.0435 cash per MHM Share (**Offer Price**) and is for all of the MHM Shares.

MHM shares have been suspended from trading by ASX since 14 July 2016. On 23 December 2016, MHM announced that ASX had confirmed MHM shares would remain suspended from trading until MHM re-complies with Chapters 1 and 2 of the ASX listing rules.

The Offer Price represents a 24.29% premium to \$0.035, the last price at which MHM Shares traded on ASX prior to its suspension on 14 July 2016.

The Offer Price is 11.54% above the twelve month high closing price. In the twelve months prior to the suspension of trading of MHM shares by ASX, the highest closing price was \$0.039 per share on 6 May 2016. MHM shares have not traded above the Offer Price since 12 February 2014.

The Bidder considers that the Offer is attractive to MHM's Shareholders, as it represents a premium of:<sup>3</sup>

- (a) 8.75% to the Existing Offer Price of \$0.04;
- (b) 24.29% to \$0.035, the last closing price of MHM Shares on the ASX prior to its suspension on 14 July 2016;
- (c) 38.1% to \$0.0315, the 1 month VWAP of MHM Shares;
- (d) 35.51% to \$0.0321, the 3 month VWAP of MHM Shares;
- (e) 40.32% to \$0.031, the 6 month VWAP of MHM Shares; and
- (f) 70.59% to \$0.0255, the 12 month VWAP of MHM Shares.

**Figure 1: Offer premium**



<sup>3</sup> The premium is based on the last price at which MHM Shares traded on-market on the ASX up to and including 12 July 2016, the last day on which MHM Shares were traded prior to suspension from quotation of MHM Shares.

## **2. Cash certainty**

The certainty of receiving \$0.0435 cash per MHM Share should be considered against the risks and uncertainties of remaining an MHM Shareholder, including the uncertainty of MHM's ability to re-comply with Chapters 1 and 2 of the ASX Listing Rules and return to normal trading on ASX.

Further, there are risks specific to the process of re-complying with Chapters 1 and 2 of the ASX Listing Rules. These include the fact that:

- (a) MHM shareholders face the prospect of their shareholding being diluted if MHM acquires a new business in its attempts to return to normal trading on ASX; and
- (b) any such new business may not provide the expected returns from that acquisition.

Additionally, should the Offer be rejected, MHM's cash reserves will continue to decrease as a result of its operating costs and the costs involved in looking for alternative investments; this decrease in cash reserves may in turn lead to a reduction in MHM's value.

## **3. The Offer provides certainty of value for all of Your MHM Shares**

The Offer is an offer to acquire all of your MHM Shares for cash.

While MHM Shares remain suspended from trading, there is no readily available market for your shares.

## **4. Liquidity of MHM Shares**

MHM Shares have been suspended from trading by ASX since 14 July 2016. On 23 December 2016, MHM announced that MHM shares would remain suspended from trading until MHM re-complies with Chapters 1 and 2 of the Listing Rules. The Offer allows MHM Shareholders to sell all of their MHM Shares in circumstances where MHM Shares are otherwise illiquid.

While MHM Shares remain suspended from trading, MHM Shareholders have limited or no opportunity to dispose of their MHM Shares.

Further, even if MHM returns to trading on the ASX, in addition to having their shareholdings diluted, MHM shareholders may not be able to liquidate their shares due to a low level of liquidity that existed in MHM shares prior to its suspension; in the 12 month period up to 12 July 2016 (being the date of the last trade), the average daily value of MHM Shares traded on ASX was only \$2,143.

## **5. No brokerage charges in accepting the Bidder's Offer**

In addition to selling Your MHM Shares a premium, you will not incur any brokerage charges on the transfer of Your MHM Shares to the Bidder pursuant to the Offer.

## Frequently asked questions

The table below answers some key questions that you may have about the Offer and should be read in conjunction with the remainder of this Bidder's Statement. You are strongly encouraged to read the entire Bidder's Statement before deciding how to deal with Your MHM Shares.

Question	Answer
<b>What is the Offer?</b>	<p>The Bidder is making an Offer to acquire all of Your MHM Shares. The Offer consideration is \$0.0435 cash per MHM Share.</p> <p>Please note that you may only accept the Offer for all of Your MHM Shares.</p>
<b>How does the Offer compare with the Existing Offer</b>	<p>The Offer values the MHM Shares at a premium of 8.75% to the Existing Offer and is otherwise on the same terms.</p>
<b>What is this Bidder's Statement?</b>	<p>This Bidder's Statement was prepared by the Bidder for distribution to MHM Shareholders. This Bidder's Statement describes the terms of the Bidder's Offer for Your MHM Shares and information relevant to your decision whether or not to accept the Offer.</p> <p>This Bidder's Statement is an important document. Should you have any doubt as to how to deal with this document, you should consult your financial, legal or other professional adviser.</p>
<b>Who is the Bidder?</b>	<p>The Bidder is Cadmon Ventures Pty Ltd.</p> <p>The Bidder was incorporated in 2017 for the purpose of investing in emerging companies and small business ventures. The company also incubate and launch start-up initiatives across an array of industries in collaboration with world class researchers, such as the University of Western Australia.</p> <p>The Bidder is wholly owned by Cadmon Advisory Pty Ltd (<b>Cadmon Advisory</b>). Cadmon Advisory is a corporate advisory firm that specialises in early stage, concept and frontier technology companies through the provision of corporate advisory services and capital.</p> <p>Section 2 of this Bidder's Statement contains further information on the Bidder.</p>
<b>What interest does the Bidder currently have in MHM Shares?</b>	<p>As at the date of this Bidder's Statement, the Bidder does not have an interest in any MHM Shares.</p>
<b>How do I accept the Offer?</b>	<p>To accept the Offer, you should follow the instructions set out in Section 1.2 of this Bidder's Statement and on the Acceptance Form. Your acceptance must be received before the end of the Offer Period.</p>
<b>Are there any conditions to the Offer?</b>	<p>The Offer is subject to the same conditions as the Existing Offer, being only conditional on there being no "prescribed occurrences". "Prescribed occurrences" are certain events which if they occur will give the Bidder the right to not proceed with its Offer. Some of these events include MHM splitting or consolidating its shares, MHM or a subsidiary buying-back or reducing its capital, MHM or a subsidiary issuing securities, MHM or a subsidiary disposing of the whole or a substantial part of its business or</p>

	property, or the occurrence of insolvency events in respect of MHM or a subsidiary. This condition is set out in full in Section 10.8 of this Bidder's Statement.
<b>How long is the Offer open for?</b>	The Offer opens on [insert] 2017 and is scheduled to close at 7.00pm (AEDT) on [insert] 2017 (unless extended or withdrawn in accordance with the Corporations Act).
<b>Do I have to pay any fees?</b>	No brokerage charges or stamp duty will be payable by you on the acceptance of the Offer.
<b>What should I do?</b>	You should: <ul style="list-style-type: none"> <li>(a) read this Bidder's Statement in full;</li> <li>(b) read MHM's Target Statement in full (when issued);</li> <li>(c) consult your Broker, legal, financial or other professional adviser if you are in any doubt as to what action to take or how to accept the Offer; and</li> <li>(d) to accept the Offer, follow the instructions set out in Section 1.2 and the Acceptance Form.</li> </ul>
<b>Can I accept the Offer for less than all of my MHM Shares?</b>	No, you can only accept the Offer for all of Your MHM Shares.
<b>If I accept the Offer, when will I receive consideration for my MHM Shares?</b>	If you accept the Offer and the Offer becomes unconditional, the Bidder will pay you the consideration under the Offer by the later of: <ul style="list-style-type: none"> <li>(a) 1 month after receipt of your valid acceptance; or</li> <li>(b) 1 month after the Offer becomes unconditional,</li> </ul> but in any event (assuming the Offer becomes or is determined unconditional), no later than the date 21 days after the end of the Offer Period.
<b>What happens if I accept the Offer?</b>	Once you accept the Offer in respect of all of Your MHM Shares, you will not be able to sell those MHM Shares or otherwise deal with the Rights attaching to those MHM Shares subject to your limited statutory rights to withdraw your acceptance in certain circumstances.
<b>What happens if I do not accept the Offer?</b>	If you do not accept the Offer you will retain all of Your MHM Shares and will not receive any cash consideration unless Your MHM Shares are compulsorily acquired.  A risk of not accepting the Offer is that whilst the Company remains suspended from trading on the ASX, you will only be able to sell your shares by an off market transfer (a private transaction) which will be more difficult to arrange.
<b>What are the tax implications of accepting the Offer?</b>	A general description of the taxation treatment for certain MHM Shareholders accepting the Offer is set out in Section 8.  The description in Section 8 is a general description only and not advice. It does not take into account your particular circumstance or needs. You should not rely on that description as advice for your own affairs.  You should consult your taxation adviser for detailed taxation advice before making a decision as to whether or not to accept the Offer for Your MHM Shares.

<b>Is there a minimum acceptance condition?</b>	No, there is no minimum acceptance condition. The Offer is only conditional on there being no "prescribed occurrences." This condition is set out in full in Section 10.8 of this Bidder's Statement.
<b>When does the Offer become unconditional?</b>	The Offer becomes unconditional when the Bidder gives a notice to MHM declaring the Offer to be free of the condition. This notice will also be given to ASX.

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## 1. OVERVIEW OF THE OFFER

### 1.1 Offer terms – off-market takeover bid

The Bidder makes an off-market takeover bid to purchase Your MHM Shares for \$0.0435 per MHM Share on the terms of the Offer set out in Section 10 of this Bidder's Statement. The Offer relates to MHM Shares that exist as at the Relevant Date.

#### Offer Period

The Offer is scheduled to close at 7.00pm (AEDT) on [insert] 2017 (but it may be extended or withdrawn in accordance with the Corporations Act).

#### Payment date

If you accept the Offer and the Offer becomes unconditional, the Bidder will pay you the consideration under the Offer by the later of:

- (a) 1 month after receipt of your valid acceptance; or
- (b) 1 month after the Offer becomes unconditional,

but in any event (assuming the Offer becomes or is determined unconditional), no later than the date 21 days after the end of the Offer Period.

#### Conditions

The Offer and the contracts resulting from the acceptance of the Offer (and each other Offer and each contract resulting from the acceptance therefore) are subject to a "prescribed occurrences" condition only. This condition is set out in full in Section 10.8 of this Bidder's Statement.

### 1.2 How to accept the Offer

The Offer may only be accepted for all of Your MHM Shares.

How you accept the Offer depends on whether Your MHM Shares are in an Issuer Sponsored Holding or a CHESS Holding. You will have been sent an Acceptance Form with this Bidder's Statement (an Issuer Acceptance Form or a CHESS Acceptance Form), which will be the Acceptance Form to be used in relation to Your MHM Shares:

- (a) **If you hold Your MHM Shares in an Issuer Sponsored Holding (your SRN starts with an "I")**, to accept the Offer you must complete, sign and return the enclosed Issuer Acceptance Form in accordance with the instructions on it to the address indicated on the form before the end of the Offer Period.
- (b) **If you hold Your MHM Shares in a CHESS Holding (your HIN starts with an "X")**, to accept the Offer you must either:
  - (i) instruct your Controlling Participant (for example, your Broker) to initiate acceptance of the Offer before the end of the Offer Period; or
  - (ii) complete the accompanying CHESS Acceptance Form and send the completed CHESS Acceptance Form (together with all

other documents required by the instructions on the form) directly to your Broker or other Controlling Participant in sufficient time for the Offer to be accepted before the end of the Offer Period with instructions to initiate acceptance of the Offer on your behalf before the end of the Offer Period; or

(iii) complete, sign and return the CHES Acceptance Form in accordance with the instructions on it and lodge it by returning it to the address indicated on the form so that your acceptance is received by the Bidder in time to give instructions to your Controlling Participant, and for your Controlling Participant to carry out those instructions, before the end of the Offer Period. This will authorise the Bidder to instruct your Broker or other Controlling Participant to initiate acceptance of the Offer on your behalf.

(c) **If you are a Controlling Participant** (usually a Broker or a bank, custodian or other nominee), to accept the Offer you must initiate acceptance in accordance with the requirements of ASX Settlement Operating Rules before the end of the Offer Period.

The transmission of the Acceptance Form and other documents is at your own risk. For full details see Section 10.4 of this Bidder's Statement.

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## **2. INFORMATION ON THE BIDDER**

### **2.1 Overview of the Bidder**

The Bidder was incorporated in 2017 for the purpose of investing in emerging companies and small business ventures. The company also incubate and launch start-up initiatives across an array of industries in collaboration with world class researchers, such as the University of Western Australia.

The Bidder is wholly owned by Cadmon Advisory Pty Ltd (**Cadmon Advisory**).

### **2.2 Shareholders in the Bidder**

The Bidder is a fully owned subsidiary of Cadmon Advisory Pty Ltd. Cadmon Advisory is a corporate advisory firm that specialises in early stage, concept and frontier technology companies through the provision of corporate advisory services and capital.

Mr Cameron Low is the sole shareholder of Cadmon Advisory.

### **2.3 Directors**

As at the date of this Bidder's Statement, Mr Cameron Low is the sole director of the Bidder and of Cadmon Advisory.

Before starting Cadmon, Mr Low spent years working at companies such as Acorn Capital, UniSuper and Deloitte in the areas of funds management, equity and quantitative research and financial modelling. Cameron holds a Bachelors in Commerce/Science and Masters in Applied Finance both from Monash University.

### **2.4 Directors' Interests in MHM**

Neither Mr Low nor Cadmon Advisory have an interest in MHM Shares.



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### 3. INFORMATION ON MHM

#### 3.1 Overview of MHM

As announced on 21 and 23 December 2016, MHM has disposed of its main undertaking, and as a result has been suspended from trading by ASX. ASX has advised that MHM will remain suspended from trading until it re-complies with Chapters 1 and 2 of ASX Listing Rules.

In order to re-comply with Chapters 1 and 2 of ASX Listing Rules, MHM will need to find a new main undertaking, have this approved by MHM shareholders and comply with other ASX requirements; such an acquisition is likely to dilute existing shareholders.

In its quarterly activities report for the period ending 31 December 2016, MHM noted that it will continue to advance a number of potential opportunities it has identified however it is yet to identify a new opportunity which it believes will satisfy the requirements of Chapters 1 and 2 of ASX Listing Rules; as such the timing (and cost) for such an acquisition is uncertain and in the meantime the cash reserves of MHM may continue to be depleted.

Please refer to MHM's announcements on the ASX and the Target's Statement (to be lodged by MHM) for further information.

#### 3.2 MHM Directors

As at the date of this Bidder's Statement, the MHM Directors are:

- Mr Faldi Ismail (Non-Executive Chairman);
- Mr Brynmor Hardcastle (Non-Executive Director); and
- Mr Nicholas Young (Non-Executive Director).

#### 3.3 Substantial holders

As at the date of this Bidder's Statement, substantial shareholder notices received by MHM and released to the market through ASX disclose the following substantial shareholders:

Name	Number of Shares	Percentage of issued capital
Invia Custodian Pty Limited <NJ Family A/C Share A/C>	14,592,325	10.71%
Brazil Farming Pty Ltd	11,011,717	8.08%
Mr Paul Kopejtka & Mrs Karen Kopejtka <Kopetjka Family A/C>	9,651,011	7.08%
Guacamaya Holdings Inc	9,411,688	6.91%

### 3.4 ASX announcements and ASIC disclosure

MHM is a disclosing entity for the purposes of section 111AC(1) of the Corporations Act and as such, is subject to regular reporting and disclosure obligations. Broadly, these obligations require MHM to:

- (a) prepare and lodge with ASIC both yearly and half-yearly financial statements accompanied by a directors' statement and report and an audit or review report; and
- (b) immediately notify the ASX of any information concerning MHM of which it is, or becomes, aware and which a reasonable person would expect to have a material effect on the price or value of securities in MHM, subject to certain limited exceptions related mainly to confidential information.

Copies of documents lodged at ASIC in relation to MHM may be obtained from or inspected at an office of ASIC. Copies of documents lodged with the ASX in relation to the Company may be obtained from, or inspected at, an office of the ASX.

Since announcing its annual report for the year ended 30 June 2016, MHM has issued the following announcements to the ASX:

Date	Announcement
22/02/2017	Change in substantial holding from MVT
16/02/2017	Chairman's Letter to Shareholders
14/02/2017	MVT: Replacement Bidder's Statement - MHM
09/02/2017	Receipt of intention to make Off-market Takeover Offer
31/01/2017	December 2016 Quarterly Activities & Cashflow Reports
31/01/2017	MVT: Supplementary and Replacement Bidder's Statements - MHM
17/01/2017	MVT: Supplementary Bidder's Statement
16/01/2017	Results of Annual General Meeting
12/01/2017	Sale of Executive 73 Vessel
11/01/2017	Receipt of Bidder's Statement
11/01/2017	MVT: Bidder's Statement
30/12/2016	Addendum to Notice of Annual General Meeting
23/12/2016	Alreco Update - Sale of Moolap Property
21/12/2016	Final Director's Interest Notices x3
21/12/2016	Initial Director's Interest Notices x3

21/12/2016	Shareholder Update and Board Changes
16/12/2016	Response to Proposed Takeover by Mercantile Investment Co
16/12/2016	2016 Notice of Annual General Meeting/Proxy Form
16/12/2016	AGM Update
15/12/2016	Response to Announcement by Mercantile Investment Company
15/12/2016	MVT: Intention to Make Takeover Bid - MHM Update
15/12/2016	Becoming a substantial holder
15/12/2016	Change of Director's Interest Notice
15/12/2016	MVT: Intention to Make Takeover Bid - MHM
12/12/2016	Mutual Termination of Proposed Merger with AMC
07/12/2016	Initial Director's Interest Notice
07/12/2016	Appointment of Director
02/12/2016	Final Director's Interest Notice
02/12/2016	Final Director's Interest Notice
02/12/2016	Initial Director's Interest Notice
02/12/2016	Board Changes and AGM Update
25/11/2016	Change to Annual General Meeting Date
15/11/2016	Clarification to ASX Announcement
15/11/2016	Proposed merger with Alliance Mining Commodities Limited
31/10/2016	September 2016 Quarterly Activities & Cashflow Reports
28/10/2016	Sale of Executive 73 Vessel Update
27/10/2016	Notice of Annual General Meeting/Proxy Form
21/10/2016	Alreco Update
12/10/2016	Alreco Update
30/09/2016	Appendix 4G and Corporate Governance Statement

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#### **4. RISK FACTORS WITH NOT ACCEPTING THE OFFER**

Shareholders that do not accept the Offer will be subject to various risks associated with holding Shares in MHM. These risks include those set out below.

##### **4.1 Inability to trade MHM Shares on ASX**

As MHM's shares are currently suspended from trading on the ASX, the only way that a MHM Shareholder can trade their shares is by an off-market trade. Such a trade would be by way of private treaty which would involve the shareholder finding a willing purchaser of their MHM shares and negotiating an appropriate price.

##### **4.2 Acquisition of a main undertaking**

As mentioned previously in the Bidder's Statement, the ASX has stated that MHM's Shares will not be reinstated to trading until it acquires a main undertaking and recompiles with Chapters 1 and 2 of the Listing Rules; the Bidder is unaware of how long and how much it will cost MHM to satisfy these requirements.

Further, should MHM re-comply with the Chapters 1 and 2 of the Listing Rules, in addition to having their shareholding diluted the new acquisition may not align with the investment goals of MHM Shareholders.

##### **4.3 Exposure to risks of being a MHM Shareholder**

MHM Shareholders are currently exposed to various risks in holding MHM Shares. These relate to general market conditions such as inflation, interest rates, exchange rate changes and consumer volatility.

MHM Shareholders will continue to be exposed to these (and other) risks should they not accept the offer and choose to remain MHM Shareholders.

##### **4.4 Potential Reduced Liquidity**

As mentioned on page 9, the liquidity of MHM Shares was low before MHM's Shares were suspended from trading; if MHM's Shares are able to be traded on the ASX, the liquidity for these shares may be further reduced should the Bidder have a large holding.

The size of this holding may also deter other potential bidders to launch takeover bids as it could be seen as a "blocking stake".

##### **4.5 Effect on control of MHM**

Should the Bidder obtain control of MHM, if you remain a MHM Shareholder you will be subject to any decision made by the Bidder in relation to the affairs of MHM. Such decisions may not align with the investment goals of MHM Shareholders and at this stage trading in MHM's Shares may have a low level of liquidity.

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## 5. THE BIDDER'S INTENTIONS

### 5.1 Overview

This Section sets out the Bidder's intentions in relation to the following:

- (a) the continuation of the business of MHM;
- (b) any major changes to be made to the business of MHM, including any redeployment of any fixed assets of MHM;
- (c) changes to the MHM Board; and
- (d) the future employment of the present employees of MHM.

These intentions are based on the information concerning MHM, its business and the general business environment which is known to the Bidder at the time of preparation of this Bidder's Statement, which is based on publicly available information. Final decisions will only be reached by the Bidder in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this clause are statements of current intention only and accordingly may vary as new information becomes available or circumstances change.

The Bidder has not had access to the MHM business, its records, management or other internal MHM resources. The limited information about MHM available to the Bidder means that the Bidder does not currently have knowledge of all material information, facts and circumstances that may be necessary to assess the operational, commercial, taxation and financial implications of its current intentions.

Accordingly,

- (a) to the extent possible the Bidder intends to undertake a detailed, strategic review of MHM's activities, assets and liabilities which will guide what the Bidder will do in relation to points 5.1(a) to 5.1(d) above; and
- (b) statements set out in this Section are statements of current intention only and may vary as new information becomes available or circumstances change as a result of this strategic review or otherwise. Final decisions will only be reached in light of all material facts and circumstances. The statements in this Section should be read in this context.

Until this review is complete, the Bidder is unlikely to make any decisions on the future direction of MHM, including any main undertaking to be acquired or whether to make a decision on whether to retain or dispose of assets held by MHM.

### 5.2 Limitations on intentions

The extent to which the Bidder will be able to implement its intentions in relation to MHM will be subject to:

- the outcome of the Offer and the size of the Bidder's shareholding at that time;
- the Corporations Act and the Listing Rules;

- the legal obligations of the directors and officers of MHM, including to act honestly, for proper purposes and in the best interests of MHM Shareholders; and
- the results of any strategic review that is undertaken by the Bidder.

### 5.3 If the Bidder acquires between 50.1% but less than 90% of MHM Shares

The Bidder's intention is to obtain control of MHM as a result of the Offer.

This Section sets out the current intentions of the Bidder if the Bidder acquires a relevant interest in 50.1% or more, but less than 90%, of MHM Shares.

#### (a) Continuation of business and review of operations and assets

##### (i) ASX listing

The Bidder may seek to procure the removal of MHM from the Official List of ASX, which will depend on whether the Bidder secures control of MHM, as well as the spread and volume of MHM Shareholders remaining at the conclusion of the Offer. If the Bidder applies to have MHM removed from the Official List of ASX, the Bidder expects that a final decision as to its removal will ultimately be made by ASX in accordance with published ASX guidance on this point. ASX has stated in published guidance that it is generally acceptable for an entity to be removed from the Official List of ASX if, as a result of a takeover, the entity only has a small number of remaining security holders so its continued listing can no longer be justified.

Whilst ASX does not prescribe a minimum shareholding that the bidder must have, or a maximum number of remaining shareholders, before it will allow a delisting to occur, the ASX's published guidance states that it will likely require shareholder approval for the proposed delisting unless (most relevantly):

- the bidder and its related bodies corporate own or control at least 75% of the entity's ordinary securities; and
- excluding the bidder and its related bodies corporate, the number of holders of ordinary securities having holdings with a value of at least \$500 is fewer than 150.

##### (ii) Further acquisition or disposal of MHM Shares by the Bidder

The Bidder may, at some later time, acquire further MHM Shares in any manner permitted by the Corporations Act, including by making creeping acquisitions (as permitted under section 611, item 9 of the Corporations Act), or it may divest of some or all of its shareholding. In particular if the Bidder does not obtain a relevant interest in 90% or more of the MHM Shares under the Offer, it may determine that its holding of MHM Shares is not a long term investment and accordingly may seek to explore options in relation to its holding including a divestment of some or all of its MHM Shares. Any decisions in relation to these matters will have regard to all relevant considerations at that time.

(iii) **Compulsory acquisition at a later time**

If the Bidder becomes entitled at some later time to exercise any compulsory acquisition rights under the Corporations Act, it may exercise those rights.

(b) **Board composition**

Subject to the Corporations Act and the Listing Rules, the Bidder will look to replace the existing MHM board with its own nominees.

(c) **Employees**

The Bidder is not aware of any persons currently employed by MHM. However, if this is incorrect it will consider its position in relation to these following the results of the strategic review.

#### **5.4 If the Bidder acquires 90% or more of MHM Shares**

This Section sets out the current intentions of the Bidder if the Bidder acquires a relevant interest in 90% or more of MHM Shares.

(a) **Continuation of business and review of operations and assets**

The Bidder intends to implement those intentions set out in Section 5.3 to the fullest extent possible.

(b) **Compulsory acquisition**

If it becomes entitled to do so under the Corporations Act, the Bidder intends to give notices to compulsorily acquire any outstanding MHM Shares in accordance with section 661B of the Corporations Act.

If it is required to do so under sections 662A and 663A of the Corporations Act, the Bidder intends to give notices to Shareholders offering to acquire their MHM Shares, in accordance with sections 662B and 663C of the Corporations Act.

(c) **ASX listing**

The Bidder may also seek to procure the removal of MHM from the Official List of ASX as described in Section 5.3(a)(i) above.

#### **5.5 If the Bidder acquires less than 50.1% of MHM Shares**

This Section sets out the current intentions of the Bidder if the Bidder acquires a relevant interest in less than 50.1% of MHM Shares.

If the Bidder acquires less than 50.1% of all MHM Shares by way of this Offer, it intends to seek representation on the MHM Board commensurate to its shareholding with a view to gaining a more detailed understanding of the corporate structure, strategies, governance, assets, businesses, personnel and operations of MHM.

The Bidder intends to reassess its position with respect to MHM in light of the outcome of the Offer and the Bidder's position at that time, which may include seeking the implementation of certain of its intentions as outlined in Section 5.3 of this Bidder's Statement, including acquiring further MHM Shares in any manner

permitted by the Corporations Act, including by making creeping acquisitions (as permitted under section 611, item 9 of the Corporations Act), or divesting some or all of its shareholding. Any such implementation of the Bidder's intentions would be subject to the Corporations Act and may rely on the cooperation of other MHM Shareholders or MHM Directors who have not been appointed by the Bidder (which is uncertain).

## **5.6 Other intentions**

Other than as set out in this Section, it is the present intention of the Bidder to undertake a strategic review of MHM and subject to the results of this review, to continue to divest any assets that it feels to be surplus to what it sees as the future direction of the Company.

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## **6. INFORMATION ON MHM SECURITIES**

### **6.1 Capital structure of MHM**

The Bidder understands that the total number of securities in MHM as at the date of this Bidder's Statement is as follows:

- (a) 136,228,616 ordinary MHM Shares; and
- (b) Options:
  - (i) 100,000 with an exercise price of \$0.45 and expiring on 13 November 2017; and
  - (ii) 500,000 with an exercise price of \$1.00 and expiring on 18 July 2017.

### **6.2 Details of relevant interests in MHM securities and voting power**

As at the date of this Bidder's Statement, the Bidder has no relevant interest or voting power in MHM.

### **6.3 Consideration provided for MHM securities during previous four months**

Neither the Bidder nor its Associates have acquired any MHM Shares or MHM Options during the period of four months ending on the day immediately before the date of this Bidder's Statement.

Neither the Bidder nor its Associates have disposed of any MHM Shares or MHM Options during the period of four months ending on the day immediately before the date of this Bidder's Statement.

### **6.4 Inducing benefits given during the previous four months**

Other than as set out in Section 6.3 above, neither the Bidder nor any of its Associates has, during the period of four months ending on the day immediately before the date of the Offer, given, offered or agreed to give, a benefit to another person where the benefit was likely to induce the other person, or an Associate, to:

- (a) accept the Offer; or
- (b) dispose of MHM Shares,



which benefit was not offered to all MHM Shareholders under the Offer.

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## 7. FUNDING

### 7.1 Maximum Cash Consideration

The consideration for the acquisition of the MHM Shares to which the Offer relates will be satisfied by the payment by the Bidder of cash (in Australian dollars). The maximum cash amount which may be required by the Bidder to settle acceptances under the Offer is \$5,925,945 (**Maximum Cash Consideration**). The Maximum Cash Consideration is calculated on the basis of acceptances in respect of 136,228,616 MHM Shares.

### 7.2 The Bidder's internal funding arrangements

The Bidder has received an unconditional underwriting confirmation from a Hong Kong based funds manager which guarantees payment of the Maximum Cash Consideration (**Agreement**).

Under the terms of this Agreement, the funder agrees to unconditionally underwrite the Maximum Cash Consideration on a confidential basis. The underwriting has no conditions and no underwriting fee is payable for the underwriting.

The funder does not hold any shares in MHM.

For the purposes of this Bidder's Statement the Bidder has obtained from Jeffrey Thomas & Partners (**JTP**) a certificate confirming that JTP is satisfied that the underwriter has sufficient financial capacity and liquid funds and is able to satisfy its commitments under the Agreement so that the Bidder is able to pay the Maximum Cash Consideration (if required to do so).

### 7.3 Payment of cash consideration

Having regard to the matters set out above, the Bidder is of the opinion that it has a reasonable basis for forming, and it holds, the view that it will be able to pay the Maximum Cash Consideration required for the acquisition of MHM Shares pursuant to the Offer.

The Offer is not subject to any financing conditions.

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## 8. AUSTRALIAN TAX CONSIDERATIONS

### 8.1 Introduction

The following is a general description of the principal Australian tax consequences for the registered holders of MHM Shares upon the disposal of their shareholding to the Bidder pursuant to this Offer.

The following description is intended as a general guide to the Australian tax considerations and is based upon the law in effect at the date of this Bidder's Statement. It is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of every registered holder of MHM Shares, and is not intended to be advice and should not be relied on as such. In particular, the registered holders of MHM Shares should be aware that the levels and bases of taxation can change and that where reference is made to tax concessions, this is to tax concessions as currently applying. It is recommended that registered holders seek independent professional advice in relation to their

own particular circumstances and should not rely upon the comments contained in this general description.

Any persons who may be subject to tax in any jurisdiction outside Australia should obtain independent professional advice on their particular circumstances.

The Australian tax implications outlined below are relevant to registered holders who hold their MHM Shares as capital assets for the purposes of investment and who do not hold their MHM Shares as trading stock, as part of a profit-making undertaking or scheme, under an arrangement which qualifies as an employee share or rights plan for Australian tax purposes, or otherwise on revenue account. This Section in particular does not address the tax considerations applicable to persons holding options, or registered holders that may be subject to special rules, such as banks, insurance companies, tax exempt organisations, trusts, superannuation funds, dealers in securities or registered holders who change their tax residence while holding MHM Shares. It also does not consider the Australian tax considerations for registered shareholders who are non-residents for Australian tax purposes or who hold their MHM Shares as an asset of a permanent establishment in Australia.

## **8.2 Capital gains tax (CGT) implications CGT event**

For CGT purposes, a 'CGT event' will occur when you dispose of Your MHM Shares to the Bidder. Generally, your disposal should be taken to occur on the date that the Offer contract to dispose of Your MHM Shares is formed. However, if you do not accept the Offer and Your MHM Shares are compulsorily acquired, your disposal should take place on the date that the Bidder becomes the owner of Your MHM Shares.

### **Determining your capital gain or loss**

Broadly, any capital gain or loss from the CGT event will be determined by comparing the total consideration that you receive for Your MHM Shares with the CGT cost base (in the case of a capital gain) or reduced cost base (in the case of a capital loss) of Your MHM Shares.

The cost base or reduced cost base of Your MHM Shares should broadly equal the money you paid or were required to pay to acquire Your MHM Shares plus any non-deductible incidental costs incurred in acquiring and disposing of the MHM Shares (for example, brokerage) less any capital returns received during the duration of holding Your MHM Shares.

You will make a capital gain from the disposal of Your MHM Shares to the Bidder to the extent that the consideration that you received for Your MHM Shares exceeds the cost base of Your MHM Shares.

Conversely, you will make a capital loss to the extent that the reduced cost base of Your MHM Shares exceeds the consideration that you received for Your MHM Shares.

The tax treatment of your capital gain or capital loss arising from the disposal of Your MHM Shares depends on whether or not you are an Australian resident for taxation purposes and whether you hold Your MHM Shares as an individual, trustee of a trust, complying superannuation fund or company.

#### **(a) Australian residents**

You may be entitled to the CGT discount if:

- (i) you are an Australian resident individual, trust or complying superannuation fund;
- (ii) you have held Your MHM Shares for at least 12 months (excluding the days of acquisition and disposal); and
- (iii) you make a capital gain from the disposal of Your MHM Shares.

The CGT discount may result in your capital gain being reduced by the 'discount percentage', being:

- (i) 50%, if you are an individual or a trust; or
- (ii) 33⅓%, if you are a complying superannuation fund.

No CGT discount is available for companies.

If you make a capital gain from the disposal of Your MHM Shares, that capital gain will be combined with any other capital gains that you have made for the income year. Any available capital losses will then be applied against the total of the capital gains (before applying any CGT discount) that you have made in the current income year. Any remaining discount capital gains are then reduced by your discount percentage. Any resulting net capital gain will be included in your assessable income for the income year.

If you make a capital loss from the disposal of Your MHM Shares, that capital loss may only be offset against your assessable capital gains (before taking into account the CGT discount, if applicable) for the current income year. Any excess capital losses will be carried forward and may be applied against your future assessable capital gains (before taking into account the CGT discount, if applicable) if any relevant loss carry forward requirements are met.

(b) **Non-Australian residents**

The disposal of Your MHM Shares may be subject to Australian CGT if:

- (i) you and your Associates held 10% or more of the shares in MHM:
  - (A) at the time of disposal; or
  - (B) throughout a 12 month period that began no earlier than 24 months before the date of disposal; and
- (ii) the market value of MHM's assets that are 'taxable Australian real property' (generally, real property in Australia, or mining, quarrying or prospecting rights, where the minerals, petroleum or quarry materials are in Australia) is greater than the market value of MHM's assets that are not taxable Australian real property.

If you are a non-Australian tax resident, it is recommended that you obtain your own independent professional advice as to the Australian tax consequences arising from the disposal of Your MHM Shares.

### **8.3 Australian stamp duty and the goods and services tax (GST)**

No Australian stamp duty or GST is payable by you on the sale of Your MHM Shares to the Bidder pursuant to the Offer.

You may be charged GST on incidental costs (for example, advisory fees) incurred in acquiring and disposing of Your MHM Shares. You may be entitled to input tax credits or reduced input tax credits for such costs, but should seek independent professional advice in relation to your own particular circumstances.

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## **9. ADDITIONAL INFORMATION**

### **9.1 Offer condition**

The condition of the Offer is set out in Section 10.8 of this Bidder's Statement.

### **9.2 ASIC modifications**

ASIC has published various "Class Order" instruments providing for modifications and exemptions that generally apply to all persons including the Bidder, in relation to the operation of Chapter 6 of the Corporations Act.

Amongst others, the Bidder has relied on the modification to section 636(3) of the Corporations Act set out in paragraph 5(d) of ASIC Class Order 13/521 "Takeover Bids" to include references to certain statements which are made or based on statements made in documents lodged with ASIC or ASX. Pursuant to Class Order 13/521, the consent of the relevant person is not required for the inclusion of such statements in this Bidder's Statement. As required by Class Order 13/521, the Bidder will make available a copy of these documents (or of relevant extracts from these documents), free of charge, to you and other MHM Shareholders who request it during the Offer Period.

In addition, as permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Bidder's Statement may include or be accompanied by certain statements:

- (a) fairly representing a statement by an official person; or
- (b) is a correct and fair copy of, or extract from, a public official document or a published book, journal or comparable publication.

### **9.3 Persons to whom Offer is sent**

For the purposes of section 633(2) of the Corporations Act, the date for determining the persons to whom information is to be sent in items 6 and 12 of section 633(1) of the Corporations Act is the Relevant Date (being 7.00pm AEDT on 24 February 2017).

### **9.4 No Broker commissions**

The Bidder will not pay any broker commissions to Brokers who solicit acceptances of the Offer from their clients.

### **9.5 No escalation agreements**

Neither the Bidder nor any Associate of the Bidder has entered into any escalation agreement in respect of MHM Shares that is prohibited by section 622 of the Corporations Act.

## 9.6 Consents

This Bidder's Statement contains statements made by, or statements based on, statements made by the Bidder, Steinepreis Paganin, Jeffrey Thomas & Partners and the Share Register. Each of these parties has given and has not, before lodgement of this Bidder's Statement with ASIC, withdrawn their consent to the inclusion of:

- (a) references to its name;
- (b) each statement it has made; and
- (c) each statement which is based on a statement it has made,

in this Bidder's Statement in the form and context in which those statements appear and to the maximum extent permitted by law expressly disclaims and takes no responsibility for any part of this Bidder's Statement other than any statement which has been included in this Bidder's Statement with the consent of that party.

Each person who is named in this Bidder's Statement as acting in a professional capacity for the Bidder in relation to the Offer (including, without limitation, Bidder, Steinepreis Paganin, Jeffrey Thomas & Partners and the Share Register) has given and has not, before lodgement of this Bidder's Statement with ASIC, withdrawn their consent to the inclusion of references to its name in this Bidder's Statement in the form and context in which they are named, and:

- (a) has not authorised or caused the issue of the Bidder's Statement;
- (b) does not make, or purport to make, any statement in this Bidder's Statement or any statement on which a statement in this Bidder's Statement is based; and
- (c) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Bidder's Statement, other than a reference to its name.

In addition, this Bidder's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or on the company announcement platform of ASX by MHM and others. Under the terms of ASIC Class Order 13/521, the parties making those statements are not required to consent to, and have not consented to, the inclusion of those statements in this Bidder's Statement. This information may also be obtained from MHM's website at [www.mhmmetals.com](http://www.mhmmetals.com).

## 9.7 No other material information

There is no other information that:

- (a) is material to the making of the decision by a holder of MHM Shares whether or not to accept the Offer; and
- (b) which is known to the Bidder,

other than:

- (c) as set out or referred to elsewhere in this Bidder's Statement; or

- (d) information which it would be unreasonable to require the Bidder to disclose because the information has previously been disclosed to holders of MHM Shares.

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## 10. THE OFFER

### 10.1 Offer

- (a) The Bidder offers to acquire from you on the terms and conditions of this Offer all of Your MHM Shares together with all Rights attaching to those MHM Shares. Rights do not include any franking credits attached to any dividend.
- (b) Offers on terms and conditions identical to those contained in this Offer have been dispatched or will be dispatched to all holders of MHM Shares registered as such in the Register on the Relevant Date.
- (c) This Offer is dated [insert] 2017.

### 10.2 Consideration for the Offer

Subject to the terms of this Offer, the consideration offered by the Bidder for the acquisition of each of Your MHM Shares to which this Offer relates is \$0.0435 cash for each MHM Share.

### 10.3 Offer Period

- (a) Unless the Offer Period is extended or the Offer is withdrawn, in either case in accordance with the requirements of the Corporations Act, this Offer will remain open for acceptance by you during the period commencing on the date of this Offer and ending at 7:00pm AEDT on [insert] 2017 (**Offer Period**).
- (b) Subject to the Corporations Act as modified by ASIC Class Order 13/521, the Bidder may extend the Offer Period.
- (c) If, within the last seven days of the Offer Period:
  - (i) the Bidder's voting power in MHM increases to more than 50%; or
  - (ii) this Offer is varied to improve the consideration offered,

then the Offer Period will be mandatorily extended in accordance with section 624(2) of the Corporations Act so that it ends 14 days after the relevant event.

### 10.4 Who may accept

- (a) An offer in the form of this Offer is being made to:
  - (i) each holder of MHM Shares registered in the register of members of MHM on the Relevant Date; and
  - (ii) each other holder of MHM Shares who become so registered before the end of the Offer Period.
- (b) If at the time this Offer is made to you another person is, or at any time during the Offer Period and before this Offer is accepted becomes,

the holder of any of your MHM Shares (**transferred Shares**), the Bidder is deemed, in place of this Offer, to have made at that time a corresponding Offer on the same terms and conditions:

- (i) to the other person, relating to the transferred Shares; and
  - (ii) to you, relating to your MHM Shares other than the transferred Shares (if any).
- (c) If at any time during the Offer Period and before this Offer is accepted, you hold your MHM Shares in two or more distinct portions (for example, you hold some as trustee, nominee or otherwise on account of another person) within the meaning of section 653B of the Corporations Act:
- (i) this Offer is deemed to consist of a separate corresponding Offer to you in relation to each distinct portion of your MHM Shares;
  - (ii) to accept any of those corresponding Offers, you must specify:
    - (A) by written notice accompanying your Acceptance Form; or
    - (B) if the notice relates to MHM Shares in a CHESS Holding, in an electronic form approved by the ASX Settlement Operating Rules,that your MHM Shares consist of distinct portions and the number of the MHM Shares to which the acceptance relates; and
  - (iii) otherwise, section 653B of the Corporations Act applies to this Offer in respect of your MHM Shares and any acceptance of this Offer by you.

## **10.5 How to accept this Offer**

- (a) You may accept this Offer only in respect of all of your MHM Shares.
- (b) You may only accept this Offer during the Offer Period.
- (c) If your MHM Shares are held in a CHESS Holding, you can only accept this Offer in accordance with the ASX Settlement Operating Rules.
- (d) To accept this Offer, you should proceed as follows:
  - (i) you may complete and sign the Acceptance Form in accordance with the instructions on the Acceptance Form and the Bidder's Statement and return it, so that the envelope in which they are sent is received by the Bidder in accordance with the Acceptance Form before the end of the Offer Period; and
  - (ii) if your MHM Shares are held in a CHESS Holding (as an alternative to completing the Acceptance Form) you may either:

- (iii) instruct your Controlling Participant to initiate acceptance of the Offer in accordance with Rule 14.4 of the ASX Settlement Operating Rules before the end of the Offer Period; or
- (iv) if you are a Broker or an ASX Settlement Participant, initiate acceptance of the Offer in accordance with the requirements of the ASX Settlement Operating Rules before the end of the Offer Period.

## 10.6 Effect of acceptance

- (a) By accepting the Offer in accordance with clause 10.5, you will have:
  - (i) accepted this Offer in respect of all of your MHM Shares;
  - (ii) agreed to transfer your MHM Shares to the Bidder (subject to this Offer and the contract resulting from your acceptance of it becoming unconditional);
  - (iii) represented and warranted to the Bidder that your MHM Shares will at the time of acceptance of this Offer and at the time of their transfer to the Bidder be fully paid up and that the Bidder will acquire good title to and beneficial ownership of your MHM Shares free from all Encumbrances and other adverse third party interests of any kind;
  - (iv) on the Offer or the contract resulting from your acceptance of the Offer becoming unconditional, irrevocably appointed the Bidder and each of its directors, secretaries and officers severally from time to time as your attorney to do all things which you could lawfully do in relation to your MHM Shares or in exercise of any right derived from the holding of such MHM Shares, including without limitation:
    - (A) attending and voting at any general meeting of MHM;
    - (B) notifying MHM that your address in the records of MHM for all purposes including the dispatch of notices of meeting, annual reports and dividends should be altered to an address nominated by the Bidder;
    - (C) do all things necessary to effect the transfer of your MHM Shares on the same terms and conditions set out in the Offer, legally and beneficially to the Bidder; and
    - (D) doing all things incidental and ancillary to any of the above.
- (b) This appointment terminates on the registration of the Bidder as the registered holder of your MHM Shares;
- (c) The Bidder must indemnify you and keep you indemnified in respect of all costs, expenses and obligations which might otherwise be incurred or undertaken as a result of the exercise by an attorney of any powers under this clause 10.6(a)(iv);



- (d) agreed that in exercising the powers conferred by the power of attorney under clause 10.6(a)(iv) the attorney may act in the interests of the Bidder as the intended registered holder and beneficial holder of those MHM Shares;
- (e) agreed not to attend or vote in person at any general meeting of MHM or to exercise or purport to exercise any of the powers conferred on an attorney under clause 10.6(a)(iv);
- (f) represented and warranted to the Bidder that the making of the Offer to you and your acceptance of this Offer is lawful under any Foreign Law which applies to you, to the making of this Offer or to your acceptance of this Offer;
- (g) agree to indemnify the Bidder and MHM fully in respect of any claim, demand, action, suit or proceeding made or brought against MHM and any loss, expense, damage or liability whatsoever suffered or incurred by the Bidder, in each case as a result of any representation or warranty made by you not being true;
- (h) if and when the contract resulting from your acceptance of the Offer becomes unconditional (even though the Bidder has not yet provided the consideration due to you) you authorise the Bidder to transmit a message to ASX Settlement in accordance with Rule 14.17.1 of the ASX Settlement Operating Rules so as to enter those of your MHM Shares which are CHESS Holdings into the appropriate holder; and
- (i) if and when the contract resulting from your acceptance of this Offer becomes unconditional (even though the Bidder has not provided the consideration due) you authorise the Bidder to enter those of your MHM Shares which are Issuer Sponsored Holdings into the name of the Bidder.
- (j) By completing, signing and returning the Acceptance Form, you will also have:
  - (i) authorised the Bidder and each of its directors, secretaries, officers, servants and agents severally to complete the Acceptance Form by correcting any errors in or omissions from the Acceptance Form as may be necessary for either or both of the following purposes:
    - (ii) to make the Acceptance Form an effectual acceptance of this Offer; and
    - (iii) to enable registration of the transfer to the Bidder of your MHM Shares; and
    - (iv) authorised the Bidder and each of its directors, secretaries, officers, servants, and agents severally on your behalf to initiate acceptance or instruct your Controlling Participant to initiate acceptance in accordance with Rule 14.14 of the ASX Settlement Operating Rules.
- (k) the Bidder may at any time in its absolute discretion:
  - (i) treat the receipt by it of an Acceptance Form during the Offer Period as a valid acceptance although any of the other

requirements for a valid acceptance have not been complied with; and

- (ii) where you have satisfied the requirements for acceptance in respect of only some of your MHM Shares, treat the acceptance as a valid acceptance only in respect of those MHM Shares.
- (l) In respect of any part of an acceptance treated by the Bidder as valid, the Bidder must provide you with the relevant consideration in accordance with clause 10.7.

## **10.7 Consideration for your MHM Shares**

- (a) Subject to clauses 10.8 and 10.9 of this Offer, if you accept this Offer and the contract resulting from your acceptance of this Offer becomes unconditional, the Bidder will pay to you the Offer Consideration to which you are entitled by the later of:
- (i) the date 1 month after the date you validly accept this Offer;
  - (ii) 1 month after the date the Offer becomes or is declared unconditional,
- but any event (assuming the Offer becomes or is declared unconditional), no later than the date 21 days after the end of the Offer Period.
- (b) If you accept the Offer and you are a Foreign Shareholder, you are not entitled to receive the Offer Consideration unless and until all requisite authorities or clearances have been obtained from the Reserve Bank of Australia and or the Australian Taxation Office. Refer to clause 10.7(i) of this Offer for further information.
- (c) Notwithstanding anything else in the Bidder's Statement, the Bidder is under no obligation to spend any money, or undertake any action, in order to satisfy themselves of the eligibility of Foreign Shareholders to receive the Offer Consideration as set out in this clause 10.7(d).
- (d) Where the Acceptance Form or any subsequent request from the Bidder requires additional documents to be given with your acceptance (such as a certified copy of any of a power of attorney, grant of probate or letters of administration, or any other document requested by the Bidder to give better effect to your acceptance):
- (i) if the documents are given with your acceptance, the Bidder will provide the Offer Consideration in accordance with Clause 6.1 of this Offer;
  - (ii) if the documents are given after acceptance and before the end of the Offer Period and this Offer is subject to a defeating condition at the time that the Bidder is given the documents, the Bidder will provide the Offer Consideration by the end of whichever of the following periods end earlier:
    - (A) one month after the contract resulting from your acceptance of this Offer becomes unconditional; and

- (B) 21 days after the end of the Offer Period; or
- (iii) if the documents are given after acceptance and before the end of the Offer Period and this Offer is unconditional at the time that the Bidder is given the documents, the Bidder will provide the Offer Consideration by the end of whichever of the following periods ends earlier:
  - (A) one month after the Bidder is given the documents; and
  - (B) 21 days after the end of the Offer Period.
- (e) If you do not provide the Bidder with the required additional documents within one month after the end of the Offer Period, the Bidder may, in its sole discretion, rescind the contract resulting from your acceptance of this Offer.
- (f) If the Bidder becomes entitled to any Rights as a result of your acceptance of this Offer, it may require you to give the Bidder all documents necessary to vest those Rights in the Bidder or otherwise to give the Bidder the benefit or value of those Rights. If you do not give those documents to the Bidder, or if you have received the benefit of those Rights, then the Bidder may reduce the Offer Consideration to which you are otherwise entitled under this Offer by the amount equal to the value, (as reasonably assessed by the Bidder), of those Rights.
- (g) If:
  - (i) you have (or any previous holder of your MHM Shares has) received the benefit of any Rights (whether in respect of non-cash benefits or otherwise); or
  - (ii) you are (or any previous holder of your MHM Shares is) entitled to receive the benefit of any Rights under the terms that provide for or otherwise apply to those Rights (for example, if the Right is to receive a dividend, if you are (or any previous holder of your MHM Shares is) the registered holder of the Shares at the specified time for determining those entitled to the distribution); or
  - (iii) your MHM Shares were issued (or otherwise came into existence) on or after the record date in respect of any Rights to MHM Shareholders,

then the Bidder may reduce the Offer Consideration to be paid to you under this Offer by the value (as reasonably assessed by the Bidder) of such Rights.
- (h) If the Bidder does not, or cannot, make such a reduction, you must pay such value or amount to the Bidder.
- (i) If, at the time of acceptance of this Offer, any consent, authority or clearance of the Reserve Bank of Australia and/or the Australian Taxation Office is required for you to receive any consideration under this Offer or you are resident in or a resident of a place to which, or you are a person to whom:

- (i) the Banking (Foreign Exchange) Regulations 1959 (Cth);
- (ii) Part 4 of the Charter of the United Nations Act 1945 (Cth);
- (iii) the Charter of the United Nations (Dealing with Assets) Regulations 2008 (Cth);
- (iv) Part 9 of the Anti-Money Laundering And Counter-Terrorism Financing Act 2006 (Cth);
- (v) any other regulations made under Part 4 of the Charter of the United Nations Act 1945 (Cth); or
- (vi) any other law of Australia that would make it unlawful for the Bidder to provide Consideration for your MHM Shares,

applies, then acceptance of this Offer will not create or transfer to you any right (contractual or contingent) to receive (and you will not be entitled to receive) any consideration under this Offer unless and until all requisite consents, authorities or clearances have been obtained.

## 10.8 Condition of this Offer

- (a) This Offer and the contract that results from acceptance of this Offer are each subject to the fulfilment of the following condition:

**“No Prescribed Occurrences:** none of the following happens during the period commencing on the Announcement Date and ending on the expiry of the Offer Period (each being a separate condition):

- (i) the shares of MHM or any of the Controlled Entities of MHM are converted into a larger or smaller number of shares;
- (ii) MHM or a subsidiary of MHM resolves to reduce its share capital in any way;
- (iii) MHM or a subsidiary of MHM:
  - (A) enters into a buy-back agreement; or
  - (B) resolves to approve the terms of a buy-back agreement under sections 257C or 257D of the Corporations Act;
- (iv) MHM or a subsidiary of MHM makes an issue of or grants an option to subscribe for any of its Securities or agrees to make such an issue or grant such an option;
- (v) MHM or a subsidiary of MHM issues or agrees to issue convertible notes;
- (vi) MHM or a subsidiary of MHM disposes or agrees to dispose of the whole or a substantial part of its business or property;
- (vii) MHM or a subsidiary of MHM grants or agrees to grant an Encumbrance over the whole or a substantial part of its business or property; or

- (viii) an Insolvency Event occurs with respect to MHM or a subsidiary of MHM.”
- (b) Each paragraph of clause 10.8(a):
- (i) is and must be construed as a separate condition; and
  - (ii) subject to the Corporations Act, operates only for the benefit of the Bidder and any breach or non-fulfilment of such condition may be relied upon only by the Bidder which may waive (generally or in respect of a particular event) the breach or non- fulfilment of that Condition.
- (c) The Condition does not prevent a contract to sell your MHM Shares resulting from your acceptance of this Offer but:
- (i) breach of the Condition entitles the Bidder to rescind that contract by notice to you; and
  - (ii) non-fulfilment of the Condition at the end of the Offer Period will have the consequences set out in this clause 10.8(a).
- (d) Where an event occurs that would mean at the time the event occurs the Condition to which this Offer or the contract resulting from your acceptance of this Offer is then subject would not be fulfilled, each paragraph of the Condition in clause 10.8(a) affected by that event becomes two separate Condition on identical terms except that:
- (i) one of them relates solely to that event; and
  - (ii) the other specifically excludes that event.
- The Bidder may declare the Offer free under clause 10.8(a) from any paragraph of the Condition without declaring it free from the other paragraphs and may do so at different times.
- (e) Subject to the Corporations Act, the Bidder may declare this Offer and any contract resulting from acceptance of this Offer free from the Condition by giving written notice to MHM not later than 3 business days after the end of the Offer Period.
- (f) The date for giving the notice on the status of the Condition as required by section 630(1) of the Corporations Act is [insert date] (subject to extension in accordance with the Corporations Act) if the Offer Period is extended.
- (g) Your acceptance or the contract resulting from your acceptance of this Offer is void if:
- (i) at the end of the Offer Period the Condition in Section 10.8(a) is not fulfilled; and
  - (ii) the Bidder has not declared this Offer and any contract resulting from the acceptance of it free of the Condition in accordance with Section 10.8(e).

## **10.9 Withdrawal of Offers**

- (a) This Offer, if not previously accepted, may be withdrawn by the Bidder, but only with ASIC's written consent (which consent may be given subject to any conditions which may be imposed by ASIC).
- (b) Subject to ASIC's consent (and any conditions imposed by ASIC), withdrawal of this Offer may be effected by written notice from the Bidder given to MHM.
- (c) Subject to any conditions imposed by ASIC on its consent, where the Bidder withdraws this Offer, if not previously accepted, automatically becomes incapable of acceptance.

## **10.10 Variation**

The Bidder may vary this Offer in accordance with the Corporations Act. However, the Offer Price is first and final and will not be increased.

## **10.11 The Bidder's Relevant Interests**

As at the date of this Bidder's Statement, the Bidder has no relevant interest or voting power in MHM.

## **10.12 No duty**

The Bidder must pay all duty payable on the transfer of your MHM Shares to it if you accept this Offer.

## **10.13 Foreign laws**

This Offer is not registered in any jurisdiction outside Australia (unless an applicable Foreign Law treats it as registered as a result of the Bidder's Statement being lodged with ASIC). It is your sole responsibility to satisfy yourself that you are permitted by any Foreign Law applicable to you to accept this Offer and to receive the Offer Consideration.

## **10.14 Governing law**

This Offer and any contract resulting from acceptance of the Offer are governed by the law in force in NSW.

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## 11. GLOSSARY AND INTERPRETATION

### 11.1 Glossary

The following terms have the meanings set out below unless the context requires otherwise:

**Acceptance Form** means the form of acceptance of the Offer enclosed with this Offer and this Bidder's Statement or, as the context requires, any replacement or substitute acceptance form provided by or on behalf of the Bidder (and includes, to avoid doubt, both the Issuer Acceptance Form and the CHES Acceptance Form).

**AEDT** means Australian Eastern Daylight Time and, for the avoidance of doubt, means the time in Sydney, Australia.

**Announcement** means the announcement of the Bidder's intention to make the Offer, as made on the Announcement Date to ASX.

**Announcement Date** means 9 February 2017.

**ASIC** means the Australian Securities and Investments Commission.

**Associate** has the meaning given to that term in section 12 of the Corporations Act.

**ASX** means the Australian Securities Exchange or ASX Limited (ABN 98 008 624 691), as the context requires.

**ASX Settlement** means ASX Settlement Pty Limited (ABN 49 008 504 532), the body which administers the CHES system in Australia.

**ASX Settlement Operating Rules** means the settlement and operating rules of ASX Settlement.

**Bidder** means Cadmon Ventures Pty Ltd (ACN 617 176 253).

**Bidder's Statement** means this document, being the bidder's statement of the Bidder under Part 6.5 of the Corporations Act relating to the Offer.

**Broker** means a person who is a share broker and participant in CHES.

**CGT** means Australian capital gains tax.

**CHES** means the Clearing House Electronic Subregister System established and operated by ASX Settlement, which provides for the electronic transfer, settlement and registration of securities in Australia.

**CHES Acceptance Form** means the Acceptance Form enclosed with this Offer and Bidder's Statement for MHM shareholders with a CHES Holding.

**CHES Holding** means a holding of MHM Shares on the CHES subregister of MHM.

**Condition** has the meaning given in Section 10.8(a).

**Condition Period** means the period beginning on the Announcement Date and ending at the end of the Offer Period (each inclusive).

**Controlled Entity** has the meaning given to that word in the Corporations Act.

**Controlling Participant** has the meaning given in the ASX Settlement Operating Rules.

**Corporations Act** means the *Corporations Act 2001* (Cth) as modified by any relevant exemption or declaration by ASIC and any regulation made under that Act.

**Encumbrance** means an interest or power:

- (a) reserved in or over an interest in any asset including, without limitation, any retention of title; or
- (b) created or otherwise arising in or over any interest in any asset under a bill of sale, mortgage, charge, lien, pledge, trust or power,

by way of security for the payment of a debt, any other monetary obligation or the performance of any other obligation and includes, without limitation, any agreement to grant or create any of the above.

**Existing Offer** means the takeover offer of \$0.04 cash per MHM share made by Mercantile OFM Pty Ltd.

**Foreign Law** means a law of any jurisdiction other than Australia.

**Foreign Shareholder** means any MHM Shareholder whose address in MHM's register of members is a place outside Australia and its external territories, to whom it is unlawful for the Bidder to make the Offer or for whom it is unlawful to accept the Offer.

**GST** means the goods and services tax imposed under the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

**Holder Identification Number** or **HIN** means the number used to identify a MHM Shareholder on the CHESS subregister of MHM.

**Insolvency Event** means:

- (a) a receiver, manager, receiver and manager, trustee, administrator, controller or similar officer is appointed in respect of a person or any asset of a person;
- (b) a liquidator or provisional liquidator is appointed in respect of the corporation;
- (c) any application (not being an application withdrawn or dismissed within seven (7) days) is made to a court for an order, or an order is made, or a meeting is convened, or a resolution is passed, for the purposes of:
  - (i) appointing a person referred to in paragraphs (a) or (b);
  - (ii) winding up a corporation; or
  - (iii) proposing or implementing a scheme of arrangement;



- (d) any event or conduct occurs which would enable a court to grant a petition, or an order is made, for the bankruptcy of an individual or their estate under any insolvency provision;
- (e) a moratorium of any debts of a person, or an official assignment, or a composition, or an arrangement (formal or informal) with a person's creditors, or any similar proceeding or arrangement by which the assets of a person are subjected conditionally or unconditionally to the control of that person's creditors or a trustee, is ordered, declared, or agreed to, or is applied for and the application is not withdrawn or dismissed within seven (7) days;
- (f) a person becomes, or admits in writing that it is, is declared to be, or is deemed under any applicable law to be, insolvent or unable to pay its debts; or
- (g) any writ of execution, garnishee order, mareva injunction or similar order, attachment, distress or other process is made, levied or issued against or in relation to any asset of a person.

**Issuer Acceptance Form** means the Acceptance Form enclosed with this Offer and Bidder's Statement for MHM Shareholders with an Issuer Sponsored Holding.

**Issuer Sponsored Holding** means a holding of MHM Shares on MHM's issuer-sponsored sub register.

**Listing Rules** means the listing rules of ASX as amended or varied from time to time.

**MHM** means MHM Limited (ACN 009 180 287).

**MHM Board** means the board of directors of MHM. **MHM Director** means a director of MHM.

**MHM Shareholders** means a person who is registered as the holder of MHM Shares in the Register.

**MHM Shares** means fully paid ordinary shares in MHM on issue.

**Offer** and the **Bidder's Offer** means, as the context requires, the Offer for MHM Shares contained in Section 10, or the off-market takeover bid constituted by that Offer, and **Offers** means the several like Offers which together constitute the Offer, as varied in accordance with the Corporations Act.

**Offer Consideration** means the consideration offered by the Bidder for MHM Shares, being the Offer Price.

**Offer Period** means the period during which the Offer will remain open for acceptance in accordance with the terms of the Offer.

**Offer Price** means \$0.0435 cash per MHM Share.

**Participant** has the meaning given to that term in the ASX Settlement Operating Rules.

**Register** means the Register of MHM Shareholders maintained by MHM in accordance with the Corporations Act.

**Relevant Date** means 7.00pm AEDT on 24 February 2017.

**Rights** means all accretions, rights or benefits of whatever kind attaching to or arising from or in respect of the MHM Shares.

**Security** means as defined in section 92 of the Corporations Act.

**Share Registry** means Computershare Investor Services Pty Limited.

**Subsidiary** has the meaning given in the Corporations Act.

**Target's Statement** means the target's statement issued by MHM in response to this Bidder's Statement in accordance with Part 6.5 of Chapter 6 of the Corporations Act.

**Trading Day** has the meaning given to it in the Listing Rules.

**VWAP** means volume weighted average price.

**Your MHM Shares** means the MHM Shares in respect of which you are registered or entitled to be registered as holder in the Register on the Relevant Date.

## 11.2 Interpretation

- (a) Annexures to this Bidder's Statement form part of this Bidder's Statement.
- (b) Words and phrases to which a meaning is given by the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules have that meaning in this Bidder's Statement unless that meaning is inconsistent with the context in which the word or phrase is used.
- (c) Headings are for convenience only and do not affect the interpretation of this Bidder's Statement.
- (d) The singular includes the plural and vice versa and words importing any gender include the other gender, and references to persons include corporations.
- (e) References to Sections are to sections of this Bidder's Statement.
- (f) References to paragraphs are references to paragraphs within the Section in which the reference to the paragraph is made.
- (g) References to time are references to the time in Sydney, Australia on the relevant date, unless stated otherwise.
- (h) References to "dollars" or "\$" are to Australian currency, unless stated otherwise.

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**12. APPROVAL OF BIDDER'S STATEMENT**

This Bidder's Statement has been approved by a resolution of the sole director of Cadmon Ventures Pty Ltd.

Dated: 23 February 2017

Signed for and on behalf of

**Cadmon Ventures Pty Ltd**

Cameron Low  
**Director**