

MHM QUARTERLY ACTIVITIES REPORT

ASX Release – 31 January 2013

December Quarter Performance

Alreco's total cash receipts for the quarter were \$911,000, with another \$900,000 received in January.

The quarterly cash operating result for Alreco was a loss of \$865,000.

Capex spend for the quarter was \$1.1 million, taking the Capex for the 6 months to end December 2012 up to \$2.1 million.

Approximately 3,400 tonnes of material was received during the quarter and approximately 4,900 tonnes of material was processed. Total stockpile of materials at the Moolap plant and stored on Alcoa's landfill site (unprocessed and partly processed) was 23,590 tonnes at end December 2012. In the first four weeks of January 2013, 1,400 tonnes have been received and 1,600 tonnes have been processed.

Cash on hand at end December 2012 was \$4.14 million.

Projected cash outgoings for the third quarter to end March 2013 are \$2.8 million, including \$700,000 in Capex. Income is expected to be \$1.5 million plus an expected R&D tax credit of \$900,000.

Strategic Review

On 12 September 2012 MHM Metals Limited (ASX: MHM) requested a voluntary suspension of its ordinary shares under ASX Listing Rule 17.2, pending an announcement by the Company in relation to the outcome of a strategic review of the Company's operations. The suspension was requested to allow the Company to provide shareholders with a clear outline and timetable for future strategy and operations.

The strategic review was completed and outcomes were provided in the announcement of 15 November 2012. MHM shares recommenced trading on Friday 16 November 2012.

The review covered all elements of the Company's business and activities. A new Board was put in place and management changes were made. The Company returned to a total focus on the core aluminium waste processing business, and specifically the Moolap plant operations, putting this back on track before looking at expansion options.

Independent engineering, operational and OHS reviews were carried out on the plant and these have resulted in detailed action plans moving forward. A full review of all agreements, including technology and tolling agreements, was conducted and negotiations have been ongoing in an attempt to obtain unrestricted access by MHM to all technology and to have all agreements with customers held and owned directly by Alreco or MHM going forward.

Moolap Plant Update

Processing rates at the Moolap plant over the past two months have run consistently in the 400-550 tonnes per week range. The plant has been operating two shifts per day Monday to Friday and weekends have been used for maintenance and to run the fine material through the press. Reliability is improving but breakdowns still occur too frequently. Significant improvements have been implemented in safety practices and dust management. Costs have been reduced but still need to be reduced further over coming months.

The biggest issue facing the plant is the lack of a market for the non-metallic product (NMP or AL80) which is the main by-product of the plant. Previous attempts to sell this material into China have been unsuccessful, predominantly due to the quality variability of the NMP in the past. Recent changes to the plant have resulted in a higher quality, more consistent NMP and multiple sales options are being pursued urgently at the present time. Small quantities are being sold in Australia and a number of large volume samples have recently been sent to customers in China and Australia for testing. The NMP stockpile at the plant and on adjacent land is now at the point where it is becoming a restraint to future processing rate increases.

The new filter press ordered in December has been put on hold and remains in Belgium ready for shipment to

Geelong when required. The Company made the decision to defer this purchase and installation until there is more certainty around the sale of NMP. The cost of purchase and installation is in the order of \$1 million and it was agreed that this amount of funding should not be committed while the plant is constrained by the NMP issues. It is still believed that the filter press when installed will result in a substantial increase in processing capacity, but this would only add to stockpile issues at this time.

Agreements and Contracts

MHM reached agreement in principle with Frank Rogers and his partners (both the operating Joint Venture and the Technology Owners) to terminate all agreements and to transfer ownership of, and rights to, the technology globally, including Australia, to MHM, effective December 2012. The documentation for these actions and all associated releases are currently with the parties for execution.

MHM through Alreco has signed an interim 3 month tolling agreement directly with Alcoa, commencing December 2012 through to March 2013, on like terms to the previous agreement between Alcoa and PDC. 100% of income now comes to Alreco direct. MHM and Alcoa are currently negotiating a new longer term tolling agreement on new terms to commence in March 2013.

US Plant

No further action has been progressed with respect to the proposed construction of a plant in Kentucky, US. MHM retains the land and buildings for future use and is maintaining relationships with key stakeholders and customers in the US.

Silica

MHM continues to look at all opportunities to develop or divest its silica interests in Tasmania.

For further information contact

Rudi Michelson at Monsoon Communications on +61 (0) 3 9620 3333