



## ASX Announcement

For immediate release

Friday 14th February 2014

### COMMENTARY ON HALF YEARLY RESULTS

Results and commentary for the half-year ended 31 December 2013 ("current period")

	31-Dec-13	31-Dec-12	Change
	\$'000	\$'000	\$'000
Revenue from continuing operations	3,785	2,357	1,429
Cost of Sales	(3,040)	(3,217)	177
Gross Profit (Loss)	745	(860)	1,606
Operating Expenses	(862)	(1,999)	1,136
EBITDA	(122)	(2,859)	2,741
Depreciation	(1,050)	(1,064)	9
Impairment	(3,000)	0	(3,000)
EBIT	(4,172)	(3,923)	(249)
Income tax benefit	1,388	1,001	386
Net Profit after tax	(2,784)	(2,922)	137
Net Profit after tax (before impairment)	216	(2,922)	3,137

\*The numbers contained in this table are derived from the Group's consolidated financial statements for the half-year ended 31 December 2013 that have been reviewed.

Earnings / (loss) per share (cents) (i)	(2.13)	(2.24)	5%
Net tangible assets per share per share (cents) (ii)	8.82	10.95	-17%

(i) Weighted average number of ordinary shares ('000) - 130,218

(ii) Actual number issued ordinary shares ('000) - 130,218

#### Dividend information

The company has not declared a dividend for the half-year ended 31 December 2013 (2012: \$nil).

**MHM Metals Limited** ABN 41 124 212 175

Registered Office: 80 Buckley Grove, Moolap, VIC 3221 | Tel: 03 5240 8999 | Fax: 03 5248 3498 | E: [info@mhmmetals.com](mailto:info@mhmmetals.com) | [www.mhmmetals.com](http://www.mhmmetals.com)

This report is based on the condensed consolidated financial report for the half-year ended 31 December 2013 which has been reviewed by Deloitte with the Independent Auditor's Review Report included in the attached condensed consolidated financial report.

## **SUMMARY**

MHM Metals Limited (ASX: MHM) and its subsidiary companies (together the Group) announce the results for the six months ended 31 December 2013. Key highlights for the period are:

- Sales revenue increased by 61% to \$3.785 million
- Gross Profit of \$0.745 million – the first time the company has achieved this
- Operating expenses reduced by 57%
- EBITDA loss of (\$0.122 million) – 2012: (\$2.859 million)
- Profit after tax (before impairment) was \$0.216 million, an improvement of \$3.137 million from the 2012 loss of (\$2.922 million)
- \$1.2 million cash at bank (excluding R&D Tax rebate \$1.4 million received January 2014)
- No debt at 31 December 2013
- Impairment charge of \$3.0 million as a result of Alcoa's decision to close Yennora. The directors are presently performing a strategic review of operations to determine the Company's options, refer to below.

## **Overview of Results**

Revenue for the half-year ended 31 December 2013 at \$3.8 million, increased 61% as a result of higher tolling revenue and higher sales of NMP (compared to \$2.4 million recorded for the half-year ended 31 December 2012).

The Company made a gross profit of \$0.7 million for the first time as a result of higher tolling fees from Alcoa and Sims.

EBITDA excluding other income for the half-year to 31 December 2013 was (\$0.1 million), a 96% increase from (\$2.9 million) at 31 December 2012, as a result of increased revenue (\$1.4 million) and substantial cost savings of approximately \$1.3 million.

The Group's operating cash flow for the 6 months ended 31 December 2013 was \$0.2 million, a \$2.4 million increase from (\$2.1 million) in the previous corresponding period to December 2012, principally due to receipts from customers (Tolling and NMP sales proceeds) \$2.2 million, savings in payments to suppliers and employees \$0.9 million offset by R&D tax incentive received in December 2012 \$0.7 million (R&D tax incentive 2013 \$1.4m received in January 2014).

## **STRATEGIC REVIEW**

As announced on 18 February 2014, Alcoa Inc. has stated that it will permanently close its two rolling mills at Pt. Henry, Victoria and Yennora, New South Wales by the end of 2014. Currently, the majority of the salt slag that MHM processes at its Moolap plant near Geelong, Victoria, originates from Alcoa's Yennora facility. The permanent closure of Yennora in itself is likely to have a detrimental impact on the revenues of MHM in the second half of the financial year ending 30 June 2015 and thereafter if the Company is unable to source alternative processing arrangements. MHM expects to continue to receive revenue from Alcoa for at least the remainder of calendar year 2014 and from NMP sales.

**MHM Metals Limited ABN 41 124 212 175**

Registered Office: 80 Buckley Grove, Moolap, VIC 3221 | Tel: 03 5240 8999 | Fax: 03 5248 3498 | E: info@mhmmetals.com | www.mhmmetals.com

MHM's board and management has commenced a thorough strategic review of all options available to it regarding its Moolap plant, its processing systems, potential future sources of salt slag or other equivalent products and its assets in Kentucky, USA.

Key areas of the strategic review include:

### **Development and documentation of Moolap's processing operation**

Over the past 18 months the company has worked hard to develop and document a stable process that can reduce legacy stockpiles, eliminate unsaleable by-products and run the Moolap plant in a well managed and controlled manner, all at a significantly lower cost per ton. As is evident from the significant improvement in the financial performance for the six months ended 31 December 2013, the process is now achieving these aims. Importantly the Moolap plant is running far more consistently and at levels equivalent to and often above those previously achieved. For example, the average production for the last 3 weeks was 460 tons per week (normalising for rostered days off). Management's focus can now be directed to optimising the company's revised process through continuous improvements at the Moolap plant and continuing to reduce costs associated with the treatment of salt slag.

### **Seeking alternative feedstock post 2014**

The Company will actively identify and pursue all alternative sources of inbound material to process through the existing Moolap plant thereby extending its working life well beyond 2014. Work on identifying alternative salt slag supplies is an essential element of ongoing business development. The company has already identified one potential alternative. Other alternatives that fall within this scope include known, existing salt slag stockpiles.

### **Overseas Expansion**

The Company will examine the USA landscape and conduct a feasibility study building a 'cloned' salt slag plant on its existing land in Kentucky. Other countries will also be included in this study to establish if a Moolap 'clone' is economically viable. The study will take into account both the current waste management and landfill situation, abundance of feedstock, distance to customers of output materials and likely future changes to the environmental landscape in these jurisdictions.

### **NMP Value Add**

The Company has been, and will continue, reviewing options to value-add to the NMP that it currently produces at Moolap and that it can reasonably expect to produce locally and at the other potential future plants which are in the scope of this strategic review. Work is currently centred on ceramic market applications. Adding value to existing NMP output is clearly an integral ingredient to improving plant economics at Moolap and any overseas expansionary plants.

For investor enquiries please contact:

Matthew Keen  
Chief Executive Officer  
(03) 5240 8999

**MHM Metals Limited ABN 41 124 212 175**

Registered Office: 80 Buckley Grove, Moolap, VIC 3221 | Tel: 03 5240 8999 | Fax: 03 5248 3498 | E: [info@mhmmetals.com](mailto:info@mhmmetals.com) | [www.mhmmetals.com](http://www.mhmmetals.com)