

Consolidated financial report for the half-year ended 31 December 2013



(ABN 41 124 212 175)

Contents	Page
Corporate Directory	3
Directors' Report	4
Auditors' Independence Declaration	10
Financial Reports	11
Directors' Declaration	22
Independent Auditor's Review Report to the Members	23

Corporate Directory

Directors

Iain Kirkwood (*Chairman*)

Franklyn Brazil

David Menzies

Secretary

Lee Mitchell

Share Register

Security Transfer Registrars Pty Ltd

770 Canning Highway Pty Ltd

Apple Cross WA 6153

Auditor

Deloitte Touche Tohmatsu

550 Bourke Street

Melbourne VIC 3000

Solicitors

Logie-Smith Lanyon Lawyers

Level 12, 575 Bourke Street

Melbourne VIC 3000

Bankers

National Australia Bank

Business Banking Centre

43-45 Brougham St

Geelong VIC 3220

Stock Exchange Listings

MHM Metals Limited shares are

listed on the Australian Securities Exchange

Ordinary Fully Paid Shares (ASX Code MHM)

Registered Office in Australia

72-80 Buckley Grove

Moolap VIC 3221

phone: +61 2 5248 2002

facsimile: +61 2 5248 3498

email: info@mhmmetals.com

website: www.mhmmetals.com

Directors' Report

Your directors present their report on the consolidated entity consisting of MHM Metals Limited ('MHM' or the 'Company') and the entities it controlled at the end of, or during, the half-year ended 31 December 2013, unless otherwise stated.

Directors

The following persons were directors of the Company during the whole of the half-year and up to the date of this report:

F R Brazil was a director from the start of the period and continues in office at the date of this report.

I Kirkwood was a director from the start of the period and continues in office at the date of this report.

D Menzies was appointed as director on 19 December 2013 continues in office at the date of this report.

P A Thick was a director from the start of the period until his resignation on 19 December 2013.

Principal activities

During the period the principal activities of the Group consisted of aluminium salt slag processing and production of Non Metallic Product ('NMP') for sale to domestic and overseas customers.

Dividends

No dividends were paid to members during the half-year and the directors do not recommend the payment of a dividend.

Review of operations

(a) Financial performance	2013	2012
	\$	\$
Revenue from continuing operations	3,785,232	2,356,640
Loss before income tax expense	(4,172,120)	(3,923,034)
Income tax benefit	1,387,802	1,001,508
Profit / (Loss) attributable to members of MHM Metals Limited	(2,784,318)	(2,921,526)

Revenue increased to \$3,785,233 (2012: \$2,356,640) principally as a result of a new tolling agreement entered by MHM directly with Alcoa (Inc.). This contract commenced with effect from 1 April 2013.

Profit excluding impairment (\$3,000,000) increased to \$215,682 (2012: (\$2,921,526)) due to:

- a) Increased Revenue (primarily Alcoa (Inc.) Tolling) \$1,428,593.
- b) Cost savings \$1,322,321 (Share based payment expenses \$750,781, Employee expenses \$178,803, Production costs \$177,378 and Office accommodation expenses \$123,870).
- c) Increased Income tax benefit \$386,294 relating to R&D tax credits.

Directors' Report

Review of operations (continued)

Currently, the majority of the salt slag that MHM processes at its Moolap plant, Victoria, originates from Alcoa (Inc.)'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. A Strategic Review has been commenced – refer below.

As a result of Yennora's closure, the directors' have reviewed the carrying amount of the Moolap property plant and equipment and accordingly, the directors have formed the view that an impairment charge of \$3,000,000 be recorded as at 31 December 2013.

MHM expects to continue to receive revenue from Alcoa (Inc.) for at least the remainder of calendar year 2014 and from Non-Metallic Product sales.

(a) Financial position and cash flow

At the end of the half-year MHM Metals Limited had cash balances of \$1,222,561 and net assets of \$11,486,519.

Total liabilities amounted to \$1,036,525 being trade and other payables of \$841,613, provisions of \$186,841 and borrowings of \$8,071.

During the reporting period, MHM's Australian aluminium operations delivered gross half-yearly cash receipts from customers of \$3,719,969. Total cash receipts including interest were \$3,755,171. The half-yearly net operating cash inflow for MHM was \$225,482.

Capital additions for the six months totalled \$1,371,287.

CORPORATE

Changes to the board and management of MHM during the first six months of the 30 June 2014 financial year included:

Matthew Keen replaced Robert McAlister as CEO of the company in September 2013.

Phil Thick resigned as a non-executive director on the 19 December 2013. Phil was instrumental in the strategic review that the company undertook and initiating and leading the radical changes necessary to restructure and stabilise the company.

David Menzies was appointed as a director on 19 December 2013; David has a PhD in Materials Engineering (Monash University) and an MBA (University of Melbourne). He has a background in strategy, marketing and finance.

MHM Metals' Annual General Meeting was held in Melbourne on the 22 November 2013 and all resolutions put to the meeting as outlined in the 18 October 2013 Notice of Meeting were passed unanimously.

Significant cost savings have been achieved at the Operating level of the Moolap plant and the corporate level of MHM versus previous corresponding half-year. This has allowed the company to generate a positive cash operating result.

Directors' Report

Review of operations (continued)

Since the company voluntarily suspended its shares in September 2012 it has worked through the restructuring phase of its turnaround plan. The restructuring phase required adapting the process to a stage where it was producing useable products. With the installation of the filter press, MHM now enters the stabilisation phase where it will create stability in the generation of the useable products. Finally MHM will enter the consolidation phase where it can create continuous improvement and growth. The growth in the consolidation phase will only be made possible and sustainable with making sound decisions on the basis of the information gained through the continuous smooth operation of the plant during the stabilisation phase.

During the half-year period the plant achieved its first 6 monthly operating profit whilst actively reducing onsite stockpiles of partly processed material. This is testament to the turnaround strategy that the board and management have implemented and shows that the business can be profitable in spite of having to deal with the substantial legacy issues and stockpiles that are an overall cost to the company.

MOOLAP PLANT

Alreco Pty Ltd (fully owned subsidiary of MHM Metals Ltd) processes salt cake at its Moolap plant near Geelong, Victoria. During the half-year Alreco processed salt cake for Alcoa (Inc.) supplied from its Yennora plant and for Sims from its Laverton plant. Currently, the majority of the salt slag that MHM processes at its Moolap plant, Victoria, originates from Alcoa (Inc.)'s Yennora facility. As announced by Alcoa (Inc.) on 18 February 2014, the permanent closure of Yennora in December 2014 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 in the event that the Company is unable to source alternative processing arrangements. Sims Laverton plant ceased operations in December 2013, however it will continue to send stockpiled salt slag material to Alreco for processing for the remainder of financial year ending June 2014.

The Moolap plant underwent significant changes to upgrade its process during the half-year, with the main change resulting from the installation of the Diemme Filter Press. The filter press was commissioned late in the half and initial results were very encouraging with good quality Non Metallic Product 'NMP' and clear brine (with very little solids) being produced. This is the first time, despite many variations, that the process has worked correctly to the point where three distinct output products are produced; aluminium metal, NMP (only one grade) and brine. Previous versions of the process allowed high levels of fines to remain in the brine that caused continual bottlenecks in the brine circuit. The other major impact with the new filter press is a dramatic reduction in water usage whereby the new process uses approximately half of the water compared to the old process. This is a direct cost saving, reduces the stresses on the brine holding ponds and allows control of the brine to optimise the salt content of the brine water and recirculating water streams.

Significant advances in the sale of the NMP were achieved during the half-year with all standard NMP produced and held on site being sold. Alreco currently has both local and overseas customers for the NMP. The company has made the decision to have flexibility through serving multiple customers for NMP over having long term off take contracts which have the impact of fixing price, quantity and reducing competition. During the half-year, the company shipped approximately 2,638 tons of standard NMP. Ongoing markets for the NMP fines have not yet been secured. Trial shipments have been sent to potential customers and the company continues to investigate options to sell this inventory however with the new filter press installed, it is expected that the process will not generate further NMP fines product.

Review of operations (continued)

During the half-year Alreco processed a total of 10,197 tons of salt slag, which resulted in reduced stockpiles of partly processed material at the Moolap site.

The Moolap plant operations have seen considerable cost savings and rationalisation compared to the previous corresponding period that have contributed to the Alreco business progressing to a cash flow positive position over the 6 months to December 13. The company is expected to continue to reap the benefit of the savings associated with the new filter press and other continuous improvements.

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'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 on 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.

LITIGATION AGAINST FORMER MANAGING DIRECTOR

The company continues to pursue its former Managing Director, Frank Rogers, in respect to alleged breaches of the Corporations Act, 2001 in the Federal Court, Victorian Registry. The date of the trial has been set down for 14 May 2014.

EXPLORATION

With the relinquishment of its Silica tenements during the half-year the company has now released all of its exploration assets and the company is expecting the release of the mining tenement bonds (\$40,190) prior to the end of the current financial year (2014).

Directors' Report

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

Auditor

BDO Audit (WA) Pty Ltd completed their term at the completion of the 30 June 2013 reporting period. Deloitte Touche Tohmatsu were then appointed to office at the company's 2013 Annual General Meeting, in accordance with section 327 of the Corporations Act 2001.

Subsequent events

On Tuesday 18 February 2014, Alcoa (Inc.) announced, that it will permanently close its two rolling mills at Point 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, Victoria, originates from Alcoa (Inc.)'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.

As a result of this subsequent announcement from Alcoa (Inc.) the directors' have identified that the carrying amount of the Moolap property plant and equipment exceeded the recoverable amount and required to be written down by \$3,000,000.

MHM expects to continue to receive revenue from Alcoa (Inc.) for at least the remainder of calendar year 2014 and from NMP sales.

In the meantime, MHM's board and management will conduct 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.

This declaration is made in accordance with a resolution of the directors.



Iain Kirkwood
Chairman

14 March 2014

14 March 2014

The Board of Directors
MHM Metals Ltd
80 Buckley Grove
MOOLAP VIC 3221

Dear Board Members

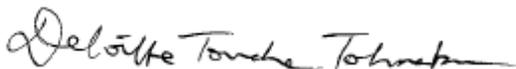
MHM Metals Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of MHM Metals Limited.

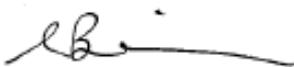
As lead audit partner for the review of the financial statements of MHM Metals Limited for the half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Chris Biermann
Partner
Chartered Accountant

Financial Reports – 31 December 2013

Contents	Page
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	12
Condensed Consolidated Statement of Financial Position	13
Condensed Consolidated Statement of Changes in Equity	14
Condensed Consolidated Statement of Cashflows	15
Notes to the Consolidated Financial Statements	16
Directors' Declaration	22
Independent Auditors Review Report to the Members	23

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income For the half-year ended 31 December 2013

	Notes	Half-year	
		2013	2012 Restated
		\$	\$
Revenue from continuing operations		3,785,232	2,356,640
Cost of sales		(3,039,868)	(3,217,246)
Administrative expenses		(43,799)	(44,960)
Consultancy fees		(27,456)	(119,534)
Depreciation and amortisation expenses		(1,049,767)	(1,064,061)
Employee benefit expenses		(410,253)	(589,056)
Impairment expenses	4	(3,000,000)	-
Insurance expenses		(87,682)	(106,325)
Office accommodation expenses		(77,068)	(200,938)
Share based payments		-	(750,781)
Professional fees		(191,320)	(89,957)
Shareholder expenses		(34,925)	(80,781)
Other income and expenses		4,786	(16,035)
Loss before income tax expense		(4,172,120)	(3,923,034)
Income tax benefit		1,387,802	1,001,508
Loss for the half-year		(2,784,318)	(2,921,526)
Other comprehensive income		-	-
Total comprehensive loss attributable to owners of MHM Metals		(2,784,318)	(2,921,526)
		Cents	Cents
Earnings per share			
Basic earnings / (loss) per share (cents)		(2.13)	(2.24)

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	31 December 2013 \$	30 June 2013 Restated \$
Assets			
Current assets			
Cash and cash equivalents		1,222,561	2,401,883
Trade and other receivables		1,292,266	1,390,212
Tax receivables		1,387,802	-
Prepayments		138,567	81,912
Total current assets		4,041,196	3,874,007
Non-current assets			
Intangibles		509,072	537,365
Exploration Assets		40,190	40,190
Property, plant and equipment	5	7,932,586	10,582,773
Total non-current assets		8,481,848	11,160,328
Total assets		12,523,044	15,034,335
Liabilities			
Current liabilities			
Trade and other payables		841,613	620,291
Borrowings		8,071	3,213
Provisions		175,352	129,868
Total current liabilities		1,025,036	753,372
Non-current liabilities			
Provisions		11,489	10,126
Total non-current liabilities		11,489	10,126
Total liabilities		1,036,525	763,498
Net assets		11,486,519	14,270,837
Equity			
Contributed equity	6(a)	29,846,015	29,846,015
Share based payments reserve		2,303,074	2,303,074
Accumulated losses		(20,662,570)	(17,878,252)
Total equity		11,486,519	14,270,837

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2013

Notes	Issued Capital \$	Accumulated Losses \$	Share Based Payment Reserve \$	Total \$
Balance 1 July 2012 (Restated)	24,991,786	(9,186,321)	2,268,914	18,074,379
Total comprehensive loss for the half-year	-	(2,921,526)	-	(2,921,526)
Shares issued	4,854,229	-	-	4,854,229
Share based payments	-	-	750,781	750,781
Balance 31 December 2012 (Restated)	29,846,015	(12,107,847)	3,019,695	20,757,863
Balance 1 July 2013 (Restated)	29,846,015	(17,878,252)	2,303,074	14,270,837
Total comprehensive loss for the half-year	-	(2,784,318)	-	(2,784,318)
Balance 31 December 2013	29,846,015	(20,662,570)	2,303,074	11,486,519

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows

For the half-year ended 31 December 2013

Notes	Half-year	
	2013 \$	2012 \$
Cash flows from operating activities		
Receipts from customers	3,719,969	1,541,339
Payments to suppliers and employees	(3,529,689)	(4,502,289)
Interest received	35,202	149,375
Research and development tax incentive received	-	682,690
Net cash provided by / (used in) operating activities	225,482	(2,128,885)
Cash flows from investing activities		
Payments for plant and equipment	(1,408,229)	(2,138,866)
Proceeds from sale of plant and equipment	-	31,989
Exploration and evaluation expenditure	-	(73,050)
Net cash used in investing activities	(1,408,229)	(2,179,927)
Cash flows from financing activities		
Proceeds from issues of securities	-	4,854,229
Repayment of borrowings	-	(83,329)
Net cash provided by financing activities	-	4,770,900
Net increase/(decrease) in cash and cash equivalents held	(1,182,747)	462,088
Cash and cash equivalents at the beginning of the financial period	2,401,883	3,674,755
Effects of exchange rate changes on cash and cash equivalents	3,425	(24,085)
Cash and cash equivalents at the end of the financial period	1,222,561	4,112,038

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Financial Statements

For the period ended 31 December 2013

1 Basis of preparation of half- yearly report

(a) Interim Financial Reporting

This general purpose interim financial report for the half-year reporting period ended 31 December 2013 has been prepared in accordance with Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by MHM Metals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements, except as follows: The Group has adopted all of the new and revised Standards and Interpretations effective issued by the Australian Accounting Standards Board (the 'AASB') that are relevant to their operations and effective for the current half-year.

New and revised standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendment to Australian Accounting Standards arising from the consolidation and Joint Arrangement standards'.
- AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendment to Australian Accounting Standards arising from the consolidation and Joint Arrangement standards'.
- AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendment to Australian Accounting Standards arising from the consolidation and Joint Arrangement standards'.
- AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendment to Australian Accounting Standards arising from the consolidation and Joint Arrangement standards'.
- AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendment to Australian Accounting Standards arising from the consolidation and Joint Arrangement standards'.
- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting standards arising from AASB 13'.
- AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Amendments to Australian Accounting standards arising from AASB 119 (2011)'.
- AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'.
- AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'.
- AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'.

The new and revised standards did not have a material effect on the preparation of the financial statements or note disclosure.

Notes to the Condensed Consolidated Financial Statements

For the period ended 31 December 2013

(b) Reclassification of Comparatives

Comparatives have been reclassified to be consistent with the current year presentation. The reclassification has the following impact on the results presented for the half-year ended 31 December 2012:

Cost of sales increased by \$1,603,109
 Consultancy expenses increased by \$28,000
 Employee benefit costs reduced by \$780,000
 Other income and expenses reduced by \$851,109

2 Critical accounting estimates and judgements

Estimated Impairment of Property Plant and Equipment

In accordance with AASB 136 'Impairment of Assets', the Group assesses at each reporting date where there is an indication that an asset may be impaired. An asset is impaired if its carrying amount exceeds its recoverable amount which is the amount to be recovered through use or sale of the asset. During the six months ended 31 December 2013, Management has recorded an impairment charge of \$3,000,000 (Note 4 and Note 5).

3 Segment information

Management has determined the operating segments based on reports reviewed by the strategic steering committee, the chief operating decision maker.

The Group has one only reporting segment, aluminium salt slag processing. Although the Group owns property in Kentucky, USA, which it intends to develop, at present the Group operates only in Australia.

4 Impairment expense

As a result of the subsequent announcement from Alcoa (Inc.) (Note 10), the directors' have identified that the carrying amount of the Moolap property plant and equipment exceeded the recoverable amount and required to be written down by \$3,000,000. The recoverable amount of the relevant assets has been determined on the basis of their value in use and a discount rate of 12% per annum at 31 December 2013.

	Half-year	
	2013	2012
	\$	\$
Impairment of property, plant and equipment	3,000,000	-

Notes to the Condensed Consolidated Financial Statements

For the period ended 31 December 2013

5 Property, plant and equipment

	Land & buildings	Plant improvements	Plant & equipment	Motor vehicles	Total
At 30 June 2013 -restated					
Cost or fair value	2,687,294	864,476	11,109,599	72,506	14,733,875
Accumulated depreciation	(17,707)	-	(4,088,687)	(44,708)	(4,151,102)
Net book amount	2,669,587	864,476	7,020,912	27,798	10,582,773
Half-year ended 31 December 2013					
Opening net book amount	2,669,587	864,476	7,020,912	27,798	10,582,773
Additions	-	1,321,467	49,820	-	1,371,287
Transfers	-	(2,185,943)	2,185,943	-	-
Disposal / write off (Cost)	-	-	(548,581)	-	(548,581)
Disposal / write off (Acc. dep.)	-	-	548,581	-	548,581
Impairment	-	-	(3,000,000)	-	(3,000,000)
Depreciation charge	(5,174)	-	(1,009,041)	(7,259)	(1,021,474)
Closing net book amount	2,664,413	-	5,247,634	20,539	7,932,586
At 31 December 2013					
Cost or fair value	2,687,294	-	12,796,780	72,506	15,556,580
Accumulated depreciation	(22,881)	-	(7,549,146)	(51,967)	(7,623,994)
Net book amount	2,664,413	-	5,247,634	20,539	7,932,586

In accordance with AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', the prior period has been restated.

The adjustment reduces the opening written down value of Property, plant and equipment by \$390,001 at 30 June 2013. This increases accumulated losses by the same amount. This impact on the comparative period's loss per share was not material.

This represents depreciation not charged correctly in the years ended 30 June 2012 and 30 June 2013; any adjustment to other prior periods is not material to the financial statements.

In addition \$565,593 of cost and \$28,228 of accumulated amortisation related to intangible assets were reclassified from Plant Improvements and recognised separately on the statement of financial position at 30 June 2013.

Notes to the Condensed Consolidated Financial Statements

For the period ended 31 December 2013

6 Equity securities issued

(a) Contributed Equity	31 December 2013 Number	30 June 2013 Number	31 December 2013 \$	30 June 2013 \$
Ordinary shares – fully paid	130,218,145	130,218,145	29,816,015	29,816,015
Options – unlisted	4,990,000	6,990,000	30,000	30,000
			29,846,015	29,846,015

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

During the half-year ended 31 December 2013 no fully paid ordinary shares were issued.

(c) Options

At the end of the half-year, options over ordinary shares on issue are as shown below:

- 40,000 unlisted options exercisable at 25 cents and expiry 9 October 2014;
- 300,000 unlisted options exercisable at 100 cents and expiring 5 November 2014;
- 1,900,000 unlisted options exercisable at 28 cents and expiring 30 November 2014;
- 100,000 unlisted options exercisable at 28 cents and expiring 4 January 2015;
- 150,000 unlisted options exercisable at 85 cents and expiring 6 October 2015;
- 300,000 unlisted options exercisable at 180 cents and expiring 20 June 2016;
- 150,000 unlisted options exercisable at 100 cents and expiring 30 June 2016;
- 100,000 unlisted options exercisable at 126 cents and expiring 23 August 2016;
- 1,200,000 unlisted options exercisable at 171 cents and expiring 30 November 2016;
- 150,000 unlisted options exercisable at 135 cents and expiring 14 February 2017;
- 500,000 unlisted options exercisable at 100 cents and expiring 18 July 2017; and
- 100,000 unlisted options exercisable at 45 cents and expiring 13 November 2017.

Date	Details	Number of options	Issue price \$	\$
At the beginning of the period		6,990,000	-	30,000
Expired		(2,000,000)		
31 December 2013		4,990,000		30,000

Notes to the Condensed Consolidated Financial Statements

For the period ended 31 December 2013

7 Contingencies

Contingent Asset

The Company has commenced proceedings in the Federal Court, Victorian Registry, against its former Managing Director Mr. Frank Rogers, in respect of alleged breaches of the Corporations Act, 2001. The claim alleges irregular asset purchase transactions valued at approximately \$720,000. Based on proceedings to date, the directors believe that it is probable that their claim will be successful; however, the amount recoverable is presently uncertain. The date of the trial has been set down for 14 May 2014.

8 Related party transactions

Bonuses

Current period

No bonuses were paid to directors during the half-year to 31 December 2013.

Prior period

No bonuses were paid to directors during the half-year to 31 December 2012.

Options

Current period

No options were issued to related parties as compensation benefits during the half-year ended 31 December 2013.

The amount of options expensed for the half-year ended 31 December 2013 were Nil.

9 Dividends

No dividends were declared or paid during the half-year.

Notes to the Condensed Consolidated Financial Statements

For the period ended 31 December 2013

10 Events occurring after the reporting period

On Tuesday 18 February, Alcoa (Inc.) announced, inter alia, 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, Victoria, originates from Alcoa (Inc.)'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.

Due to this this, management determined that the facility at Moolap, Victoria, exhibited indicators of impairment under AASB 136 'Impairment of Assets', and has performed an assessment of the recoverable amount of the property, plant and equipment in accordance with those standards (Note 4). This resulted in an impairment expense of \$3,000,000 being recorded against the carrying amount of those assets.

MHM expects to continue to receive revenue from Alcoa (Inc.) for at least the remainder of calendar year 2014.

Directors' Declaration

For the half-year ended 31 December 2013

In the directors' opinion:

- (a) the financial statements and notes set out on pages 12 to 21 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the financial period ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to S.303(5) of the Corporations Act 2001.

On behalf of the directors.



Iain Kirkwood
Chairman

14 March 2014

Independent Auditor's Review Report to the members of MHM Metals Limited

We have reviewed the accompanying half-year financial report of MHM Metals Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2013, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 12 to 22.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MHM Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

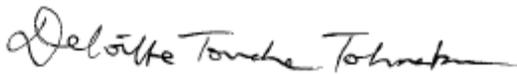
Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of MHM Metals Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

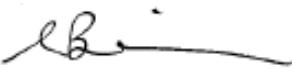
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MHM Metals Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Chris Biermann
Partner
Chartered Accountants
Melbourne, 14 March 2014