



ASX Announcement

Tuesday, 31 January 2017

MHM QUARTERLY ACTIVITIES REPORT

MHM Metals (ASX: MHM) ('the Company') is pleased to provide the following Quarterly Activities Report for the period ended 31 December 2016.

Corporate

During the quarter, the company announced the Company's wholly owned subsidiary Alreco Pty Ltd entered into a Deed of Settlement and Release with Alcoa in connection with the lease of the Hays Road property and the associated remediation obligation. The Deed of Settlement and Release was effected through payment by Alreco to Alcoa of \$1m AUD and Alcoa's discharge of its security over a \$350,000 AUD bank guarantee and the property at 80 Buckley Grove, Moolap held by Alreco.

A provision for this liability had already been accounted for in the company's 2016 Annual Report, in the amount of \$1m AUD.

On 15 November 2016 the company announced that it had entered into a merger term sheet with Alliance Mining Commodities Limited (AMC), a privately owned Bermudan company that owns a 90% interest in the world class Koumbia bauxite project in Republic of Guinea (the Koumbia Project). The proposed merger was mutually terminated on 12 December 2016.

On 15 December 2016 the company announced that Mercantile Investment Company Limited (**MVT**) had released an ASX announcement stating that it intends to make an off-market takeover bid for the shares in MHM. Subsequent to the end of the quarter and on 11 January 2017, the company received a Bidder's Statement from MVT, followed by a Supplementary Bidder's Statement, on 17 January 2017.

On 21 December 2016 the company announced the appointment of Mr Faldi Ismail, Mr Bryn Hardcastle and Mr Nicholas Young as Directors of the company and that Mr Joseph van den Elsen, Mr Francis DeSouza and Mr Paul Harley had resigned from the board.

The Company received approximately \$268,000 late in December 2016 relating to its Research and Development tax incentive claim for the 2015/2016 financial year.

Company Snapshot

Capital Structure

Ordinary shares on issue: 136,228,616

Directors

Faldi Ismail (Non- Executive Chairman)
Bryn Hardcastle (Non- Executive Director)
Nicholas Young (Non-Executive Director)

Company Secretary

Justin Mouchacca

On 23 December 2016 the company announced that it had settled the sale of the property, plant and equipment at 80 Buckley grove, Moolap for consideration of \$1. The sale was effected on a 'walk in, walk out basis', without representations and warranties on the part of the seller and with the buyer assuming responsibility for all potential liabilities connected to the property, including the legacy stockpiles.

Subsequent to the end of the quarter, the company announced the sale of the Executive 73 Vessel for net consideration of c\$380,000 USD.

Business Development

The company currently holds approximately 5.1 million shares in Kin Mining NL (ASX: KIN).

With its significant cash reserves, the Company continues to advance a number of potential opportunities it has identified where its balance sheet and management experience can be applied to add value to the benefit of MHM shareholders.

Trading in MHM shares will remain suspended on ASX until such time as the Company has identified a suitable new opportunity and has met the necessary requirements under ASX Listing Rule 11.1 that may apply in relation to that opportunity (including re-complying with Chapters 1 and 2 of the ASX Listing Rules, to the extent required).

END

For more information:

MHM Metals Limited
Faldi Ismail
Chairman
+61 (3) 9692 7222

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

MHM METALS LIMITED

ABN

41 124 212 175

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(97)	(166)
(e) administration and corporate costs	(339)	(699)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	17	94
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	268	268
1.8 Other (provide details if material)		
(a) GST refund	27	62
(b) legal settlement	-	75
(c) Remediation settlement	(1,000)	(1,000)
1.9 Net cash from / (used in) operating activities	(1,124)	(1,367)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) equity investments	-	(1,071)
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) equity investments	-	232
(d) other non-current assets	56	56
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	56	(783)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	-

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	6,378	7,484
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,124)	(1,367)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	56	(783)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	52	28
4.6	Cash and cash equivalents at end of period	5,362	5,362

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	5,362	6,000
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other	-	378
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,362*	6,378

* Further to the Company's ASX announcement on 12 January 2017, the Company settled the sale of the Executive 73 Vessel for net consideration of c\$380,000 which is not included in the above balance.

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	146
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Director's fees and Executive salaries paid during the December 2016 quarter, including consulting fees.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	
-	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
-		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	-
9.3 Production	-
9.4 Staff costs	60
9.5 Administration and corporate costs	300
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	360

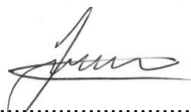
Mining exploration entity and oil and gas exploration entity quarterly report

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



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(Company secretary)

Date: 31 January 2017

Print name: Justin Mouchacca

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.