



ASX Announcement

For immediate release
Friday 31 October 2014

MHM QUARTERLY ACTIVITIES REPORT

September Quarter Financial Performance (unaudited)

Total cash sales receipts for the quarter were \$1.697 million.

There was a decrease of cash held for the quarter of \$0.322 million comprised of:-

| | |
|-------------------------|-------------------|
| Net Operating Cash Flow | (\$0.322 million) |
| Net Investing Cash Flow | (\$0.000 million) |

Cash on hand as at 30 September 2014 was \$2.104 million.

Projected cash sales receipts are expected to be \$1.54 million for FY15 Q2 (to the end of Dec-14) with outgoings anticipated to be \$1.54 million and no capex expenditure.

Production

Production for the quarter was 6,363 tonnes, a further improvement to 5,480 tonnes from the prior quarter. The plant continued to run well during the quarter and achieved a record week of 770 tonnes of salt slag treatment late in the quarter compared with an average of 422 tonnes per week in FY2015 to date.

The Company continues to work on optimising the process to ensure that it can deplete the stockpiles of untreated salt slag in the coming months. Current forecasts have the stockpiles of untreated salt slag treated by end of February barring any major breakdowns.

NMP sales (Q4)

For the quarter the company sold 1,052 tonnes of NMP, which was 58% below forecast. The Company continues to work with its current customers around future contracts and expects to increase its sales in the 2nd quarter of FY2015.

Legal

Judgement for the proceedings against the Company's former Managing Director, Frank Rogers, and Rogers Southern Pty Ltd were handed down in the Federal Court during the quarter. Judgement was made in favour of the Company for \$548,581 plus interest in the sum of \$241,262.10 plus costs. While costs to be recovered have yet to be finally determined, the Company estimates that the total amount owed to the Company is \$1,045,821.

Subsequent to end of the quarter, Mr Rogers and Rogers Southern Pty Ltd appealed the judgement. It is expected that the appeal will be heard during the 3rd quarter of FY 2015. In the meantime, the Court has ordered that Mr Rogers pay \$25,000 in security for MHM's costs of the Appeal by 5 December 2014, failing which the appeal to be dismissed. The Company remains confident as to the merits of its case and has instructed its lawyers to defend the appeal and to pursue recovery of the judgement in the event that the appeal is successfully defended.

Further, as announced on 22 September 2014, the Company has issued several demands seeking to recover substantial funds against a number of entities, including Project Development Corporation and its Joint Venture partners.

These claims, which total approximately \$5 million plus interest and legal costs, relate to alleged breaches of a number of agreements entered into by the MHM Metals group of companies concerning processing and sales, and technology licenses with Project Development Corporation and its joint venture partners.

As previously advised, the Company's demands were issued following investigation into a significant number of related party transactions and conflict of interest and duty issues, which raised serious disclosure and corporate governance concerns. The Company's legal advice is strong and the board intends to vigorously pursue these claims.

Strategic Review

During the quarter the results of the strategic review were determined and announced to the market. The conclusions of the strategic review were:

1. The ability of the Company continuing to work in the domestic waste sector treating salt slag is solely dependant on the outcome of decisions by Alcoa (and the EPA of Victoria) regarding the Alcoa landfill.
2. In the event that the Alcoa landfill opportunity does not eventuate, the Company will activate its plan to clean-up and remediate the Moolap site including the removal of all legacy stockpiles.
3. Expansion into USA (or other jurisdictions) is currently sub-economic even assuming the Company could secure the substantial capital investment. Accordingly, the directors have determined that it is in the best interests of the Company to sell Russellville property in Kentucky.

Alcoa Landfill

Subsequent to the end of the quarter, the Company announced that it would be closings its aluminium by-product treatment operations at Moolap, in south-east Geelong with operations to cease in the 3rd quarter of FY2015.

As reported in the Company Update on 30 September 2014, the ability for the Company to continue to treat salt slag in the domestic-waste sector depend solely on the outcome of decisions by Alcoa (and the EPA of Victoria) regarding the Alcoa landfill. The Company has now received confirmation that the Alcoa landfill is expected to remain in-situ.

The Company's last shipment of salt slag from Alcoa's Yennora plant in NSW is expected to take place in December 2014. The processing of this shipment, and the remaining legacy stockpile, is expected to be completed by early 2015. The Company will then undertake any necessary clean-up and remediation works on its Moolap site and to otherwise prepare all remaining assets, including the freehold property, for sale.

Future Business

During the strategic review, the Company documented and modelled its current process for the treatment of salt slag to allow it to roll out the process in the event it becomes attractive in the future. In addition, further work has been made on further value-adding the NMP in order to improve the economics of the operation in addition to determining whether the current plant has potential use for processing alternate materials. This work is ongoing and the Board is committed to ensuring that if further value can be extracted from the current process it will do so, if possible.

The Board will be examining all feasible business opportunities available to the Company. Importantly, the Company expects to have a positive cash position following the closure and clean-up of its Moolap operations and taking into account the subsequent sales of its remaining assets including freehold land in the USA and locally.

An update will be provided at the Company's AGM which will be held on Wednesday 26 November 2014.

END

For more information:

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Rule 5.5

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, 01/05/2013

Name of entity

MHM METALS LIMITED

ABN

41 124 212 175

Quarter ended ("current quarter")

30 September 2014

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date (.Three months) \$A'000 |
|---|-------------------------------|--|
| 1.1 Receipts from product sales and related debtors | 1,697 | 1,697 |
| 1.2 Payments for (a) exploration & evaluation (b) US development (c) production (d) administration | - (24) (1,673) (336) | - (24) (1,673) (336) |
| 1.3 Dividends received | | |
| 1.4 Interest received | 14 | 14 |
| 1.5 Interest and other costs of finance paid | | |
| 1.6 Income taxes paid | | |
| 1.7 Other (provide details if material) | | |
| Net Operating Cash Flows | (322) | (322) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets (i) Aluminium processing activities | - | - |
| 1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets | | |
| 1.10 Loans to other entities | | |
| 1.11 Loans repaid by other entities | | |
| 1.12 Other (provide details if material) | | |
| Net investing cash flows | - | - |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|------|---|-------|-------|
| 1.13 | Total operating and investing cash flows (carried forward) | (322) | (322) |
|------|---|-------|-------|

+ See chapter 19 for defined terms.

| | | | |
|------|--|-------|-------|
| 1.13 | Total operating and investing cash flows (brought forward) | (322) | (322) |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | | |
| 1.15 | Proceeds from sale of forfeited shares | | |
| 1.16 | Proceeds from borrowings | | |
| 1.17 | Repayment of borrowings | | |
| 1.18 | Dividends paid | | |
| 1.19 | Other (provide details if material) | | |
| | Net financing cash flows | - | - |
| | Net increase (decrease) in cash held | (322) | (322) |
| 1.20 | Cash at beginning of quarter/year to date | 2,426 | 2,426 |
| 1.21 | Exchange rate adjustments to item 1.20 | - | - |
| 1.22 | Cash at end of quarter | 2,104 | 2,104 |

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 93 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | - |

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

+ See chapter 19 for defined terms.

Appendix 5B Mining exploration entity quarterly report

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

| | Amount available \$A'000 | Amount used \$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities | Nil | Nil |
| 3.2 Credit standby arrangements | Nil | Nil |

Estimated cash outflows for next quarter

| | \$A'000 |
|--------------------------------|----------------|
| 4.1 Exploration and evaluation | - |
| 4.2 Development | - |
| 4.3 Production | (1,227) |
| 4.4 Administration | (317) |
| Total | (1,544) |

Reconciliation of cash

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | Curent quarter \$A'000 | Previous quarter \$A'000 |
|---|---------------------------|-----------------------------|
| 5.1 Cash on hand and at bank | 2,104 | 2,426 |
| 5.2 Deposits at call | | |
| 5.3 Bank overdraft | | |
| 5.4 Other (provide details) | | |
| Total: cash at end of quarter (item 1.22) | 2,104 | 2,426 |

+ See chapter 19 for defined terms.

Changes in interests in mining tenements and petroleum tenements

| | Tenement reference and location | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|-----|---|-------------------------------|----------------------------------|----------------------------|
| 6.1 | Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed | | | |
| 6.2 | Interests in mining tenements and petroleum tenements acquired or increased | | | |

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

| | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|-----|--|---------------|---|--|
| 7.1 | Preference securities <i>(description)</i> | | | |
| 7.2 | Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | | | |
| 7.3 | +Ordinary securities | 130,218,145 | 130,218,145 | |
| 7.4 | Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | | | |
| 7.5 | +Convertible debt securities <i>(description)</i> | | | |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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|------|---|--|--|-----------------------|--------------------|
| 7.6 | Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | | |
| 7.7 | Options (description and conversion factor) | | | <i>Exercise price</i> | <i>Expiry date</i> |
| | 1,900,000 | | | 28 cents | 30 November 2014 |
| | 100,000 | | | 28 cents | 4 January 2015 |
| | 300,000 | | | 85 cents | 6 October 2015 |
| | 300,000 | | | 180 cents | 20 June 2016 |
| | 150,000 | | | 100 cents | 30 June 2016 |
| | 100,000 | | | 126 cents | 23 August 2016 |
| | 300,000 | | | 100 cents | 5 November 2016 |
| | 1,450,000 | | | 171 cents | 29 November 2016 |
| | 150,000 | | | 135 cents | 14 February 2017 |
| | 500,000 | | | 100 cents | 18 July 2017 |
| | 100,000 | | | 45 cents | 18 December 2018 |
| 7.8 | Issued during quarter | | | | |
| 7.9 | Exercised during quarter | | | | |
| 7.10 | Expired during quarter | | | | |
| 7.11 | Debentures (totals only) | | | | |
| 7.12 | Unsecured notes (totals only) | | | | |

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does ~~not~~* (delete one) give a true and fair view of the matters disclosed.

Sign here: Date:
 (~~Director~~/Company secretary)

Print name:

+ See chapter 19 for defined terms.

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 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.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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