

Mercantile Investment Company Limited

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14 February 2017

The Manager
Company Announcements
ASX Limited

ASX ANNOUNCEMENT

Completion of Dispatch of Replacement Bidder's Statement - Off Market bid for MHM Metals Limited by Mercantile OFM Pty Limited

Further to the announcement made on 30 January 2017, we enclose, in accordance with item 8 of section 633(1) of the Corporations Act 2001 (Cth), a notice stating that Mercantile OFM Pty Ltd (ACN 120 221 623) has today completed sending its replacement bidder's statements to shareholders of MHM Metals Limited (ACN 124 212 175) (**MHM**) in relation to its off-market takeover bid for the shares in MHM.



Gabriel Radzyminski
Director

Mercantile OFM Pty Ltd

ACN 120 221 623

Company Notice – section 633(1) items 7, 8 and 9 Corporations Act 2001 (Cth)

Notice of completion of sending of Bidder's Statement and Offers

**To: MHM Metals Limited (ACN: 124 212 175)
Australian Securities and Investments Commission
ASX Limited**

Mercantile OFM Pty Ltd (ACN 120 221 623) (**Mercantile OFM**) gives notice that it has today completed sending its replacement bidder's statement dated 30 January 2017 (**Replacement Bidder's Statement**), which contains an offer dated 13 February 2017 (**Offer**) to all persons registered as the holder of ordinary shares in MHM Metals Limited (ACN: 124 212 175) (**MHM**), in the register of members of MHM, as at 7:00pm Sydney time on 16 January 2017.

A copy of the Replacement Bidder's Statement (which contains the Offer), together with the Chairman's letter and an Acceptance Form is attached to this notice.



Gabriel Radzynski

Director

Date: 14 February 2017

Bidder's Statement

for the

Off-market cash Offer

by

Mercantile OFM Pty Ltd (Mercantile OFM)
(ACN 120 221 623)

**Mercantile OFM is a wholly owned subsidiary of Mercantile
Investment Company Limited (MVT)**

(ACN 121 415 576)

(ASX Code MVT)

to acquire all the ordinary Shares in

MHM Metals Limited (MHM)

(ACN 124 212 175)

(ASX Code MHM)

at \$0.04 cash for each MHM Share

**ACCEPT THE FIRST AND
FINAL OFFER**

This is an important document and requires your immediate attention.

If you are in any doubt as to how to deal with it, you should consult your financial or other professional adviser.

To accept the Offer please complete the enclosed Acceptance Form and use the supplied paid envelope to return the completed Acceptance Form to us. An Acceptance Form will not be accepted if returned by fax or email.

The Offer is dated 13 February 2017 and will expire at 7.00pm (Sydney time) on 13 March 2017 (unless withdrawn or extended). ASIC takes no responsibility for this Bidder's Statement.

Summary of the Offer

The information set out below is only a summary of the Offer. You should read the entire Bidder's Statement before deciding whether to accept the Offer.

The Offer	Mercantile OFM is offering to acquire all of your MHM Shares. The Offer is final. Mercantile OFM will not increase the Offer Price under the Offer.
Offer Price	The Offer Price is \$0.04 cash per MHM Share.
Offer Period	The Offer is scheduled to close at 7pm (Sydney time) on 13 March 2017 (but it may be extended).
Why accept the Offer?	The Offer allows MHM Shareholders to sell all of their MHM Shareholding at a cash price that represents a 14.3% premium to \$0.035, the last price at which MHM Shares traded prior to the date of this Bidder's Statement.
Limited condition	<p>The only condition to the Offer is the Prescribed Occurrences.</p> <p>The Offer is not subject to approval by MHM Shareholders in a general meeting nor is there a minimum acceptance condition.</p>
Payment	<p>If you accept the Offer, you will be paid the cash proceeds, by the later of:</p> <ul style="list-style-type: none">(a) the date 1 month after you validly accept the Offer; and(b) 1 month after the date the Offer becomes or is declared unconditional, <p>but in any event (assuming the Offer becomes or is declared unconditional), no later than the date 21 days after the end of the Offer Period.</p>
Mercantile OFM existing shareholding in MHM	As at the date of the Offer, Mercantile OFM and its Associates have a Relevant Interest in 120,000 MHM Shares and Voting Power of 0.1%. See Section 8.3 for details.

The above information is a summary only of key elements of this Bidder's Statement. MHM Shareholders should read all of this Bidder's Statement before making any decision in relation to the Offer.

How to accept the Offer

There are different ways to accept the Offer depending on how you hold your MHM Shares. See Section 1.6 for details.

Why you should accept the Offer

1. Cash offer

The Offer is \$0.04 cash per MHM Share (**Offer Price**) and is for all of the MHM Shares that Mercantile OFM (and its Associates) does not already own.

MHM shares have been suspended from trading by ASX since 14 July 2016. On 23 December 2016, MHM announced that ASX had confirmed MHM shares would remain suspended from trading until MHM re-complies with Chapters 1 and 2 of the ASX listing rules.

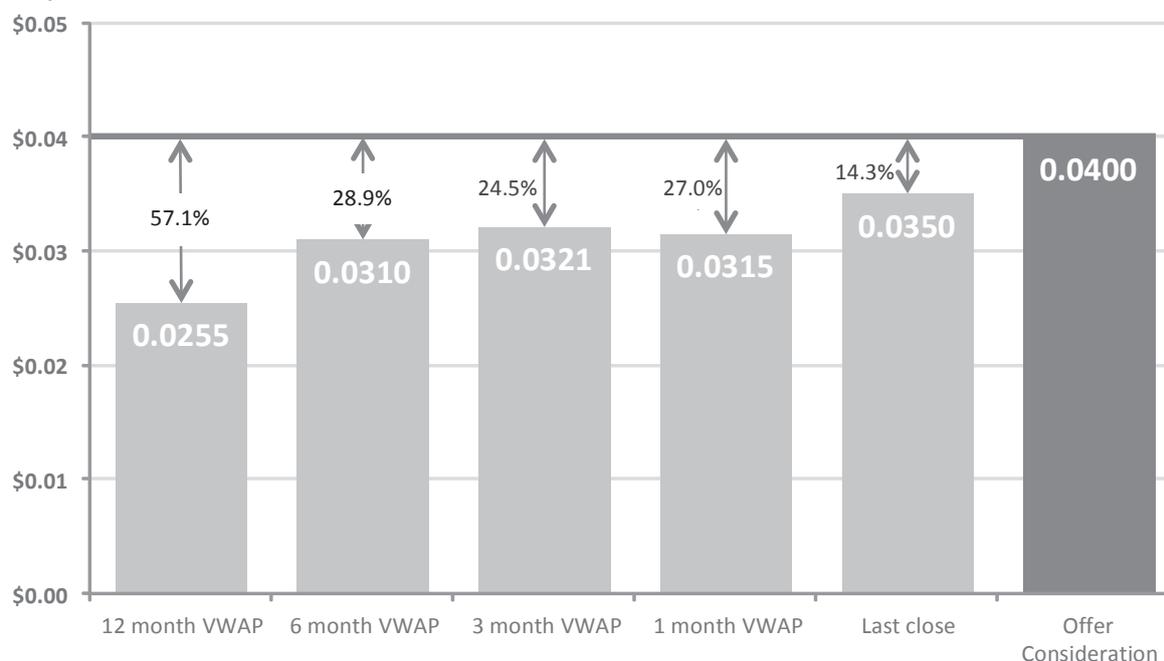
The Offer Price represents a 14.3% premium to \$0.035, the last price at which MHM Shares traded on ASX prior to the date of this Bidder's Statement.

The Offer Price is above the twelve month high closing price. In the twelve months prior to the suspension of trading of MHM shares by ASX, the highest closing price was \$0.039 per share.

Based on the price at which MHM Shares traded on-market on ASX up to and including 12 July 2016, being the last day the shares were traded prior to the ongoing suspension in the company's shares, the Offer Price represents a premium of:

- 14.3% to \$0.0350, the closing price of MHM Shares on the ASX on 12 July 2016;
- 27.0% to \$0.0315, the 1 month VWAP of MHM Shares;
- 24.5% to \$0.0321, the 3 month VWAP of MHM Shares;
- 28.9% to \$0.0310, the 6 month VWAP of MHM Shares; and
- 57.1% to \$0.0255, the 12 month VWAP of MHM Shares.

A\$ per MHM share



2. Cash paid under the offer provides certainty compared to retaining MHM Shares

The certainty of receiving \$0.04 cash per MHM Share should be considered against the risks and uncertainties of remaining an MHM Shareholder, including the uncertainty of MHM's ability to re-comply with Chapters 1 and 2 of the ASX Listing Rules and return to normal trading on ASX.

Further, there are risks specific to the process of re-complying with Chapters 1 and 2 of the ASX Listing Rules. These include the fact that:

- MHM shareholders face the prospect of their shareholding being diluted if MHM acquires a new business in its attempts to return to normal trading on ASX; and
- any such new business may not provide the expected returns from that acquisition.

THE OFFER IS FINAL. MERCANTILE OFM WILL NOT INCREASE THE OFFER PRICE UNDER THE OFFER.

3. The Offer provides certainty of value for all of your MHM Shares

The Offer is an offer to acquire all of your MHM Shares for cash.

While MHM Shares remain suspended from trading, there is no market for your shares.

4. You may not incur any brokerage costs in accepting the Offer

By accepting the Offer you will not incur any brokerage charges if your MHM Shares are registered in an issuer sponsored holding.

You may incur brokerage fees if you instruct your Controlling Participant to accept the Offer on your behalf.

5. Liquidity and ASX trading in MHM Shares

MHM shares have been suspended from trading by ASX since 14 July 2016. On 23 December 2016, MHM announced that MHM shares would remain suspended from trading until MHM re-complies with Chapters 1 and 2 of the ASX listing rules. The Offer allows MHM Shareholders to sell all of their MHM Shares in circumstances where MHM Shares are otherwise illiquid.

In the 12 month period up to 12 July 2016 (being the date of the last trade), the average daily value of MHM Shares traded on ASX was only \$2,143.

While MHM Shares remain suspended from trading, MHM Shareholders have limited or no opportunity to dispose of their MHM Shares.

6. There are risks of not accepting

After the Offer closes, there will be limited or no opportunity for MHM Shareholders to dispose of their MHM Shares while MHM Shares remain suspended from trading on ASX.

Depending on what level of acceptances Mercantile OFM receives, the market for your MHM Shares may be more illiquid after the Offer.

There have also been significant changes at the MHM Board since the start of December 2016. Recently all incumbent directors resigned and they have been replaced by new directors, none of whom hold any shares in MHM. We believe there are significant risks of conflicts of interest arising in these new circumstances, as these new directors have no apparent alignment of financial interests with current MHM Shareholders.

Publicly available information suggests that the new directors of MHM have entered into related party transactions upon becoming directors of other listed companies. Some examples are set out in

section 6.3. Whilst the newly appointed directors have not indicated they intend to enter into related party transactions with MHM, in Mercantile OFM's view, similar transactions may be proposed with MFM.

In addition, as at the date of this Bidder's Statement there have been no disclosures in respect to the arrangements in place between MHM and Otsana Capital, an entity associated with Chairman Faldi Ismail.

Mercantile OFM acknowledges that the new directors, appointed to fill casual board vacancies, will be required to submit themselves for re-election at the next Annual General Meeting. Mercantile OFM encourages MHM Shareholders to carefully consider the re-election of these directors at the next AGM.

If under the Offer Mercantile OFM acquires a Relevant Interest in at least 90% of MHM, it intends to exercise its entitlement to compulsorily acquire the remaining MHM Shares. If your MHM Shares are compulsorily acquired you will be paid later than MHM Shareholders who accept the Offer.

Important information

Important dates

Event	Date
Date of this replacement Bidder's Statement	30 January 2017
Dispatch of Bidder's Statement and Offer opens	13 February 2017
Date of Offer condition notice	6 March 2017
Close of Offer*	13 March 2017

* This date is indicative only and may be changed as permitted by the Corporations Act.

Bidder's Statement and Offer

This is a replacement Bidder's Statement dated 30 January 2017. It replaces the Bidder's Statement dated 10 January 2017 given by Mercantile OFM to MHM and each MHM Shareholder under Part 6.5 of Chapter 6 of the Corporations Act. This Bidder's Statement was approved by a unanimous resolution of the board of directors of Mercantile OFM. It includes an Offer for the MHM Shares dated 13 February 2017. The Offer relates to all MHM Shares that exist on 16 January 2017.

ASIC

A copy of this replacement Bidder's Statement was lodged with ASIC on 30 January 2017. This replacement Bidder's Statement replaces the original Bidder's Statement lodged with ASIC on 10 January 2017. It incorporates the original Bidder's Statement lodged with ASIC on 10 January 2017, the first supplementary Bidders Statement lodged on 17 January 2017 and the second supplementary Bidder's Statement lodged on 30 January 2017. Neither ASIC nor any of its officers takes any responsibility for the contents of this Bidder's Statement.

Investment decision

This is an important document. This Bidder's Statement does not take into account the individual investment objectives, financial situation or any particular needs of each MHM Shareholder or any other person. MHM Shareholders may wish to seek independent financial and taxation advice before making a decision as to whether to accept the Offer.

Disclaimer

Except for historical information contained in this Bidder's Statement, there may be matters discussed in this Bidder's Statement that are forward-looking statements. Such statements are only predictions and are subject to inherent risks and uncertainty. Those risks and uncertainties include factors and risks specific to the industry in which the Mercantile OFM and MHM operate as well as general economic conditions and prevailing exchange rates and interest rates. Actual events or results may differ materially. For a discussion of important risk factors which could cause actual results to differ materially from such forward-looking statements, refer to Section 6 of this Bidder's Statement.

None of the Mercantile OFM Directors, any person named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, except to the extent required by law.

Defined terms

Defined terms used in this Bidder's Statement are capitalised. Definitions of these terms are set out in Section 10. Unless the contrary intention appears, the context requires otherwise or words are defined in Section 10, words and phrases in the Bidder's Statement have the same meaning and interpretation as in the Corporations Act.

Sources of Information

Information included in this Bidder's Statement relating to MHM and its business has been derived solely from publicly available sources published by MHM, including annual and half yearly financial reports and ASX announcements. Information regarding any other listed company included in this Bidder's Statement has also been derived solely from publicly available sources published by those companies.

Subject to the foregoing and to the maximum extent permitted by law, Mercantile OFM and its Directors disclaim all liability for any information concerning MHM including in this Bidder's Statement. MHM Shareholders should form their own views concerning MHM from publicly available information.

Privacy

Mercantile OFM has collected your personal information from the register of MHM Shareholders for the purposes of making the Offer. The Corporations Act requires the names and addresses of MHM Shareholders to be held in a public register. Your information may be disclosed on a confidential basis to Mercantile OFM's related bodies corporate and its related bodies corporate, service providers and advisers, and may be required to be disclosed to regulators such as ASIC.

1. Main features of the Offer

This Section sets out a summary of the main features of the Offer. It is qualified by the detailed information contained in the remainder of the Bidder's Statement.

1.1. The Offer

The Offer is being undertaken by way of an off-market takeover bid. The Offer is a takeover offer for all of the issued Shares of MHM. Appendix A of this Bidder's Statement contains the terms of the Offer. The remainder of this Bidder's Statement contains other information known to Mercantile OFM which is relevant to your decision as to whether to accept or reject the Offer.

1.2. What is Mercantile OFM Offering for my MHM Shares?

The Offer is a cash offer of \$0.04 per MHM Share for all of the MHM Shares you own.

The Offer extends to MHM Shares on issue on 16 January 2017 not held by Mercantile OFM.

1.3. Is the Offer Price final?

Yes, the Offer Price of \$0.04 for each MHM Share is final.

Mercantile OFM will not increase the Offer Price payable under this Offer.

1.4. Foreign Shareholders

This Offer is not registered in any jurisdiction outside Australia (unless an applicable foreign law treats it as registered as a result of the Bidder's Statement being lodged with ASIC). It is your sole responsibility to satisfy yourself that you are permitted by any foreign law applicable to you to accept this Offer. See Appendix A of this Bidder's Statement for more information.

1.5. Will I pay any brokerage or stamp duty if I accept any of the Offer?

You will not pay brokerage or stamp duty as a result of accepting the Offer (you may incur brokerage fees if you choose to sell your MHM Shares on market or if you instruct your Controlling Participant to accept the Offer on your behalf).

1.6. When does the Offer close?

The Offer closes at 7.00pm (Sydney time) on 13 March 2017, unless extended or withdrawn in accordance with the Corporations Act.

At this point in time Mercantile OFM intends to proceed to compulsory acquisition of the remaining MHM Shares if it is entitled to do so under the Corporations Act.

1.7. How do I accept the Offer?

There are different ways to accept the Offer depending on how you hold your MHM Shares.

For CHESSE Holdings

Instruct your stockbroker or other Controlling Participant to initiate acceptance of the Offer on your behalf in sufficient time for the Offer to be accepted before the end of the Offer Period.

Alternatively, you may complete and sign the enclosed Acceptance Form in accordance with the instructions on that form and within this Bidder's Statement and return it so it is received before the end of the Offer Period to:

By post

**Mercantile OFM – MHM Offer
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235**

Hand delivery

**Mercantile OFM – MHM Offer
Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138**

An Acceptance Form will not be accepted if returned by fax or email.

For Issuer Sponsored Holdings

Complete and sign the accompanying Acceptance Form in accordance with instructions on that form and within this Bidder's Statement and return it so it is received before the end of the Offer Period to:

By post

**Mercantile OFM – MHM Offer
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235**

Hand delivery

**Mercantile OFM – MHM Offer
Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138**

An Acceptance Form will not be accepted if returned by fax or email.

The Acceptance Form

The Acceptance Form which accompanies this Bidder's Statement forms part of the Offer. The requirements on the Acceptance Form must be observed in accepting the Offer.

You may only accept the Offer for all of your MHM Shares.

1.8. Are there any Conditions to the Offer?

The only condition to the Offer is the Prescribed Occurrences. The Offer is subject to no other conditions. In particular, the Offer is not subject to approval by MHM Shareholders in general meeting.

1.9. When will I be paid my Offer Consideration?

Mercantile OFM will provide or procure the provision of the Offer Consideration for all Offers that are accepted on or before the later of:

- (a) the date 1 month after the date you validly accept this Offer; and
- (b) 1 month after the date the Offer becomes or is declared unconditional,

but in any event (assuming the Offer becomes or is declared unconditional), no later than the date 21 days after the end of the Offer Period.

1.10. What happens if I do not accept?

If Mercantile OFM does not compulsorily acquire your MHM Shares, unless you otherwise dispose of them, you will remain an MHM Shareholder.

A risk of remaining an MHM Shareholder is that while the Company remains suspended from trading by ASX it is difficult for MHM Shareholders to realise any value from their investment.

You should consider the potential risks of remaining a Shareholder in MHM as discussed in Section 6.

1.11. What are the tax consequences of the Offer?

Our understanding of the major tax implications for MHM Shareholders resident for tax purposes in Australia are summarised in Section 7.

Your personal financial and other circumstances will influence your taxation position. You should read Section 7 carefully and seek professional taxation advice if necessary.

1.12. Questions

If you have any enquiries about the Offer or its terms, please contact Mercantile OFM on (02) 8014 1188 between 9am and 5pm (Sydney time) Monday to Friday or submit your query in writing to Level 5, 139 Macquarie Street, Sydney NSW, 2000, by fax on 02 8084 9918, or consult your financial or other professional advisor.

2. About Mercantile OFM

2.1. Corporate

Mercantile OFM is a wholly owned subsidiary of Mercantile Investment Company Ltd (**MVT**). MVT is an ASX listed investment company trading under ASX code MVT.

2.2. Directors of Mercantile OFM and MVT

The Directors of Mercantile OFM are:

- Sir Ron Brierley – non-executive Chairman;
- Mr James Chirside – non-executive director; and
- Mr Gabriel Radzynimski – non-executive director.

The Directors of MVT are:

- Sir Ron Brierley – non-executive Chairman;
- Mr James Chirside – non-executive director;
- Mr Ron Langley – non-executive director;
- Mr Gabriel Radzynimski – executive director;
- Daniel Weiss – non-executive director; and
- Dr Gary Weiss – alternate director for Daniel Weiss.

2.3. Public announcements by MVT

MVT is a disclosing entity for the purposes of Section 111AC(1) of the Corporations Act and as such, is subject to regular reporting and disclosure obligations. Broadly, these obligations require MVT to:

- (a) prepare and lodge with the ASX both yearly and half-yearly financial statements accompanied by a directors' statement and report and an audit or review report; and
- (b) immediately notify the ASX of any information concerning MVT of which it is, or becomes, aware and which a reasonable person would expect to have a material effect on the price or value of securities in MVT, subject to certain limited exceptions related mainly to confidential information.

Copies of documents lodged at the ASIC in relation to MVT may be obtained from or inspected at an office of ASIC. Copies of documents lodged with the ASX in relation to MVT may be obtained from the ASX website (www.asx.com.au).

2.4. Benefits for MHM Shareholders

The key benefit for MHM Shareholders accepting the Offer is that they will be able to realise \$0.04 per MHM Share for all of their MHM Shareholding, in cash. This will allow all MHM Shareholders seeking to exit their investment in MHM to obtain \$0.04 cash per MHM Share.

The Offer provides shareholders with much needed liquidity for their shares. MHM shares have been suspended from trading by ASX since 14 July 2016. MHM Shareholders who accept this Offer will no longer be exposed to the risks and uncertainties of remaining an MHM shareholder.

3. MHM

3.1. Disclaimer

The following description of MHM and the financial information concerning MHM contained in this Section 3 have been prepared by Mercantile OFM using publicly available information. Information in this document concerning MHM's business has not been independently verified and Mercantile OFM has not conducted any due diligence on MHM or MHM's business. To the extent permitted by law, Mercantile OFM does not make any representation or warranty, express or implied, as to the currency, accuracy or completeness of such information.

The primary sources of information about MHM's business used by Mercantile OFM are as follows:

- MHM's annual and half-year financial reports;
- MHM's ASX announcements; and
- MHM's website.

3.2. Overview of MHM and its main undertaking

MHM has disposed of its main undertaking, and as a result has been suspended from trading by ASX. MHM has announced that MHM will remain suspended from trading until it re-complies with Chapters 1 and 2 of ASX Listing Rules. In practice, this means MHM needs to find a new main undertaking that is approved by MHM shareholders (as well as other ASX Listing Rule requirements) in order to satisfy Chapters 1 and 2 of ASX Listing Rules.

MHM describes its principal activities in the 2016 Annual Report as being:

- the wind-down of its aluminium salt slag processing and production of Non Metallic Product (NMP) for sale to domestic and overseas customers; and
- Review of new opportunities capable of increasing overall shareholder value.

On 23 December 2016, MHM announced the settlement of the sale of the property at 80 Buckley Grove. MHM describes this as finalising "the Company's interests in the Moolap region and in the aluminium recycling industry." As a consequence, it would appear that MHM's principal activities are now solely the review of new opportunities.

3.3. MHM Board changes

Since 2 December 2016, MHM has undergone 11 board changes:

Date	Director	Change
2 Dec 2016	Mr Paul Kopejtka	Resigned
2 Dec 2016	Mr Christopher Goodman	Resigned
2 Dec 2016	Mr Joseph van den Elsen	Resigned as Managing Director (remains as a non-executive director)
2 Dec 2016	Mr Paul Harley	Appointed
7 Dec 2016	Mr Paul DeSouza	Appointed
21 Dec 2016	Mr Joseph van den Elsen	Resigned
21 Dec 2016	Mr Paul Harley	Resigned
21 Dec 2016	Mr Paul DeSouza	Resigned
21 Dec 2016	Mr Faldi Ismail	Appointed

21 Dec 2016	Mr Byrn Hardcastle	Appointed
21 Dec 2016	Mr Nicholas Young	Appointed

3.4. Directors

As at the date of this Bidder's Statement, there are 3 MHM Directors, being:

- Mr Faldi Ismail (Non-executive Chairman);
- Mr Bryn Hardcastle (Non-executive director); and
- Mr Nicholas Young (Non-Executive director).

3.5. Major MHM Shareholders

As at the date of this Bidder's Statement, substantial shareholder notices received by MHM and released to the market through ASX disclose the following substantial shareholders:

Name	Number of Shares	Percentage of issued capital
Invia Custodian Pty Limited <NJ Family A/C Share A/C>	14,592,325	10.71%
Brazil Farming Pty Ltd	11,011,717	8.08%
Mr Paul Kopejtka & Mrs Karen Kopejtka <Kopejtka Family A/C>	9,651,011	7.08%
Guacamaya Holdings Inc	9,411,688	6.91%

3.6. Overview of MHM's historical financial performance

A summary of the historical consolidated financial performance of MHM and its previously controlled entities since 1 July 2011 is set out below¹:

A\$	30-Jun-16	30-Jun-15	30-Jun-14	30-Jun-13	30-Jun-12
Sales Revenue	365,498	32,834	7,191,006	4,712,795	3,976,648
Net loss before tax ²	4,904,898	(1,675,246)	(9,448,487)	(7,017,641)	(7,066,521)
Net loss after tax ²	4,904,898	(3,945,600)	(6,892,234)	(7,017,641)	(6,152,728)

Notes:

- The information in the table above has been drawn from the 2016 Annual Report, page 11.
- The Net loss before and after tax figure for the period ended 30 June 2016 includes a Research and Development Tax Incentive Refund of \$5,667,734 claimed for eligible expenditure incurred in prior years.

3.7. MHM commentary on financial results

MHM's historical financial results have no bearing on its future prospects, other than, perhaps, the ability to recoup the \$24.5 million of losses it has incurred to 30 June 2016. Today, MHM has no main undertaking and its principal activities are the "review of new opportunities capable of increasing overall shareholder value."

The new directors have not publically indicated their plans for managing the expenses of MHM. There are also no details provided regarding the commercial arrangements with Otsana Capital, of which the new Chairman, Mr Faldi Ismail is both “founder and operator.” MHM Shareholders should carefully consider section 6.3, which outlines Mr Ismail’s and Mr Bryn Hardcastle’s related party arrangements with other ASX listed companies of which they have become directors.

3.8. ASX Announcements and ASIC disclosure

MHM is a disclosing entity for the purposes of Section 111AC(1) of the Corporations Act and as such, is subject to regular reporting and disclosure obligations. Broadly, these obligations require MHM to:

- (a) prepare and lodge with ASIC both yearly and half-yearly financial statements accompanied by a directors’ statement and report and an audit or review report; and
- (b) immediately notify the ASX of any information concerning MHM of which it is, or becomes, aware and which a reasonable person would expect to have a material effect on the price or value of securities in MHM, subject to certain limited exceptions related mainly to confidential information.

Copies of documents lodged at ASIC in relation to MHM may be obtained from or inspected at an office of ASIC. Copies of documents lodged with the ASX in relation to the Company may be obtained from, or inspected at, an office of the ASX.

Since announcing its annual report for the year ended 30 June 2016, MHM has issued the following announcements to the ASX:

Date	Announcement
17-Jan-17	MVT: Supplementary Bidder's Statement
16-Jan-17	Results of Annual General Meeting
12-Jan-17	Sale of Executive 73 Vessel
11-Jan-17	Receipt of Bidder's Statement
11-Jan-17	MVT: Bidder's Statement
30-Dec-16	Addendum to Notice of Annual General Meeting
23-Dec-16	Alreco Update - Sale of Moolap Property
21-Dec-16	Final Director's Interest Notices x3
21-Dec-16	Initial Director's Interest Notices x3
21-Dec-16	Shareholder Update and Board Changes
16-Dec-16	Response to Proposed Takeover by Mercantile Investment Co
16-Dec-16	2016 Notice of Annual General Meeting/Proxy Form
16-Dec-16	AGM Update
15-Dec-16	Response to Announcement by Mercantile Investment Company
15-Dec-16	MVT: Intention to Make Takeover Bid - MHM Update
15-Dec-16	Becoming a substantial holder
15-Dec-16	Change of Director's Interest Notice
15-Dec-16	MVT: Intention to Make Takeover Bid - MHM
12-Dec-16	Mutual Termination of Proposed Merger with AMC
07-Dec-16	Initial Director's Interest Notice
07-Dec-16	Appointment of Director
02-Dec-16	Final Director's Interest Notice

02-Dec-16 Final Director's Interest Notice
02-Dec-16 Initial Director's Interest Notice
02-Dec-16 Board Changes and AGM Update
25-Nov-16 Change to Annual General Meeting Date
15-Nov-16 Clarification to ASX Announcement
15-Nov-16 Proposed merger with Alliance Mining Commodities Limited
31-Oct-16 September 2016 Quarterly Activities & Cashflow Reports
28-Oct-16 Sale of Executive 73 Vessel Update
27-Oct-16 Notice of Annual General Meeting/Proxy Form
21-Oct-16 Alreco Update
12-Oct-16 Alreco Update
30-Sep-16 Appendix 4G and Corporate Governance Statement

4. Mercantile OFM's Intentions

4.1. General

This Section 4 sets out Mercantile OFM's intention in relation to:

- the continuation of the MHM business;
- any significant changes to be made to the MHM business, including any redeployment of MHM's fixed assets; and
- the future employment of MHM's employees.

Mercantile OFM's intentions are based on the information known and the circumstances that exist at the date of this Bidder's Statement.

Mercantile OFM has reviewed information in the public domain concerning MHM, its business and the general business environment in which it operates. Based on its review of that material, and on its current assessment of MHM's operations, Mercantile OFM's intentions in relation to MHM are summarised below. Statements set out in this Section are statements of current intentions only, which may change as new information becomes available or circumstances change.

4.2. Rationale for the Offer

MHM has no main undertaking and has been suspended from trading by ASX since 14 July 2016. It has undergone significant board changes since 2 December 2016 (and indeed has been through a tumultuous period since late 2013). MHM Shares have not traded at the Offer Price of \$0.04 per share since 9 September 2014. The Offer Price represents a 14.3% premium to the last closing price of MHM Shares of \$0.035 per share prior to their suspension by ASX on 14 July 2016.

Mercantile OFM believes the Offer provides all MHM Shareholders much needed liquidity for all their MHM Shares. Mercantile OFM believes that if MHM continues down its current path, existing MHM Shareholders will suffer a slow, inexorable decline in the value of their investment. The Offer provides a real, clear, present alternative to this scenario.

The Offer provides all MHM Shareholders with an opportunity to realise their investment in MHM Shares for \$0.04 cash per MHM Share in a timely manner. In the absence of the Offer, MHM Shareholders will have to be prepared to remain in a company that (even in an unlisted form) will likely incur disproportionate compliance costs, including directors' fees and audit costs.

4.3. Strategic review

As Mercantile OFM does not currently have access to all material information, facts and circumstances which it considers necessary to assess the operational, commercial, taxation and financial implications of its current intentions, final decisions on these matters have not been made. Upon completion of the Offer, Mercantile OFM proposes to conduct a review of MHM's strategy, operations, activities, assets and employees in light of the information that then becomes available (**Review**).

Final decisions will only be reached in light of all material facts and circumstances. Accordingly, the statements set out in this Section are statements of current intention only which may change as new information becomes available or circumstances change. Until the Review is concluded no decisions will be made on the business activities MHM may undertake following completion of the Offer. As far as Mercantile OFM is aware, MHM is currently not operating any business undertaking. Subject to the Review, Mercantile OFM's current intention may be to use the Company as an investment entity. This intention may change after the Review.

As far as Mercantile OFM is aware, there are no employees of MHM. Mercantile OFM's current intentions in relation to the directors of MHM are set out below.

At this stage, no decision has been made to retain or dispose of any assets held by MHM.

4.4. Mercantile OFM's intentions upon acquisition of 90% or more of MHM Shares

This Section sets out Mercantile OFM's intentions if it acquires 90% or more of MHM Shares and becomes entitled to proceed to compulsory acquisition under the Corporations Act for the MHM Shares.

- (a) At this point in time Mercantile OFM intends to proceed to compulsory acquisition of the remaining MHM Shares if it is entitled to do so under the Corporations Act.
- (b) Mercantile OFM will seek to remove MHM from the Official List, if MHM Shareholders have not already approved delisting prior to the close of the Offer.
- (c) Mercantile OFM intends to replace all non-executive members of the MHM Board with nominees of Mercantile OFM. If Mercantile OFM does not proceed with compulsory acquisition of the MHM Shares it does not own, it will undertake the actions referred to in Section 4.5(b).
- (d) Mercantile OFM intends to undertake the Review.
- (e) Subject to the outcome of the Review, given that MHM presently has no main undertaking, Mercantile OFM expects to incorporate MHM as a wholly owned subsidiary.
- (f) Mercantile OFM may, at some later time, acquire further MHM Shares in a manner consistent with the Corporations Act.

4.5. Mercantile OFM's intentions upon acquisition of 50.1% or more but less than 90% of MHM Shares

This Section sets out Mercantile OFM's intentions if, by virtue of acceptance of the Offer, Mercantile OFM was to gain effective control of MHM without becoming entitled to compulsorily acquire the outstanding MHM Shares.

In the event that Mercantile OFM achieves a Relevant Interest in MHM of 50.1% or more but less than 90%, Mercantile OFM's current intentions are as set out below.

- (a) MHM will become a controlled entity of Mercantile OFM.
- (b) Subject to the Corporations Act and the Review, Mercantile OFM proposes to seek the appointment of a majority of Mercantile OFM nominees to the MHM Board although it has not made any decision as to who would be nominated for appointment. Mercantile OFM will seek to remove MHM from the Official List, if MHM Shareholders have not already approved delisting prior to the close of the Offer.
- (c) Mercantile OFM intends to undertake the Review.
- (d) Mercantile OFM intends to undertake the activities referred to in Sections 4.4(e) and 4.4(f) to the extent permitted by its control of MHM.
- (e) Mercantile OFM may, at some later time, acquire further MHM Shares in a manner consistent with the Corporations Act.
- (f) If Mercantile OFM becomes entitled at some later time to exercise general compulsory acquisition rights under Part 6A.2 of the Corporations Act, it may exercise those rights.

4.6. Mercantile OFM's intentions upon acquisition of at least 50% of MHM Shares

If Mercantile OFM does not achieve a Relevant Interest in MHM of at least 50%, Mercantile OFM will endeavour, to the extent possible through its non-controlling holding of MHM Shares, to give effect to the intentions set out in Sections 4.5(b) - 4.5(f). However, Mercantile OFM considers that its ability to effect the intentions set out in Sections 4.5(b), 4.5(d) and 4.5(e) will be significantly limited if Mercantile OFM is unable to achieve a Relevant Interest in MHM of at least 50%.

Mercantile OFM may consider acquiring additional MHM Shares under the "creep" provisions of Item 9 in Section 611 of the Corporations Act (which provides that Mercantile OFM and its Associates may acquire up to 3% of MHM Shares every 6 months) until it achieves a majority Voting Power. Mercantile OFM has not yet decided whether it will acquire further MHM Shares as this will depend upon the extent to which Mercantile OFM has the capacity to acquire further MHM Shares and market conditions at that time.

4.7. Intentions generally

Except for the changes and intentions set out in Section 4, Mercantile OFM intends, based on the information presently known to it to continue MHM's wind-down strategy, to the extent there remain any matters outstanding in relation to the wind down of the previous main undertaking.

4.8. Limitations on intentions

The intentions and statements of future conduct set out in this Section 4 must be read as being subject to:

- the law (including the Corporations Act) and the Listing Rules, including in particular the requirements of the Corporations Act and the Listing Rules in relation to conflicts of interest and "related party" transactions given that, if Mercantile OFM gains control of MHM but does not acquire all of the MHM Shares, it will be treated as a related party of MHM for these purposes;
- the legal obligation of the MHM Board at the time, including any nominees of Mercantile OFM, to act in good faith and the best interests of MHM and for proper purposes and to have regard to the interest of all MHM Shareholders (in which regard the role of independent directors of MHM will also be important); and
- the outcome of the Review.

5. Sources of Bid consideration

5.1. Consideration under the Offer

The total amount that Mercantile OFM would be required to pay for MHM Shares if Mercantile OFM acquires all of the MHM Shares on issue on the date of this Bidder's Statement in which it does not have a Relevant Interest is \$5,444,345.

5.2. Commitment of Mercantile OFM funding

Mercantile OFM has received a letter of commitment from MVT, under which MVT has committed to loan Mercantile OFM, on an unsecured basis, the funds necessary to pay the Offer consideration. This loan must be repaid by Mercantile OFM one year after the closing date of the Offer. Interest on this loan will accrue at the Reserve Bank of Australia cash rate. MVT holds in excess of \$15 million in cash as at the date of this Bidder's Statement.

Funds made available to Mercantile OFM under that Commitment Letter:

- are immediately available and are not subject to any conditions or limitations to drawdown;
- may be repaid at any time without penalty;
- are not subject to termination conditions; and
- are sufficient to fund the maximum available amount of consideration payable under the Offer and all associated transaction costs.

The Offer is not subject to a financing condition.

6. Risk factors

6.1. Risk factors associated with selling MHM Shares

MHM Shareholders who accept the Offer will receive cash as their Offer Consideration. Those who accept the Offer will no longer be exposed to the risks associated with successfully realising MHM's assets.

6.2. Risks relating to the Offer

The following risk factors may arise as a result of the Offer and the acquisition of MHM Shares by Mercantile OFM.

MHM information

In preparing the information on MHM included in this Bidder's Statement, Mercantile OFM has relied only on publicly available information. Mercantile OFM has not otherwise had direct access to MHM directors or its auditors. In addition, it is possible that additional risks may exist in relation to MHM's businesses which are unknown to Mercantile OFM.

Minority Shareholders in MHM

If you do not accept the Offer you may, depending on the level of acceptance of the Offer, become part of a minority in MHM. In such a case, the liquidity of MHM Shares may be diminished, should MHM be able to comply with Chapters 1 & 2 of ASX Listing Rules and return to normal trading.

As a minority investor, you may be exposed to the risks of any new main undertaking in which MHM engages.

Taxation risks

Tax liabilities are the responsibility of each individual investor, and Mercantile OFM is not responsible either for taxation or penalties incurred by MHM Shareholders. MHM Shareholders should consult their own taxation advisers to ascertain the tax implications of their investment.

Taxation considerations

The effects of taxation can be complex and may change over time. A summary of the current Australian income tax implications associated with acceptance of the Offer is outlined in Section 7. However, this summary is general in nature and, as the circumstances for each MHM Shareholder may vary. MHM Shareholders should seek professional taxation advice in relation to their own position.

This list is not exhaustive and MHM Shareholders should read this Bidder's Statement in full. If MHM Shareholders require further information on these risks, they should seek professional advice.

Ability to exercise effective control

Mercantile OFM may acquire the ability to effectively control all decisions regarding MHM's future operations. This will be dependent upon the level of acceptances of the Offer and any other MHM Shares that may be acquired by Mercantile OFM on-market or otherwise in accordance with the Corporations Act.

Potential impact on subsequent bids

Mercantile OFM's shareholding may become of such a size that a third party would not be able to successfully make a takeover bid for MHM without the support of Mercantile OFM, meaning that it may be less likely that MHM's Share price will reflect a control premium in the future.

Potential reduced liquidity if MHM Shares ever resume trading

If MHM Shares ever resume trading, the liquidity of MHM Shares may be lower than they are at present if MHM Shareholders accept the Offer.

6.3. Specific risks relating to retaining MHM Shares

Search for a new main undertaking

Irrespective of the outcome of the Offer, MHM Shareholders will retain exposure to the risks associated with MHM's attempts to find a new main undertaking.

During 2016, MHM twice attempted to establishing a new main undertaking, first the Brightstar Gold Project joint venture and then the proposed merger with (or more accurately, the reverse takeover of) Alliance Mining Commodities Limited. MHM failed to implement both transactions successfully. In addition, MHM made an indicative non-binding proposal to merge with KIN Mining NL; the proposal was rejected.

These failed attempts to implement transactions highlight that there are difficulties and risks associated with attempting to find a new main undertaking.

Investors should appreciate that owning MHM Shares involves various risks which can be broadly categorised into general investment risks and specific business risks.

Value of the MHM "Shell"

MHM is reviewing "new opportunities capable of increasing shareholder value." In Mercantile OFM's opinion this effectively means MHM Directors are looking to sell control of MHM to the shareholders of another business that will want MHM's cash and ASX listing (provided MHM is capable of complying with Chapters 1 & 2 of the ASX Listing Rules. Commonly known as "backdoor listings" or "reverse takeovers" of a listed company (or "shell"), In the past, such transactions were often seen as a faster, more cost effect way of smaller businesses or ventures to gain access to an ASX listing.

ASX has recently tightened the requirements and criteria for such transactions, which have removed much of the perceived benefits of "backdoor listing." Mercantile OFM believes that these changes are likely to have reduced the value that would be imputed to the listed company shell, and hence MHM's existing shareholders. Further, it is Mercantile OFM's view that more businesses which seek ASX listing will undertake initial public offerings (and all the compliance requirements this entails). Mercantile OFM notes that its views on the prospects of a back door listing are based solely on its view of the likelihood of a successful transaction; Mercantile OFM's views may be proved incorrect.

Related party transaction risks

Publicly available information suggests that the new directors of MHM have entered into related party transactions upon becoming directors of other listed companies. Some examples are set out below. Whilst the newly appointed directors have not indicated they intend to enter into related party transactions with MHM, in Mercantile OFM's view, similar transactions may be proposed with MFM.

CRE8TEK LIMITED

Mr Faldi Ismail is a director and Mr Bryn Hardcastle is chairman of Cre8tek Limited (CR8).

In its prospectus dated 8 December 2015, CR8 disclosed it had entered into the following related party transactions with Mr Ismail:

- A lead manager/corporate advisor mandate with Otsana Capital. Mr Faldi Ismail is a director and controlling shareholder of Otsana Capital.
 - The company will engage Otsana as a corporate advisor for a period of 12 months.

- Otsana will be entitled to a 2% advisory fee on all monies raised, excluding any monies raised or contributed directly by anyone that the Company or its shareholders have solicited themselves during the course of the transaction. In addition, the company will pay up to an additional 4% on any capital raised by Otsana or any AFSL holders that Otsana introduces.
- The company will pay Otsana a fee of \$45,000 for Otsana's re-compliance project management services.

In addition, subject to shareholder approval, 10,000,000 Options may be issued to Otsana or its nominees for capital raising and lead manager services.

- A lease agreement with Adamantium Holdings Pty Ltd, an entity controlled by Mr Faldi Ismail. A monthly rent of \$1,000 plus GST is payable. In addition, a monthly fee of \$500 plus GST is payable as the fee for the registered office of principal place of business.
- A corporate services agreement with Onyx Corporate Pty Ltd, an entity in which Mr Faldi Ismail holds a minority interest, for the provision of accounting and book keeping services to the company. The consultancy fee under the agreement is \$3,000 per month plus GST. Another MHM director, Mr Nicholas Young, is also a director of Onyx Corporate.

In its FY16 Annual Report, CR8 disclosed it had entered into a related party transaction with Mr Bryn Hardcastle related to the provision of legal services, in the amount of \$119,555 by Bellanhouse Legal. Mr Bryn Hardcastle is the controlling shareholder of Bellanhouse Legal.

The related party transactions described above are in addition to the annual salary (\$36,000) and performance rights (10,000,000) that Mr Hardcastle and Mr Ismail have been awarded as directors of that company.

OOKAMI LIMITED

Mr Faldi Ismail is non-executive chairman of Ookami Limited (OOK).

In its prospectus dated 23 November 2015, OOK disclosed it had entered into the following related party transactions with Mr Ismail:

- A lead manager/corporate advisor mandate with Otsana Capital. Mr Faldi Ismail is a director and controlling shareholder of Otsana Capital.
 - The company will engage Otsana as a corporate advisor for a period of 12 months.
 - Otsana will be entitled to a 2% advisory fee on all monies raised, excluding any monies raised or contributed directly by anyone that the Company or its shareholders have solicited themselves during the course of the transaction. In addition, the company will pay up to an additional 4% on any capital raised by Otsana or any AFSL holders that Otsana introduces.

In addition, subject to shareholder approval, 5,000,000 Options may be issued to Otsana or its nominees for capital raising and lead manager services.

- A lease agreement with Adamantium Holdings Pty Ltd, an entity controlled by Mr Faldi Ismail. A monthly rent of \$1,000 plus GST is payable. In addition, a monthly fee of \$500 plus GST is payable as the fee for the registered office of principal place of business.
- A corporate services agreement with Onyx Corporate Pty Ltd, an entity in which Mr Faldi Ismail holds a minority interest, for the provision of accounting and book keeping services to the company. The consultancy fee under the agreement is \$3,000 per month plus GST. Another MHM director, Mr Nicholas Young, is also a director of Onyx Corporate.

- A Consultancy Services Agreement – Chief Technology Officer with Mr Zaakir Ismail, the brother of Mr Faldi Ismail. The fees under the agreement are \$60,000 per annum for a period of 24 months. Mr Zaakir Ismail was the sole director and indirect controlling shareholder of Investia, an entity acquired by OOK. Mr Zaakir Ismail is also an executive at Otsana Capital, the entity of which his brother, Mr Faldi Ismail, is a director and controlling shareholder.

The related party transactions described above are in addition to the annual salary (\$24,000) and performance rights (9,000,000) that Mr Faldi Ismail has been awarded as a director of the company.

DOTZ NANO LIMITED

Mr Faldi Ismail is non-executive chairman of Dotz Nano Limited (DTZ).

In its prospectus dated 24 August 2016, DTZ disclosed it had entered into the following related party transactions with Mr Ismail:

- A lead manager/corporate advisor mandate with Otsana Capital. Mr Faldi Ismail is a director and controlling shareholder of Otsana Capital.
 - The company will retain Otsana as a corporate advisor for a period of 12 months, for cash fees of \$10,000 per month plus GST.
 - Otsana will be entitled to a 2% advisory fee on all monies raised, excluding any monies raised or contributed directly by anyone that the Company or its shareholders have solicited themselves during the course of the transaction. In addition, the company will pay up to an additional 4% on any capital raised by Otsana or any AFSL holders that Otsana introduces.
 - The company will pay Otsana a fee of \$135,000 for Otsana's re-compliance project management services.

The company has also agreed to issue up to 750,000 shares and up to 2,000,000 Options to Otsana or its nominees for capital raising and lead manager services.

- A lease agreement with Adamantium Holdings Pty Ltd, an entity controlled by Mr Faldi Ismail. A monthly rent of \$1,500 plus GST is payable. In addition, a monthly fee of \$500 plus GST is payable as the fee for the registered office of principal place of business.
- A corporate services agreement with Onyx Corporate Pty Ltd, an entity in which Mr Faldi Ismail holds a minority interest, for the provision of accounting and book keeping services to the company. The consultancy fee under the agreement is \$5,000 per month plus GST. Another MHM director, Mr Nicholas Young, is also a director of Onyx Corporate.

The related party transactions described above are in addition to the annual salary (\$100,000) that Mr Ismail has been awarded as a director of the company.

6.4. General risks relating to retaining MHM Shares

An outline of some of the general business risks facing MHM are as set out below:

MHM Shareholders should be aware that retaining MHM Shares involves various risks. There are general risks associated with owning securities in publicly listed companies. The price of securities can go down as well as up due to factors outside the control of MHM. These factors include Australian and worldwide economic and political stability, natural disaster, performance of the Australian stock market as a whole, and the Australian interest rates, foreign exchange, taxation and labour relations environments.

These are risks that are considered beyond the control of MHM.

Possible volatility of MHM Share price, should it resume trading

The stock market has from time to time experienced significant price and volume fluctuations, which may be unrelated to the operating performance of particular companies. While MHM remain suspended, it may be difficult for MHM Shareholders to ascertain a “market price” for their shares. Mercantile OFM believes the Offer represents such a price at which all MHM shareholders can exit their investment, while there remains no ready market for MHM Shares.

The market price of MHM Shares may be volatile and may go down as well as up. Factors that may have a significant impact on the market price and marketability of MHM Shares include announcements as to government regulation, variation in interest rates, the activities of any competitors, economic and other external factors, as well as fluctuations in MHM’s operating results.

Macroeconomic risks

The general state of the Australian and international economies as well as changes in taxation, monetary policy, interest rates, statutory requirements and currency exchange rates may influence the financial performance of MHM, and may affect the value of MHM Shares.

Regulatory changes

Changes to the regulatory environment, including ASX, the Corporations Act and ASIC policy and their commercial application may have a material adverse effect on a MHM Shareholder’s investment in MHM Shares or otherwise have a material adverse effect on MHM’s business and financial position. In particular, ASX has recently raised the thresholds for what are commonly known as “backdoor listings,” having the effect of making these more difficult to achieve, and as a result less attractive to companies seeking listing. See below for more details on these risks.

6.5. Note on risk factors

The above list of general and specific risk factors should not be taken as exhaustive of the risks faced by MHM or by MHM Shareholders. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of MHM and the value of the MHM Shares.

7. Taxation implications

7.1. Introduction

The following is a broad outline of the principal Australian income tax consequences for Australian resident individual and company MHM Shareholders associated with acceptance of the Offer. This outline is not exhaustive of all possible income tax considerations that could apply to MHM Shareholders. There are a number of limitations to the outline including that:

- it applies only to Australian resident individual and company taxpayers. It does not cover the tax treatment for any other classes of taxpayers including individuals who are non-residents of Australia for tax purposes, insurance organisations, superannuation funds, trusts or employees of MHM who acquired their MHM Shares in respect of their employment;
- it applies only where MHM Shareholders hold their MHM Shares on capital account. It does not apply where the MHM Shares are held on revenue account (e.g. Shares held by MHM Shareholders who trade in Securities or hold MHM Share as trading stock); and
- it is based on Australian tax law in effect at the date of this Bidder's Statement. It does not consider or anticipate any changes in the law (including changes to legislation, judicial authority or administrative practice).

Mercantile OFM and its advisers do not accept any liability or responsibility in respect of any statement concerning the taxation consequences of the Offer or in respect of the taxation consequences themselves. All MHM Shareholders, and particularly those MHM Shareholders whose situation is not addressed in this outline as noted above, should consult their own independent professional tax advisers regarding the tax consequences of disposing of MHM Shares.

7.2. Acceptance of the Offer and disposal of MHM Shares

The disposal of MHM Shares by an MHM Shareholder under the Offer constitutes a Capital Gains Tax (CGT) event for Australian income tax purposes.

MHM Shareholders may realise a capital gain or a capital loss in respect of the disposal of their MHM Shares.

In certain circumstances, MHM Shareholders may be eligible to apply the CGT discount to reduce their assessable capital gain (the eligibility requirements for the CGT discount are discussed in the following paragraphs). The relevant rate of the CGT discount is 50% for individuals, and 33^{1/3}% for complying superannuation funds.

Any capital gain realised in respect of the disposal of the MHM Shares should be included in the MHM Shareholder's assessable income in the tax year in which the Offer is accepted (unless the resulting capital gains are completely offset against other capital losses of the MHM Shareholder). Capital losses may be applied against any other capital gains derived by the MHM Shareholder in the same year. Any unapplied capital losses may be carried forward to be applied against future capital gains.

The availability of indexation or a CGT discount in calculating the amount of the capital gains included in assessable income depends on the date of acquisition of the MHM Shares whether the Shareholders are companies or individuals and the choice made by these MHM Shareholders.

If MHM Shares are held by an individual and:

- they were acquired after 11.45am on 21 September 1999; and
- have been held for more than 12 months before the date on which the MHM Shareholder accepted the Offer,

then the CGT discount referred to above should generally be available.

There is no entitlement to indexation of the cost base for the MHM Shareholder in these circumstances.

It should be noted that the CGT discount is not available where MHM Shares are held by a company.

All MHM Shareholders should obtain their own independent professional taxation advice.

7.3. Stamp duty

All Australian States and Territories currently exempt the transfer of shares quoted on a recognised stock exchange from stamp duty. Therefore, no stamp duty should be payable on the transfer of MHM Shares under the Offer.

7.4. GST

On the basis of current GST law, the disposal of MHM Shares under the Offer would not be subject to GST, with the exception of GST payable on any brokerage charged for carrying out your instructions.

8. Information on MHM Securities

8.1. MHM capital structure

As at the date of this Bidder's Statement, there are 136,228,616 MHM Shares on issue.

As at the date of this Bidder's Statement, there are 750,000 MHM Options over unissued MHM shares on issue, with exercise prices between \$0.45 and \$1.35 per share and maturities between 14 February 2017 and 13 November 2017.

8.2. MHM Share trading

MHM Shares have been suspended from trading by ASX since 14 July 2016.

In the 12 month period to 12 July 2016, the date that MHM shares last traded, the average daily value of MHM Shares traded on ASX was only \$2,143.

Over the 12 months to 12 July 2016, the last day that MHM Shares traded before they were suspended, MHM Shares have traded in the range of \$0.026 to \$0.039.

As MHM Shares have been suspended there is no highest price, lowest price or VWAP data for any period in the last 6 months.

8.3. Interests of Mercantile OFM and Associates in MHM

As at the date immediately before preparation of this Bidder's Statement for printing, Mercantile OFM has a Relevant Interest in 120,000 MHM Shares.

Accordingly, as at the date immediately before preparation of this Bidder's Statement for printing, Mercantile OFM and its Associates have Voting Power in MHM of 0.1%.

8.4. No collateral benefits

Except as set out below, neither Mercantile OFM nor any of its Associates has, during the period of four months ending on the day immediately before the preparation of this Bidder's Statement for printing, given, or offered or agreed to give, a benefit to another person likely to induce the other person, or an Associate, to:

- accept the Offer; or
- dispose of MHM Shares,

which benefit was not offered to all MHM Shareholders under the Offer.

8.5. No escalation agreements

Neither Mercantile OFM nor any of its Associates has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

8.6. MHM Shares

In the 4 months prior to the date immediately before preparation of this Bidder's Statement for printing, there have been no dealings in MHM Shares by Mercantile OFM, its Associates, Mercantile OFM's Directors or their related entities.

9. Additional information

9.1. Condition

The Offer is only conditional on the Prescribed Occurrences.

9.2. Date for determining holders of MHM Shares

For the purposes of section 633 of the Corporations Act, the date for determining the people to whom information is to be sent under items 6 and 12 of section 633(1) is 16 January 2017.

9.3. ASIC modifications and exemptions

ASIC has published various other class order instruments providing for modifications and exemptions that apply generally.

Mercantile OFM has relied, under Class Order 13/521 "Takeover bids" by ASIC, on the modifications to Section 624(2) of the Corporations Act, by paragraphs 4(f) and (g) of the Class Order. These paragraphs are concerned with clarifying the timing issues related to the closing time for offer periods that are automatically extended under the Corporations Act.

Mercantile OFM will make available a copy of the documents containing these statements (or relevant extracts from these documents), free of charge to MHM Shareholders who request them before the end of the Offer Period. To obtain a copy of these documents (or the relevant extracts) MHM Shareholders should contact Mercantile OFM on (02) 8014 1188 between 9am and 5pm (Sydney time) Monday to Friday.

9.4. Consents

MVT has given and before lodgement of this Bidder's Statement has not withdrawn its written consent to be named in the form and context in which it is named.

KardosScanlan Pty Limited has given and before lodgement of this Bidder's Statement has not withdrawn its written consent to be named as legal adviser to the Offer in the form and context in which it is named.

Link Market Services Limited has given and before lodgement of this Bidder's Statement has not withdrawn its written consent to be named as registrar for the Offer in the form and context in which it is named.

Each of MVT, KardosScanlan Pty Limited and Link Market Services Limited:

- (a) has not authorised or caused the issue of the Bidder's Statement;
- (b) does not make, or purport to make, any statement in this Bidder's Statement other than as specified in this Section; and
- (c) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding and takes no responsibility for, any part of this Bidder's Statement other than the reference to its name and the statements (if any) included in this Bidder's Statement with the consent of that party as specified in this Section.

In addition, this Bidder's Statement includes statements which are made in, or based on statements made in documents lodged with ASIC or given to ASX. Under ASIC Class Order CO 13/521, the makers of those statements are not required to consent to, and have not consented to, inclusion of those statements in this Bidder's Statement. If you would like to receive a copy of any of those documents (free of charge) please contact Mercantile OFM by fax on 02 8084 9918 or in writing at Level 5, 139 Macquarie Street, Sydney NSW, 2000.

9.5. Other material information

There is no other information material to the making of a decision by an offeree whether or not to accept an Offer (being information that is known to Mercantile OFM and has not previously been disclosed to the holders of MHM Shares) other than as disclosed in this Bidder's Statement.

10. Definitions and interpretation

10.1. Definitions

The following defined terms are used throughout this Bidder's Statement unless the context otherwise requires. These terms are used throughout this Bidder's Statement.

\$	Australian Dollars.
Acceptance Form	The acceptance form for the Offer accompanying this Bidder's Statement.
Announcement Date	15 December 2016 being the date on which Mercantile OFM announced that it intended to undertake an off-market takeover bid for MHM.
ASIC	Australian Securities and Investments Commission.
Associate	Has the same meaning given to that term in section 9 of the Corporations Act.
ASX	ASX Limited (ABN 98 008 624 691) or the financial products market, Australian Securities Exchange, as the context requires.
ASX Settlement	ASX Settlement Pty Limited (ACN 008 504 532), the body which administers the CHES system in Australia.
ASX Settlement Operating Rules	The settlement rules of ASX Settlement, a copy of which is available at www.asx.com.au .
Bidder's Statement	This replacement bidder's statement dated 30 January 2017.
Broker	A person who is a share broker and a participant in CHES.
Business Day	Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.
CGT	Capital gains tax.
CHES	The Clearing House Electronic Sub-register System, which provides for electronic share transfer in Australia.
CHES Holder	A person who has a CHES Holding.
CHES Holding	A holding of MHM Shares on the CHES subregister of MHM.
Condition	The condition of the Offer being the condition set out in Clause 7 of Appendix A.
controlled entity	Has the meaning given to that word in the Corporations Act.
Controlling Participant	The Broker who is designated as the controlling participant for Shares in a CHES Holding in accordance with the ASX Settlement Operating Rules.
Corporations Act	The Corporations Act 2001 (Cth).
Encumbrance	An interest or power:

- (a) reserved in or over an interest in any asset including, without limitation, any retention of title; or
- (b) created or otherwise arising in or over any interest in any asset under a bill of sale, mortgage, charge, lien, pledge, trust or power,

by way of security for the payment of a debt, any other monetary obligation or the performance of any other obligation and includes, without limitation, any agreement to grant or create any of the above.

Foreign Law	A law of any jurisdiction other than an Australian jurisdiction.
Foreign Shareholder	Any MHM Shareholder whose address in MHM's register of members is a place outside Australia and its external territories, to whom it is unlawful for the Mercantile OFM to make the Offer or for whom it is unlawful to accept the Offer.
Governmental Agency	Any government, semi-government, administrative, fiscal, judicial or regulatory body, department, commission, authority, tribunal, agency or entity.
Mercantile OFM Director	A director of Mercantile OFM.
MHM Board	The board of Directors of MHM.
MHM Director	A director of MHM.
MHM Share	An ordinary Share in MHM.
MHM Shareholder	A registered holder of MHM Shares.
MHM Shareholding	The MHM Shares which a MHM Shareholder is recorded on the register of members of MHM as holding.
MVT Director	A director of MVT.
MVT	Mercantile Investment Company Limited (ACN 120 221 623).
Offer	The offer to acquire MHM Shares set out in Appendix A sent or to be sent to the holders of MHM Shares (or persons entitled to receive those offers under the Corporations Act).
Offer Consideration	Consideration offered by Mercantile OFM for MHM Shares, being \$0.04 per MHM Share.
Offer Period	The period for which the Offer remains open as set out in Section 2 of Appendix A.
Prescribed Occurrences	The events referred to in Section 652C(1) and (2) of the Corporations Act.
Registry	Link Market Services Limited (ACN 083 214 537).
Relevant Interest	Has the same meaning given to that term in sections 608 and 609 of the Corporations Act.
Rights	All accretions, rights or benefits of whatever kind attaching to or arising from MHM Shares directly or indirectly after the date of this Bidder's Statement, including, without limitation, all dividends,

distributions, and all rights to receive dividends, distributions or to receive or subscribe for Securities, stock, shares, notes, bonds, options or other securities, declared, paid or issued by MHM or any of its controlled entities.

Security

Has the meaning as given in Section 92 of the Corporations Act.

Voting Power

Has the same meaning given to that term in section 610 of the Corporations Act.

11. Interpretation

In this Bidder's Statement, unless the context requires otherwise:

- (a) a reference to a word includes the singular and the plural of the word and vice versa;
- (b) a reference to a person in this Bidder's Statement or any other document or agreement includes its successors and permitted assigns;
- (c) a reference to a gender includes any gender;
- (d) a reference to an item in a Section, Schedule, Annexure or Appendix is a reference to an item in the section of or schedule, annexure or appendix to this Bidder's Statement and references to this Bidder's Statement include its schedules and any annexures;
- (e) if a word or phrase is defined, then other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;
- (f) a term which refers to a natural person includes a company, a partnership, an association, a corporation, a body corporate, a joint venture or a Governmental Agency;
- (g) headings are included for convenience only and do not affect interpretation;
- (h) a reference to a document or agreement including this Bidder's Statement, includes a reference to that document or agreement as amended, novated, supplemented, varied or replaced from time to time;
- (i) a reference to a thing includes a part of that thing and includes but is not limited to a right;
- (j) the terms "included", "including" and similar expressions when introducing a list of items do not exclude a reference to other items of the same class or genus;
- (k) a reference to a statute or statutory provision includes but is not limited to:
 - (i) a statute or statutory provision which amends, extends, consolidates or replaces the statute or statutory provision;
 - (ii) a statute or statutory provision which has been amended, extended, consolidated or replaced by the statute or statutory provision; and
 - (iii) subordinate legislation made under the statute or statutory provision including but not limited to an order, regulation, or instrument;
- (l) reference to "\$", "A\$", "Australian Dollars" or "dollars" is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia; and
- (m) a reference to an asset includes all property or title of any nature including but not limited to a business, a right, a revenue and a benefit, whether beneficial, legal or otherwise.

12. Approval of Bidder's Statement

This bidder's statement has been approved by a unanimous resolution of the Mercantile OFM Directors.

Dated 30 January 2017

Signed

A handwritten signature in black ink, appearing to read 'G Radzynski', written over a light grey rectangular background.

For and on behalf of Mercantile OFM Pty Ltd.

Gabriel Radzynski

Director

Appendix A

Terms of Offer

1. Mercantile OFM's Offer

- 1.1 Mercantile OFM offers to acquire your MHM Shares on the terms and conditions of this Offer. You may only accept this Offer in respect of all of your MHM Shares. The consideration being offered by Mercantile OFM is \$0.04 for each MHM Share acquired under this Offer.
- 1.2 If you accept this Offer and Mercantile OFM acquires your MHM Shares, Mercantile OFM is also entitled to any Rights in respect of those of your MHM Shares acquired by Mercantile OFM.
- 1.3 This Offer is final. Mercantile OFM will not increase the Offer Price under the Offer.

2. Offer Period

Unless withdrawn, this Offer remains open for acceptance during the period commencing on 13 February 2017 and ending at 7:00pm on 13 March 2017 Sydney time, subject to any extension of that period in accordance with the Corporations Act.

3. Who may accept

- 3.1 An offer in the form of this Offer is being made to:
- (a) each holder of MHM Shares registered in the register of members of MHM at 7:00pm Sydney time on 16 January 2017; and
 - (b) each other holder of MHM Shares who become so registered before the end of the Offer Period.
- 3.2 If at the time this Offer is made to you another person is, or at any time during the Offer Period and before this Offer is accepted becomes, the holder of any of your MHM Shares (**transferred Shares**), Mercantile OFM is deemed, in place of this Offer, to have made at that time a corresponding Offer on the same terms and conditions:
- (a) to the other person, relating to the transferred Shares; and
 - (b) to you, relating to your MHM Shares other than the transferred Shares (if any).
- 3.3 If at any time during the Offer Period and before this Offer is accepted, you hold your MHM Shares in two or more distinct portions (for example, you hold some as trustee, nominee or otherwise on account of another person) within the meaning of Section 653B of the Corporations Act:
- (a) this Offer is deemed to consist of a separate corresponding Offer to you in relation to each distinct portion of your MHM Shares;
 - (b) to accept any of those corresponding Offers, you must specify:
 - (i) by written notice accompanying your Acceptance Form; or
 - (ii) if the notice relates to MHM Shares in a CHESS Holding, in an electronic form approved by the ASX Settlement Operating Rules,
 that your MHM Shares consist of distinct portions and the number of the MHM Shares to which the acceptance relates; and

- (c) otherwise, Section 653B of the Corporations Act applies to this Offer in respect of your MHM Shares and any acceptance of this Offer by you.

4. How to accept this Offer

- 4.1 You may accept this Offer only in respect of all of your MHM Shares.
- 4.2 You may only accept this Offer during the Offer Period.
- 4.3 If your MHM Shares are held in a CHES Holding, you can only accept this Offer in accordance with the ASX Settlement Operating Rules.
- 4.4 To accept this Offer, you should proceed as follows:
 - (a) you may complete and sign the Acceptance Form in accordance with the instructions on the Acceptance Form and the Bidder's Statement and return it, so that the envelope in which they are sent is received by Mercantile OFM in accordance with the Acceptance Form before the end of the Offer Period; and
 - (b) if your MHM Shares are held in a CHES Holding (as an alternative to completing the Acceptance Form) you may either:
 - (i) instruct your Controlling Participant to initiate acceptance of the Offer in accordance with Rule 14.4 of the ASX Settlement Operating Rules before the end of the Offer Period; or
 - (ii) if you are a Broker or an ASX Settlement Participant, initiate acceptance of the Offer in accordance with the requirements of the ASX Settlement Operating Rules before the end of the Offer Period.

5. Effect of acceptance

- 5.1 By accepting the Offer in accordance with Clause 4, you will have:
 - (a) accepted this Offer in respect of all of your MHM Shares;
 - (b) agreed to transfer your MHM Shares to Mercantile OFM (subject to this Offer and the contract resulting from your acceptance of it becoming unconditional);
 - (c) represented and warranted to Mercantile OFM that your MHM Shares will at the time of acceptance of this Offer and at the time of their transfer to Mercantile OFM be fully paid up and that Mercantile OFM will acquire good title to and beneficial ownership of your MHM Shares free from all Encumbrances and other adverse third party interests of any kind;
 - (d) on the Offer or the contract resulting from your acceptance of the Offer becoming unconditional, irrevocably appointed Mercantile OFM and each of its directors, secretaries and officers severally from time to time as your attorney to do all things which you could lawfully do in relation to your MHM Shares or in exercise of any right derived from the holding of such MHM Shares, including without limitation:
 - (i) attending and voting at any general meeting of MHM;
 - (ii) notifying MHM that your address in the records of MHM for all purposes including the dispatch of notices of meeting, annual reports and dividends should be altered to an address nominated by Mercantile OFM;

- (iii) do all things necessary to effect the transfer of your MHM Shares on the same terms and conditions set out in the Offer, legally and beneficially to Mercantile OFM; and
- (iv) doing all things incidental and ancillary to any of the above.

This appointment terminates on the registration of Mercantile OFM as the registered holder of your MHM Shares;

Mercantile OFM must indemnify you and keep you indemnified in respect of all costs, expenses and obligations which might otherwise be incurred or undertaken as a result of the exercise by an attorney of any powers under this Clause 5.1(d);

- (e) agreed that in exercising the powers conferred by the power of attorney under Clause 5.1(d) the attorney may act in the interests of Mercantile OFM as the intended registered holder and beneficial holder of those MHM Shares;
- (f) agreed not to attend or vote in person at any general meeting of MHM or to exercise or purport to exercise any of the powers conferred on an attorney under Clause 5.1(d);
- (g) represented and warranted to Mercantile OFM that the making of the Offer to you and your acceptance of this Offer is lawful under any Foreign Law which applies to you, to the making of this Offer or to your acceptance of this Offer;
- (h) agree to indemnify Mercantile OFM and MHM fully in respect of any claim, demand, action, suit or proceeding made or brought against MHM and any loss, expense, damage or liability whatsoever suffered or incurred by Mercantile OFM, in each case as a result of any representation or warranty made by you not being true;
- (i) if and when the contract resulting from your acceptance of the Offer becomes unconditional (even though Mercantile OFM has not yet provided the consideration due to you) you authorise Mercantile OFM to transmit a message to ASX Settlement in accordance with Rule 14.17.1 of the ASX Settlement Operating Rules so as to enter those of your MHM Shares which are CHESS Holdings into the Mercantile OFM Takeover Transferee Holding; and
- (j) if and when the contract resulting from your acceptance of this Offer becomes unconditional (even though Mercantile OFM has not provided the Consideration due to you) you authorise Mercantile OFM to enter those of your MHM Shares which are Issuer Sponsored Holdings into the name of Mercantile OFM.

5.2 By completing, signing and returning the Acceptance Form, you will also have:

- (a) authorised Mercantile OFM and each of its directors, secretaries, officers, servants and agents severally to complete the Acceptance Form by correcting any errors in or omissions from the Acceptance Form as may be necessary for either or both of the following purposes:
 - (i) to make the Acceptance Form an effectual acceptance of this Offer; and
 - (ii) to enable registration of the transfer to Mercantile OFM of your MHM Shares; and
- (b) authorised Mercantile OFM and each of its directors, secretaries, officers, servants, and agents severally on your behalf to initiate acceptance or instruct your Controlling Participant to initiate acceptance in accordance with Rule 14.14 of the ASX Settlement Operating Rules.

5.3 Mercantile OFM may at any time in its absolute discretion:

- (a) treat the receipt by it of an Acceptance Form during the Offer Period as a valid acceptance although any of the other requirements for a valid acceptance have not been complied with; and
- (b) where you have satisfied the requirements for acceptance in respect of only some of your MHM Shares, treat the acceptance as a valid acceptance only in respect of those MHM Shares.

5.4 In respect of any part of an acceptance treated by Mercantile OFM as valid, Mercantile OFM must provide you with the relevant consideration in accordance with Clause 6.1.

6. Consideration for your MHM Shares

6.1 Subject to Clauses 6.2 and 6.4 of this Offer, if you accept this Offer and the contract resulting from your acceptance of this Offer becomes unconditional, Mercantile OFM will pay to you the Offer Consideration to which you are entitled by the later of:

- (a) the date 1 month after the date you validly accept this Offer; and
- (b) 1 month after the date the Offer becomes or is declared unconditional,

but in any event (assuming the Offer becomes or is declared unconditional), no later than the date 21 days after the end of the Offer Period.

6.2 If you accept the Offer and you are a Foreign Shareholder, you are not entitled to receive the Offer Consideration unless and until all requisite authorities or clearances have been obtained from the Reserve Bank of Australia and or the Australian Taxation Office. Refer to Clause 6.9 of this Offer for further information.

6.3 Notwithstanding anything else in the Bidder's Statement, Mercantile OFM is under no obligation to spend any money, or undertake any action, in order to satisfy themselves of the eligibility of Foreign Shareholders to receive the Offer Consideration as set out in this Clause 6.2.

6.4 Where the Acceptance Form or any subsequent request from Mercantile OFM requires additional documents to be given with your acceptance (such as a certified copy of any of a power of attorney, grant of probate or letters of administration, or any other document requested by Mercantile OFM to give better effect to your acceptance):

- (a) if the documents are given with your acceptance, Mercantile OFM will provide the Offer Consideration in accordance with Clause 6.1 of this Offer;
- (b) if the documents are given after acceptance and before the end of the Offer Period and this Offer is subject to a defeating condition at the time that Mercantile OFM is given the documents, Mercantile OFM will provide the Offer Consideration by the end of whichever of the following periods ends earlier:
 - (i) one month after the contract resulting from your acceptance of this Offer becomes unconditional; and
 - (ii) 21 days after the end of the Offer Period; or
- (c) if the documents are given after acceptance and before the end of the Offer Period and this Offer is unconditional at the time that Mercantile OFM is given the documents, Mercantile OFM will provide the Offer Consideration by the end of whichever of the following periods ends earlier:
 - (i) one month after Mercantile OFM is given the documents; and
 - (ii) 21 days after the end of the Offer Period.

6.5 If you do not provide Mercantile OFM with the required additional documents within one month after the end of the Offer Period, Mercantile OFM may, in its sole discretion, rescind the contract resulting from your acceptance of this Offer.

6.6 If Mercantile OFM becomes entitled to any Rights as a result of your acceptance of this Offer, it may require you to give Mercantile OFM all documents necessary to vest those Rights in Mercantile OFM or otherwise to give Mercantile OFM the benefit or value of those Rights. If you do not give those documents to Mercantile OFM, or if you have received the benefit of those Rights, then Mercantile OFM may reduce the Offer Consideration to which you are otherwise entitled under this Offer by the amount equal to the value, (as reasonably assessed by Mercantile OFM), of those Rights.

6.7 If:

- (a) you have (or any previous holder of your MHM Shares has) received the benefit of any Rights (whether in respect of non-cash benefits or otherwise); or
- (b) you are (or any previous holder of your MHM Shares is) entitled to receive the benefit of any Rights under the terms that provide for or otherwise apply to those Rights (for example, if the Right is to receive a dividend, if you are (or any previous holder of your MHM Shares is) the registered holder of the Shares at the specified time for determining those entitled to the distribution); or
- (c) your MHM Shares were issued (or otherwise came into existence) on or after the record date in respect of any Rights to MHM Shareholders,

then Mercantile OFM may reduce the Offer Consideration to be paid to you under this Offer by the value (as reasonably assessed by Mercantile OFM) of such Rights.

6.8 If Mercantile OFM does not, or cannot, make such a reduction, you must pay such value or amount to Mercantile OFM.

6.9 If, at the time of acceptance of this Offer, any consent, authority or clearance of the Reserve Bank of Australia and/or the Australian Taxation Office is required for you to receive any consideration under this Offer or you are resident in or a resident of a place to which, or you are a person to whom:

- (a) the Banking (Foreign Exchange) Regulations 1959 (Cth);
- (b) Part 4 of the Charter of the United Nations Act 1945 (Cth);
- (c) the Charter of the United Nations (Dealing with Assets) Regulations 2008 (Cth);
- (d) Part 9 of the Anti-Money Laundering And Counter-Terrorism Financing Act 2006 (Cth);
- (e) any other regulations made under Part 4 of the *Charter of the United Nations Act 1945* (Cth); or
- (f) any other law of Australia that would make it unlawful for Mercantile OFM to provide Consideration for your MHM Shares,

applies, then acceptance of this Offer will not create or transfer to you any right (contractual or contingent) to receive (and you will not be entitled to receive) any consideration under this Offer unless and until all requisite consents, authorities or clearances have been obtained.

7. Condition of this Offer

7.1 This Offer and the contract that results from acceptance of this Offer are each subject to the fulfilment of the following condition:

“No Prescribed Occurrences: none of the following happens during the period commencing on the Announcement Date and ending on the expiry of the Offer Period (each being a separate condition):

- (a) the shares of MHM or any of the Controlled Entities of MHM are converted into a larger or smaller number of shares;
- (b) MHM or a subsidiary of MHM resolves to reduce its share capital in any way;
- (c) MHM or a subsidiary of MHM:
 - i. enters into a buy-back agreement; or
 - ii. resolves to approve the terms of a buy-back agreement under sections 257C or 257D of the Corporations Act;
- (d) MHM or a subsidiary of MHM makes an issue of or grants an option to subscribe for any of its Securities or agrees to make such an issue or grant such an option;
- (e) MHM or a subsidiary of MHM issues or agrees to issue convertible notes;
- (f) MHM or a subsidiary of MHM disposes or agrees to dispose of the whole or a substantial part of its business or property;
- (g) MHM or a subsidiary of MHM grants or agrees to grant an Encumbrance over the whole or a substantial part of its business or property; or
- (h) an Insolvency Event occurs with respect to MHM or a subsidiary of MHM.”

7.2 Each paragraph of Section 7.1:

- (a) is and must be construed as a separate condition; and
- (b) subject to the Corporations Act, operates only for the benefit of Mercantile OFM and any breach or non-fulfilment of such condition may be relied upon only by Mercantile OFM which may waive (generally or in respect of a particular event) the breach or non-fulfilment of that Condition.

7.3 The Condition does not prevent a contract to sell your MHM Shares resulting from your acceptance of this Offer but:

- (a) breach of the Condition entitles Mercantile OFM to rescind that contract by notice to you; and
- (b) non-fulfilment of the Condition at the end of the Offer Period will have the consequences set out in this Section 7.1.

7.4 Where an event occurs that would mean at the time the event occurs the Condition to which this Offer or the contract resulting from your acceptance of this Offer is then subject would not be fulfilled, each paragraph of the Condition in Section 7.1 affected by that event becomes two separate Condition on identical terms except that:

- (a) one of them relates solely to that event; and
- (b) the other specifically excludes that event.

Mercantile OFM may declare the Offer free under Section 7.1 from any paragraph of the Condition without declaring it free from the other paragraphs and may do so at different times.

- 7.5 Subject to the Corporations Act, Mercantile OFM may declare this Offer and any contract resulting from acceptance of this Offer free from the Condition by giving written notice to MHM not later than 3 business days after the end of the Offer Period.
- 7.6 The date for giving the notice on the status of the Condition as required by section 630(1) of the Corporations Act is 6 March 2017 (subject to extension in accordance with the Corporations Act) if the Offer Period is extended.
- 7.7 Your acceptance or the contract resulting from your acceptance of this Offer is void if:
- (a) at the end of the Offer Period the Condition in Section 7.1 is not fulfilled; and
 - (b) Mercantile OFM has not declared this Offer and any contract resulting from the acceptance of it free of the Condition in accordance with Section 7.5.

8. Withdrawal of Offers

- (a) This Offer, if not previously accepted, may be withdrawn by Mercantile OFM, but only with ASIC's written consent (which consent may be given subject to any conditions which may be imposed by ASIC).
- (b) Subject to ASIC's consent (and any conditions imposed by ASIC), withdrawal of this Offer may be effected by written notice from Mercantile OFM given to MHM.
- (c) Subject to any conditions imposed by ASIC on its consent, where Mercantile OFM withdraws this Offer, if not previously accepted, automatically becomes incapable of acceptance.

9. Variation

Mercantile OFM may vary this Offer in accordance with the Corporations Act. However, the Offer Price is first and final and will not be increased.

10. Mercantile OFM's Relevant Interests

At the date of this Offer, there are 136,228,616 MHM Shares on issue. Immediately before this Offer was sent, Mercantile OFM had a Relevant Interest in 120,000 MHM Shares. This constitutes 0.1% of all of the MHM Shares on issue.

11. No duty

Mercantile OFM must pay all duty payable on the transfer of your MHM Shares to it if you accept this Offer.

12. Foreign laws

This Offer is not registered in any jurisdiction outside Australia (unless an applicable foreign law treats it as registered as a result of the Bidder's Statement being lodged with ASIC). It is your sole responsibility to satisfy yourself that you are permitted by any foreign law applicable to you to accept this Offer and to receive the Offer Consideration.

13. Governing law

- 13.1 This Offer and any contract resulting from acceptance of the Offer are governed by the law in force in NSW.

This Offer is dated 13 February 2017.



MERCANTILE INVESTMENT CO LTD

30 January 2017

We enclose our offer of 4 cents cash for all shares of MHM Metals Ltd (MHM)

MHM shares have been suspended from trading on ASX since 14 July 2016 and it seems likely that this situation will continue for many more months yet.

Therefore, your shares have extremely limited marketability.

At 30 June 2016, shareholders' Funds of MHM were \$7,940,414 or 5.83c per share BUT there are a number of actual or potential downsides from this figure.

- MHM's running costs appear to be about \$1.4 million less interest on cash, say, a net deficit of \$500,000 to 31 December.
- The Moolap property with a book value of \$500,000 has been sold for \$1.
- MHM's luxury vessel with a book value of US\$508,000 has been sold for US\$380,000.
- MHM's residual holding of Kin Mining shares is down about \$100,000 since balance date.
- The bewildering number of Board changes will have had a cost as have the number of unsuccessful ventures in recent months (Kin Mining, Brightstar and Republic of Guinea)

THERE ARE NO POTENTIAL UPSIDES OF WHICH WE ARE AWARE.

Therefore we estimate a profit margin of approx. ½ cent per share if our offer is successful.

Shareholders can feel let down by the previous Board(s) of MHM. Mr Faldi Ismail and his colleagues were appointed without explanation or advice in December.

They have offered no guidance as to their plans for the company's future.

BUT SHAREHOLDERS CAN BE CERTAIN THAT RETURNING FUNDS IS NOT ONE OF THEM.

The MVT offer of 4c each should be accepted.

It is the only alternative to an uncertain future and eventual probable loss of funds.

The offer is final and will not be increased.

Ron Brierley

CHAIRMAN

Further Important Instructions

Your MHM Metals Limited Shares are in an Issuer Sponsored Holding. To accept the Offer, you must complete and return this Acceptance Form in accordance with the instructions below.

Please refer to the Replacement Bidder's Statement dated 30 January 2017 which accompanies this Acceptance Form. Terms are defined in the Replacement Bidder's Statement and have the same meaning in this Acceptance Form.

Completion instructions

- A** • **Please check the front page** to ensure that your name and address are correct. If incorrect, please write your correct details and initial the amendments. Amendments to your name can only be processed by your MHM Metals Limited Registry.
- **Please note** your consideration will be issued in the names as they appear on the MHM Metals Limited register.
- D** • **Please sign this Acceptance Form** in the places for signature(s) set out on the front page and in accordance with the following instructions:
 - **Joint Shareholders:** If your MHM Metals Limited Shares are held in the names of more than one person, all of those persons must sign this Acceptance Form.
 - **Corporations:** This Acceptance Form must be signed by either two directors or a director and a company secretary. Alternatively, where the company has a sole director and, pursuant to the Corporations Act, there is no company secretary, or where the sole director is also the sole company secretary, that director may sign alone. Alternatively, a duly appointed attorney may sign.
 - **Powers of attorney:** If this Acceptance Form is signed under a power of attorney, please attach a certified copy of the power of attorney to this Acceptance Form when you return it. If this Acceptance Form is signed under Power of Attorney, the attorney declares that he/she has no notice of revocation of the Power of Attorney.
 - **Deceased Estates:** All the executors and administrators must sign this Acceptance Form. When you return this Acceptance Form, please attach it to a certified copy of probate, letters of administration or certificate of grant accompanied (where required by law for the purpose of transfer) by a certificate of payment of death or succession duties and (if necessary) a statement in terms of Section 971B(9)(b)(ii) of the Corporations Act.

Personal Information Collection Notification Statement: Personal information about you is held on the public register in accordance with Chapter 2C of the *Corporations Act 2001*. For details about Link Group's personal information handling practices including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit our website at www.linkmarketservices.com.au for a copy of the Link Group condensed privacy statement, or contact us by phone on +61 1800 502 355 (free call within Australia) 9am–5pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of our complete privacy policy.

Lodgement instructions

- Mail or deliver completed Acceptance Form(s) and any other documents required by the above instructions to:

Mailing Address

Link Market Services Limited
MHM Metals Limited Takeover
Locked Bag A14
SYDNEY SOUTH NSW 1235

or

Hand Delivery

Link Market Services Limited
MHM Metals Limited Takeover
1A Homebush Bay Drive
RHODES NSW 2138

- A reply paid envelope is enclosed for use within Australia.

Your acceptance must be received by no later than the end of the Offer Period, which is 7:00pm (Sydney time) on the last day of the Offer Period.

If you have any questions about the terms of the Offer or how to accept, please call Mercantile OFM Pty Ltd on the following numbers:

**within Australia: (02) 8014 1188
outside Australia: +61 2 8014 1188**

Further Important Instructions

Your MHM Metals Limited Shares are in a CHESS Holding, you do not need to complete and return this Acceptance Form to the registry to accept the Offer. You can instead contact your Controlling Participant and instruct them to accept the Offer on your behalf in sufficient time before the end of the Offer Period to enable your Controlling Participant to give effect to your acceptance of the Offer on CHESS during business hours. If you decide to use this Acceptance Form to authorise us to contact your Controlling Participant on your behalf, follow the instructions below. You should allow Link Market Services Limited ("Link") sufficient time for the delivery of the Acceptance Form to your Controlling Participant on your behalf. Neither Mercantile OFM Pty Ltd, nor Link will be responsible for any delays incurred by this process.

Please refer to the Replacement Bidder's Statement dated 30 January 2017 which accompanies this Acceptance Form. Terms are defined in the Replacement Bidder's Statement and have the same meaning in this Acceptance Form.

Completion instructions

- A**
- **Please check the front page** to ensure that your name and address are correct. If incorrect, please write your correct details and initial the amendments. Amendments to your name or address can only be processed by your Controlling Participant.
 - **Please note** your consideration will be issued in the names as they appear on the MHM Metals Limited register.
- D**
- **Please sign this Acceptance Form** in the places for signature(s) set out on the front page and in accordance with the following instructions:
 - **Joint Shareholders:** If your MHM Metals Limited Shares are held in the names of more than one person, all of those persons must sign this Acceptance Form.
 - **Corporations:** This Acceptance Form must be signed by either two directors or a director and a company secretary. Alternatively, where the company has a sole director and, pursuant to the Corporations Act, there is no company secretary, or where the sole director is also the sole company secretary, that director may sign alone. Alternatively, a duly appointed attorney may sign.
 - **Powers of attorney:** If this Acceptance Form is signed under a power of attorney, please attach a certified copy of the power of attorney to this Acceptance Form when you return it. If this Acceptance Form is signed under Power of Attorney, the attorney declares that he/she has no notice of revocation of the Power of Attorney.
 - **Deceased Estates:** All the executors and administrators must sign this Acceptance Form. When you return this Acceptance Form, please attach it to a certified copy of probate, letters of administration or certificate of grant accompanied (where required by law for the purpose of transfer) by a certificate of payment of death or succession duties and (if necessary) a statement in terms of Section 1071B(9)(b)(iii) of the Corporations Act.

Personal Information Collection Notification Statement: Personal information about you is held on the public register in accordance with Chapter 2C of the *Corporations Act 2001*. For details about Link Group's personal information handling practices including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit our website at www.linkmarketservices.com.au for a copy of the Link Group condensed privacy statement, or contact us by phone on +61 1800 502 355 (free call within Australia) 9am–5pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of our complete privacy policy.

Lodgement instructions

- Mail or deliver completed Acceptance Form(s) and any other documents required by the above instructions to:

Mailing Address

Link Market Services Limited
MHM Metals Limited Takeover
Locked Bag A14
SYDNEY SOUTH NSW 1235

or

Hand Delivery

Link Market Services Limited
MHM Metals Limited Takeover
1A Homebush Bay Drive
RHODES NSW 2138

- A reply paid envelope is enclosed for use within Australia.

Your acceptance must be received by no later than the end of the Offer Period, which is 7:00pm (Sydney time) on the last day of the Offer Period.

If you have any questions about the terms of the Offer or how to accept, please call Mercantile OFM Pty Ltd on the following numbers:

**within Australia: (02) 8014 1188
outside Australia: +61 2 8014 1188**