



## ASX Announcement

For immediate release

Wednesday 30 July 2014

### MHM QUARTERLY ACTIVITIES REPORT

#### June Quarter Financial Performance (unaudited)

Total cash sales receipts for the quarter were \$1.55 million. Additional sales receipts of \$0.588 million were banked on 7 July 2014.

There was a decrease of cash held for the quarter of \$0.18 million comprised of:-

Net Operating Cash Flow	(\$0.16 million)
Net Investing Cash Flow	(\$0.02 million)

Cash on hand as at 30 June 2014 was \$2.43 million.

Projected cash sales receipts are expected to be \$1.54 million for FY15 Q1 (to the end of Sep-14) with outgoings anticipated to be \$1.52 million plus capex of \$0.06m.

#### Production

Production for the quarter was 5,480 tonnes, a significant improvement on the previous quarter at 2,885 tonnes. The plant frequently ran at over 600 tonnes per week and on occasions over 700 tonnes per week, just below management's stretch target of 800 tonnes, a significant improvement over the previous quarter.

The process is now producing saleable aluminium (such product is returned to Alcoa as part of the tolling agreement), saleable NMP and clear, uncontaminated brine eliminating the need to rework material after processing. This is a substantial improvement compared to where the company was at the start of the 2014 financial year.

Breakdowns are the largest cause for downtime which can be attributed to outdated equipment in parts of the process which are not fit-for-purpose. This downtime has a large impact on plant throughput. Some parts of the process have been updated which resulted in significant improvements in the operation of the plant, however some legacy processes are still in operation.

#### NMP sales (Q4)

For the quarter the company sold 1,390 tonnes of NMP, less than what was processed, which was 2,783 tonnes. Since the installation of the filter press slight modifications to the process and feed material have been necessary in order to comply with customer specifications. It is expected that these changes will allow sales to catch up with production for NMP.

## **Legal**

The proceedings against the Company's former Managing Director, Frank Rogers, were heard in the Federal Court during the quarter. The proceedings ran for three and a half days and judgment remains pending.

## **Strategic Review**

Significant work has been completed on the strategic review, which remains ongoing as the directors and management determine the best way forward to maximise shareholder value. The Company expects to be in a position to release the outcomes of the strategic review in conjunction with the release of the 2014 financial results and annual report.

During the strategic review significant work has been done in determining the optimal way to deal with the stockpiles of unprocessed and partly processed material held by the Company. The Company now has a clear plan to work away and dispose of all excess stockpiles by the end of calendar year 2014.

Meantime, the Company is regularly meeting with Alcoa regarding the future of the Alcoa landfill at Moolap with the objective of determining whether MHM's subsidiary Alreco can assist with any remediation. At this point in time, the Company awaits confirmation from Alcoa if it will be required to remediate the Moolap landfill as part of the Point Henry closure.

**END**

### **For more information:**

MHM Metals Limited  
Matthew Keen, CEO: +61 3 5240 8999

Rule 5.5

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

MHM METALS LIMITED

ABN

41 124 212 175

Quarter ended ("current quarter")

30 June 2014

#### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 mths) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	1,550	7,204
1.2 Payments for (a) exploration & evaluation (b) US development (c) production (d) administration	- (37) (1,225) (459)	- (145) (5,586) (1,459)
1.3 Dividends received		
1.4 Interest received	15	60
1.5 Interest and other costs of finance paid		
1.6 Income tax refund	-	1,388
1.7 Other (provide details if material)		
<b>Net Operating Cash Flows</b>	<b>(156)</b>	<b>1,462</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets (i) Aluminium processing activities	    (24)	    (1,441)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>	<b>(24)</b>	<b>(1,441)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

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1.13	Total operating and investing cash flows (carried forward)	(180)	21
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+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(180)	21
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(180)	21
1.20	Cash at beginning of quarter/year to date	2,622	2,428
1.21	Exchange rate adjustments to item 1.20	(16)	(23)
1.22	<b>Cash at end of quarter</b>	2,426	2,426

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	97
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

**Non-cash financing and investing activities**

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

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

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

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**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

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

**Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	(25)
4.3 Production	(1,183)
4.4 Administration	(313)
<b>Total</b>	<b>(1,521)</b>

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Curent quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,426	2,622
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>2,426</b>	<b>2,622</b>

+ See chapter 19 for defined terms.

### Changes in interests in mining tenements and petroleum tenements

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

### Issued and quoted securities at end of current quarter

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

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

+ See chapter 19 for defined terms.

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**Mining exploration entity quarterly report**

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b> (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
	140,000			25 cents	9 October 2014
	1,900,000			28 cents	30 November 2014
	100,000			28 cents	4 January 2015
	300,000			85 cents	6 October 2015
	300,000			180 cents	20 June 2016
	150,000			100 cents	30 June 2016
	100,000			126 cents	23 August 2016
	300,000			100 cents	5 November 2016
	1,450,000			171 cents	29 November 2016
	150,000			135 cents	14 February 2017
	500,000			100 cents	18 July 2017
	100,000			45 cents	18 December 2018
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	<b>Debentures</b> (totals only)				
7.12	<b>Unsecured notes</b> (totals only)				

**Compliance statement**

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

Sign here:

  
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 (Director/Company secretary)

Date: 30/7/2014

+ See chapter 19 for defined terms.

Print name:

Lee Mitchel

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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