



ASX Announcement

January 11, 2016

MHM METALS ENTERS INTO JOINT VENTURE WITH STONE RESOURCES TO DEVELOP THE BRIGHTSTAR GOLD PROJECT

The Board of MHM Metals Ltd (MHM) is pleased to advise that the Company has entered into a Binding Heads of Agreement (the Agreement) with Stone Resources Australia Limited (SHK) to develop the Brightstar Gold Project located in the Laverton region of Western Australia.

The Agreement sets out the terms and conditions of a joint venture upon which MHM can earn an interest of up to 80% in the Brightstar Gold Project.

Transaction Summary:

- MHM Metals Limited (ASX: MHM) and Stone Resources Australia Limited (ASX: SHK) have signed a Binding Heads of Agreement to form an earn-in joint venture with respect to the Brightstar Gold Project.
- The joint venture is to be managed and operated by MHM who will earn an initial 50% interest through spending AUD \$7.5m development capital on the Brightstar Gold Project.
- MHM will have the option to increase their interest in the Brightstar Gold Project up to 80% through spending up to an additional AUD \$10.5m.
- MHM remains well funded with cash reserves of approximately AUD \$5m as at 11 January 2016.

Company Snapshot

Capital Structure

Ordinary shares on issue:	141,119,156
Market Cap (at 2.5c):	\$3,527,978
Cash (11 Jan 2016):	c\$5,000,000

Directors

Joseph van den Elsen (Managing Director)
Paul Kopejtka (Non - Executive Chairman)
Chris Goodman (Non - Executive Director)

Company Secretary

Justin Mouchacca

Project Background

The Brightstar Gold Project covers an area in excess of c.300 square kilometres and includes the Alpha, Beta, Gamma, Ben Hur, King of Creation and Cork Tree Well gold deposits. The joint venture includes the 350ktpa Brightstar gold treatment plant (currently under care & maintenance) along with all associated infrastructure such as power gen-sets, laboratory, camp accommodation and assorted mining equipment. All deposits are easily accessible via graded road and close proximity to major sealed roads and all-weather airstrips.

Regional Geology and Project Resources

- The Brightstar Gold Project area covers non-contiguous deposits running over a strike length of more than 110 kilometres within the Laverton Tectonic Zone / Duketon Greenstone Belt. It is a major district of gold endowment hosting nearby world class gold deposits such as Sunrise Dam (AngloGold Ashanti), the Granny Smith (Goldfields) and Wallaby (Goldfields) gold projects. Total endowment of the Laverton belt is in excess of 27 Moz of gold.
- While MHM has not yet had an opportunity to conduct any of its own drilling or sampling in relation to the Brightstar Gold Project and therefore has not itself verified any resource estimates, since 2011 SHK has completed approximately 40,000m of RC drilling over the main deposits of Alpha, Beta and Ben Hur. Subsequent to this drilling campaign, SHK has published information in relation to JORC (2012) Mineral Resources as reported in an announcement titled "Mineral Resource Review of Brightstar Project WA" as announced to the ASX on 5 June 2014 (<http://www.asx.com.au/asxpdf/20140605/pdf/42q1s33lrh39wy.pdf>) and updated in the SHK 2015 annual report as announced to the ASX on 30 October 2015 (<http://www.asx.com.au/asxpdf/20151030/pdf/432l8cwt3xhkx4.pdf>) of which a summary is presented in the below Table 1.

Table 1: Table of Mineral Resources Estimates (Updated to 30th June 2015)

Location	Cut-off	Measured			Indicated			Inferred			Total		
		KTonne	g/t Au	KOunce	KTonne	g/t Au	KOunce	KTonne	g/t Au	KOunce	KTonne	g/t Au	KOunce
Alpha	0.5	623	1.6	33	374	2.1	25	455	3.3	48	1,452	2.3	106
Beta	0.3	408	1.5	20	692	1.4	31	1,181	1.5	57	2,281	1.5	107
Delta	0.5	1,220	1.9	76	944	1.9	57	1,696	1.9	104	3,860	1.9	237
Epsilon	0.5	2,434	1.6	125	1,672	1.4	77	1,665	1.6	87	5,771	1.6	289
Total		4,685	1.7	254	3,682	1.6	190	4,997	1.8	296	13,364	1.7	739

Transaction Completion and Timing

The transaction is conditional upon MHM completing due diligence to its satisfaction and both MHM and SHK obtaining all necessary shareholder and regulatory approvals. MHM notes that it intends to seek shareholder approval of the transaction under Listing Rule 11.1.2 and that ASX may require further regulatory approvals such as re-compliance with the admission requirements under Listing Rule 11.1.3.

Both parties have agreed to use reasonable endeavors to negotiate, finalise and execute a Formal Agreement to document the joint venture transaction by no later than 19th February 2016.

MHM Metals will keep the market informed as it moves towards satisfaction of the conditions precedent, of its discussions with ASX and of completion of the transaction.

The Company has sought and received confirmation from SHK that it is not aware of any new information or data that materially affects the information included in the original ASX announcements referred to above and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant ASX announcements continue to apply and have not materially changed. The Company has sought and received confirmation from SHK that the form and context in which the Competent Person's findings are presented have not been materially modified from the original ASX announcements referred to above.

-ENDS

For more information:

MHM Metals Limited
Joseph van den Elsen / Paul Kopejtka, +613 9692 7222

Diagram 1. Map showing proximity of Brightstar Gold Project Area



Diagram 2. Map showing location of major Brightstar Gold Project deposits

