



INTERIM REPORT
31 DECEMBER

2011

CONTENTS

1	CORPORATE DIRECTORY
2	DIRECTORS' REPORT
6	AUDITOR'S INDEPENDENCE DECLARATION
7	FINANCIAL REPORTS

CORPORATE DIRECTORY

DIRECTORS

Basil Conti (Chairman)
Frank Rogers (Managing Director)
Benjamin Mead
Dr Neil Allen
Simon Wells

BANKERS

National Australia Bank
Business Banking Centre
86 Collins Street
Hobart Tasmania 7000

SECRETARIES

Benjamin Mead
Richard Rybak
Annabelle Brooks

STOCK EXCHANGE LISTINGS

MHM Metals Limited shares are
listed on the Australian Securities
Exchange

Ordinary Fully Paid Shares
(ASX Code MHM)

Listed Options
(ASX Code MHMO)

SHARE REGISTER

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

REGISTERED OFFICE IN AUSTRALIA

Level One, 20 Kings Park Road
West Perth WA 6005

phone: +61 8 9321 6777
facsimile: +61 8 9324 1293
email: info@mhhmetals.com
website: www.mhhmetals.com

AUDITOR

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

SOLICITORS

Clayton Utz
Level 27, QV.1 Building
250 St Georges Terrace
Perth WA 6000

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of MHM Metals Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2011.

DIRECTORS

The following persons were directors of MHM Metals Limited during the whole of the half-year and up to the date of this report:

B A Conti
F A Rogers
B W Mead
N R Allen
S H Wells

PRINCIPAL ACTIVITIES

During the period the principal activities of the Group consisted of securing contracts and site for salt cake processing in the US while continuing its Australian aluminium operations and Tasmanian silica project development.

DIVIDENDS

No dividends were paid to members during the half year and the directors do not recommend the payment of a dividend.

REVIEW OF OPERATIONS

(a) Income Statement

	2011 \$	2010 \$
Revenue from continuing operations	1,943,026	2,242,124
Loss before income tax expense	(1,119,089)	(503,673)
Income tax benefit	245,237	932,987
Profit/(loss) attributable to members of MHM Metals Limited	(873,852)	429,314

(b) Financial position

At the end of the half-year MHM Metals Limited had net cash balances of \$5,847,913 and net assets of \$21,437,897.

Total liabilities amounted to \$1,783,763 being trade and other payables of \$877,679 borrowings of \$76,524 and a deferred tax liability of \$829,560.

CORPORATE

MHM Metals Limited has announced important steps in its expansion into the US during the reporting period while performance of its Australian operations continued to increase.

MHM Metals' Annual General Meeting was held in Hobart on 29 November 2011, with all resolutions outlined in the 1 November 2011 Notice of Meeting approved unanimously on shows of hands.

Management is planning roadshows to institutional investors in Australia, New York, London and SE Asia by April 2012. These meetings are not to raise funds but rather to inform and engage investors to build support for MHM and its share price.

Various stockbrokers have expressed interest in publishing research on MHM, which should also be beneficial for the company. Broker and analyst site visits to the Geelong facility were conducted in January.

AUSTRALIAN ALUMINIUM OPERATIONS UPDATE

Background

Alreco Pty Ltd (fully owned subsidiary of MHM Metals) processes 100% of the salt cake produced in Australia (25,000 tpa) at its Moolap plant near Geelong, Victoria. The biggest customer of the plant is Alcoa, and material is also processed for Sims Metal Management. MHM is also reprocessing a closed 160,000 tonne salt cake landfill owned by Alcoa, with the material recovered from the landfill and processed with no waste or residue.

The plant is expected to generate EBITDA of \$8m pa when operating at full capacity of 60,000 tpa, once landfill processing commences. This important 'proof of process' operation is a launch-pad for immense global growth opportunities with strategic global relationship partner Alcoa publically stating its desire to end global land filling by 2020.

Whilst the Moolap facility is within 2 kilometres of Alcoa's aluminium smelter at Point Henry, all Alcoa salt cake is shipped by Alcoa from Yennora, NSW. Sims Aluminium Pty Ltd ships material from operations at Laverton, and Alcoa's 160,000 tonnes salt cake landfill shares a common boundary with Alreco's Moolap facility.

Recently a contract was signed for the supply of Alreco's AL80 product, an aluminium oxide based product. AL80 is produced from aluminium oxide, one of the commodities recovered from salt cake recycling. The compound is produced when aluminium oxide recovered from Alreco's salt cake operations is value added using an additional proprietary process.

Finding viable applications for aluminium oxide had been a major hurdle with the industry trying unsuccessfully for a number of years to source a high value, high volume application. Alreco's off take agreement for AL80 is a significance event for the global aluminium industry. MHM believes there is an opportunity for further value adding of AL80 and this project is currently underway.

Operational Update

During the reporting period, MHM's Australian aluminium operations delivered Gross Half Yearly Cash Receipts of \$2,138,657 and a Gross Half Yearly Operating Cash Surplus of \$480,383. A total of 7,768 tonnes of salt cake and non-salt cake, and 2,761 tonnes of dross were received during the reporting period. Profitability was impacted by added costs from commissioning activity and plant

upgrades. Despite this Alreco's business remains profitable as it has since commencement of operations in January 2010.

Operating costs are expected to reduce following steady state 24-hour processing that commenced in February 2012. A stockpile of partly-processed salt cake is expected to conclude in the second quarter of 2012 before Alreco commences processing Alcoa's 160,000 tonne salt cake landfill. Once landfill processing commences Alreco's operations are expected to be in line with the forecast EBITDA of \$8m per annum.

AL80 shipment

MHM's first shipment of AL80, an aluminium oxide product, is expected to leave Moolap by March 2012 after Impex advises the relevant customs paperwork is finalised. The delays encountered were of a bureaucratic nature and unrelated to the desire of the end user purchasing the product. Alreco continues to receive enquiries from other parties for off take of AL80.

Salt crystalliser construction

It is uncertain when construction of the salt crystalliser will be complete as issues with manufacture and assembly by the technology provider have been encountered. MHM is working to resolve the problems quickly and the delay will not disrupt operations at Moolap.

Salt pond construction

Additional salt evaporation ponds have been constructed within the reporting period as required. One pond is complete with two

additional ponds to be completed imminently. More ponds will be constructed over the next 12 months to provide for salt recovery from landfill operations.

US ALUMINIUM OPERATIONS

Site selection

US subsidiary MHM Metals Corporation acquired a 115-acre landholding in Russellville, Kentucky in February 2012. The US\$835,000 purchase price has been funded from existing cash reserves. The site contains a number of existing buildings that should decrease the time and expense of plant construction and the site is zoned correctly for its purpose.

The site and US salt cake and dross reprocessing business will operate under the name Alreco, as in Australia. MHM has a pending US trademark for the Alreco name and logo – that are being processed with no apparent issues.

MHM assessed over 30 sites throughout the middle Tennessee and southern Kentucky region, with the Russellville site being the preferred location for plant construction. Factors included:

- » Identification of over 350,000 tonnes per annum of salt slag and black dross within an economic radius of the plant site
- » Large acreage providing Alreco the opportunity to grow and assimilate planned future technology developments
- » Government support and incentives, not only financial but also the pro-business environment in Logan County
- » A highly skilled local workforce and availability of workers

- » Availability of rail, with a high-quality rail operator
- » Availability of ample electricity supplies to the property for initial and future requirements

MHM had initially favoured a site in southern Tennessee close to two large salt slag producers, but decided to locate further north. Russellville remains an economic distance from these two secondary aluminium companies, but makes the facility less dependent on volumes produced by these two companies by introducing additional producers further north. This strengthens MHM's negotiating position for future contracts. Alreco's facility will be more removed from any volume fluctuations from the two large salt cake and black dross suppliers.

Government grants and incentives

MHM will receive tax incentives of up to US\$825,000 for Alreco from Kentucky's Economic Development Finance Authority through the Kentucky Business Investment program. The performance-based incentive allows Alreco to keep a portion of its investment over the term of the agreement through corporate income tax credits and wage assessments by meeting job and investment targets.

MHM will also receive a further US\$250,000 via a US\$250,000 infrastructure grant to Alreco from the City of Russellville, Logan County and the Logan County Industrial Development Authority. These funds will be paid against expenses for development of site infrastructure including a rail spur, electrical

transmission, water and gas lines and site preparation works up to the agreed US\$250,000 cap.

Supply contracts

MHM already has three supply contracts as more negotiations take place to add further volume at the Russellville plant. It is anticipated that the company will continue to secure contracts during plant construction and commissioning. A number of companies have expressed keen interest in supporting MHM's facility but due to commercial competitive reasons will refrain from committing to contracts until the plant is operational. Given a cost competitive alternative to landfill, MHM sees environmentally superior salt cake and black dross recycling as compelling.

Financial projections

Preliminary construction cost estimates for the Russellville plant are for an expected US\$25m capital investment. Targeted EBITDA from the facility are at least US\$25m per annum for salt cake and black dross recycling, aluminium oxide product (AL80) sales, and associated activities. The expected capacity of the plant is 250,000 tpa with operations targeted to commence by early 2013. The opportunity for MHM in the US should be noted, with the country producing 1m tonnes of salt cake and black dross per annum. Presently there are no competing closed-loop recycling technologies operating in the US.

Project finance

Management is exploring a variety of alternatives in financing

while remaining conscious of minimising shareholder dilution. The outcome will be announced in coming months when plant design, costing and scheduling have been confirmed.

It is important to note that in addition to existing cash reserves, MHM's listed options (MHMO) expire on 31 August 2012. If all of the 24.3m options are exercised at \$0.20 per share, this would generate \$4.86m additional capital. Further, with the expected increase in earnings from landfill processing in Moolap and cost efficiencies from continued maturation of Australian operations, growing internal cash flows will also assist with the US expansion. These factors, and the anticipated availability of debt financing, strengthen the company while avoiding dilution of existing shareholders.

Additional plant location opportunities

MHM is assessing opportunities to expand into north eastern USA and south eastern Canada with its salt cake and black dross recycling technology. Large volumes of material combined with companies supportive of MHM's business make these regions particularly attractive to management. Site alternatives in these areas will be explored in line with MHM's high growth objectives.

SILICA DIVISION UPDATE

MHM is endeavouring to execute supply contracts to underwrite the development of a Tasmanian silicon smelter.

MHM has closely examined a number of other lump silica and

silica flour supply opportunities in Tasmania and mainland Australia. The company is in negotiations with some of the controlling parties of these advanced JORC-compliant silica deposits to add resources to the Cape Sorell prospect. The addition of advanced-stage silica resources with the Cape Sorell silica prospect would strengthen the case for a Tasmanian silicon smelter.

MHM follows up numerous expressions of interest for development of a silicon smelter in Tasmania. Work continues on site selection, power supply agreements and the supply of sufficient timber for production of charcoal needed for the process.

Should this smelter materialise it will be a very large undertaking and considerable progress is being made investigating financial and corporate structures that maximise shareholder benefits. MHM is actively engaged with corporate advisers and has a targeted timeframe of concluding any spin-off by mid-2012, depending on market conditions.

EXPLORATION UPDATE

The Board of Directors has decided to significantly reduce any further mineral or metals exploration activity, and is seeking to divest its exploration projects of \$2,805,390. The Directors believe this amount will be recoverable. This is a key decision signifying MHM's move away from mineral exploration.

This does not include the silica assets as discussed above, which continue to be retained but do not require any significant exploration or development at present. Future resource development for silica will be contracted.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

Auditor

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors.



Basil Conti
Chairman

15 March 2012

15 March 2011

Board of Directors
MHM Metals Limited
Level 1, 20 Kings Park Rd
WEST PERTH WA 6005

Dear Sirs,

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF MHM METALS LIMITED

As lead auditor for the review of MHM Metals Limited for the half-year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of MHM Metals Limited and the entities it controlled during the period.



Peter Toll
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

FINANCIAL REPORTS

31 DECEMBER 2011

8	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
9	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
10	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
11	CONSOLIDATED STATEMENT OF CASH FLOWS
12	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
18	DIRECTORS' DECLARATION
19	INDEPENDENT REVIEW REPORT TO THE MEMBERS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Notes	2011 \$	Consolidated 2010 \$
Revenue from continuing operations	3	1,943,026	2,242,124
Cost of sales		(523,279)	(469,514)
Administrative expenses		(36,125)	(14,241)
Consultancy fees		(400)	(22,400)
Depreciation expenses		(118,386)	(117,192)
Employee benefit expenses		(1,086,475)	(953,082)
Employee entitlements expenses		(125,097)	(33,095)
Insurance expenses		(78,425)	(88,779)
Office accommodation expenses		(147,803)	(56,283)
Option expenses		(253,580)	(316,978)
Professional fees		(74,288)	(87,844)
Shareholder expenses		(85,447)	(112,444)
Other expenses		(532,810)	(473,945)
Loss before income tax expense		(1,119,089)	(503,673)
Income tax benefit		245,237	932,987
		(873,852)	429,314
Profit/(Loss) for the half-year and total comprehensive income			
Profit/(Loss) and comprehensive income attributable to owners of MHM Metals		(873,852)	429,314
		Cents	Cents
Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the company:			
Basic earnings/(loss) per share		(0.853)	0.455
Diluted earnings/(loss) per share		(0.853)	0.334

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Notes	31 December 2011 \$	30 June 2011 \$
Assets			
Current assets			
Cash and cash equivalents		5,847,913	8,998,269
Trade and other receivables		1,018,570	1,463,607
Total current assets		6,866,483	10,461,876
Non-current assets			
Other financial assets		1,173	57,697
Exploration and evaluation		2,805,390	2,319,588
Property, plant and equipment	4	10,827,298	8,806,302
Deferred tax assets		2,721,316	2,330,339
Total non-current assets		16,355,177	13,513,926
Total assets		23,221,660	23,975,802
Liabilities			
Current liabilities			
Trade and other payables		862,350	1,446,154
Borrowings		45,824	81,706
Total current liabilities		908,174	1,527,860
Non-current liabilities			
Deferred tax liabilities		829,560	683,820
Borrowings		30,700	43,942
Other payables		15,329	7,347
Total non-current liabilities		875,589	735,109
Total liabilities		1,783,763	2,262,969
Net assets		21,437,897	21,712,833
Equity			
Contributed equity	5	24,433,740	24,088,404
Share based payments reserve		1,320,480	1,066,900
Accumulated losses		(4,316,323)	(3,442,471)
Total equity		21,437,897	21,712,833

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Issued Capital	Retained Earnings	Share Based Payment Reserve	Total
	\$	\$	\$	\$
Balance 1 July 2010	11,664,083	(3,135,643)	589,986	9,118,426
Total comprehensive income for the half-year	-	429,314	-	429,314
Shares issued	12,333,221	-	-	12,333,221
Share based payments	-	-	316,978	316,978
Balance 31 December 2010	23,997,304	(2,706,329)	906,964	22,197,939
Balance 1 July 2011	24,088,404	(3,442,471)	1,066,900	21,712,833
Total comprehensive income for the half-year	-	(873,852)	-	(873,852)
Shares issued	315,336	-	-	315,336
Options issued	30,000	-	-	30,000
Share based payments	-	-	253,580	253,580
Balance 31 December 2011	24,433,740	(4,316,323)	1,320,480	21,437,897

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Notes	Half-year	
		2011 \$	2010 \$
Cash flows from operating activities			
Receipts from customers		1,932,360	2,515,782
Payments to suppliers and employees		(2,600,613)	(2,117,117)
Interest received		206,297	43,659
Net cash inflows/(outflows) from operating activities		(461,956)	442,324
Cash flows from investing activities			
Payments for plant and equipment		(2,449,244)	(2,306,114)
Exploration and evaluation expenditure		(534,759)	(462,369)
Net cash outflow from investing activities		(2,984,003)	(2,768,483)
Cash flows from financing activities			
Proceeds from issues of securities		345,336	11,782,114
Repayment of borrowings		(51,697)	(11,282)
Net cash inflows from financing activities		293,639	11,770,832
Net increase/(decrease) in cash and cash equivalents held		(3,152,320)	9,444,673
Cash and cash equivalents at the beginning of the financial period		8,998,269	2,286,132
Effects of exchange rate changes on cash and cash equivalents		1,964	-
Cash and cash equivalents at the end of the financial period		5,847,913	11,730,805

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2011

1 BASIS OF PREPARATION OF HALF- YEARLY REPORT

(a) Interim Financial Reporting

This general purpose interim financial report for the half-year reporting period ended 31 December 2011 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by MHM Metals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2 SEGMENT INFORMATION

Management has determined the operating segments based on reports reviewed by the strategic steering committee that are used to make strategic decisions.

The committee identified two reporting segments, prospecting and mining exploration and aluminium salt slag processing. The Group operates only in Australia.

Segment information provided to the strategic steering committee

	Prospecting and Mining Exploration	Aluminium Salt Slag Processing	Total
Half-year 2011			
Total Segment Revenue	-	1,734,765	1,734,765
Cost of sales	-	523,279	523,279
Other overhead expenses	1,232,956	1,183,493	2,416,449
Total Segment Expenses	1,232,956	1,706,772	2,939,728
EBITDA	(1,232,956)	27,993	(1,204,963)

	Prospecting and Mining Exploration	Aluminium Salt Slag Processing	Total
Half-year 2010			
Total Segment Revenue	-	2,198,466	2,198,466
Cost of sales	-	469,513	469,513
Other overhead expenses	1,481,826	672,869	2,154,695
Total Segment Expenses	1,481,826	1,142,382	2,624,208
EBITDA	(1,481,826)	1,056,084	(425,742)
Total Segment Assets			
31 December 2011	11,863,003	11,358,657	23,221,660
30 June 2011	14,028,811	9,946,991	23,975,802

A reconciliation of EBITDA to operating loss before income tax is provided as follows;

	Half-year	
	2011	2010
EBITDA	(1,204,963)	(425,742)
Interest revenue	206,297	43,659
Effects of exchange rates	1,964	-
Finance costs	(4,001)	(4,398)
Depreciation and amortisation expense	(118,386)	(117,192)
Profit/(Loss) before income tax from continuing operations	(1,119,089)	(503,673)

3 PROFIT FOR THE HALF-YEAR

Profit for the half-year includes the following item that is unusual because of their nature, size or incidence:

	Notes	Half-year	
		2011	2010
Other income:			
Interest received		206,297	43,659

4 PROPERTY, PLANT AND EQUIPMENT

	Land & buildings	Plant improvements	Plant & equipment	Motor vehicles	Office furniture & equipment	Total
At 30 June 2011						
Cost or fair value	1,710,919	-	7,389,260	360,162	175,660	9,636,001
Accumulated depreciation	-	-	(661,847)	(96,088)	(71,764)	(829,699)
Net book amount	1,710,919	-	6,727,413	264,074	103,896	8,806,302
Half-year ended 31 December 2011						
Opening net book amount	1,710,919	-	6,727,413	264,074	103,896	8,806,302
Additions	-	1,467,942	665,126	17,718	4,326	2,155,112
Depreciation charge	-	-	(95,758)	(27,501)	(10,857)	(134,116)
Closing net book amount	1,710,919	1,467,942	7,296,781	254,291	97,365	10,827,298
At 31 December 2011						
Cost or fair value	1,710,919	1,467,942	8,054,386	377,880	179,986	11,791,113
Accumulated depreciation	-	-	(757,605)	(123,589)	(82,621)	(963,815)
Net book amount	1,710,919	1,467,942	7,296,781	254,291	97,365	10,827,298

5 EQUITY SECURITIES ISSUED

(a) Share capital	2011 Number	2010 Number	2011 \$	2010 \$
Ordinary shares – fully paid	103,186,586	101,181,910	25,455,569	25,049,133
Options – unlisted	8,871,225	6,981,225	30,000	-
Options – listed	24,916,584	26,511,260	234,086	234,086
Share issue costs			(1,285,915)	(1,285,915)
			24,433,740	23,997,304

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

During the half-year ended 31 December 2011 the following fully paid ordinary shares were issued:

Date	Details	Number of ordinary shares	Issue price \$	\$
At beginning of reporting period – 01 July 2011		101,617,410	-	23,854,318
04 July 2011	Exercise of Options	250,000	0.20	50,000
06 July 2011	Exercise of Options	5,000	0.20	1,000
11 July 2011	Exercise of Options	30,000	0.20	6,000
12 July 2011	Exercise of Options	250,000	0.20	50,000
13 July 2011	Exercise of Options	82,000	0.20	16,400
25 July 2011	Exercise of Options	17,500	0.20	3,500
28 July 2011	Exercise of Options	660	0.20	132
29 September 2011	Exercise of Options	81,633	0.20	16,327
10 November 2011	Exercise of Options	100,000	0.20	20,000
14 November 2011	Exercise of Options	117,810	0.20	23,562
21 November 2011	Exercise of Options	30,000	0.25	7,500
23 November 2011	Exercise of Options	205,000	0.20	41,000
28 November 2011	Exercise of Options	113,677	0.20	22,736
30 November 2011	Exercise of Options	56,766	0.20	11,353
20 December 2011	Exercise of Options	76,280	0.20	15,256
21 December 2011	Exercise of Options	44,000	0.20	8,800
31 December 2011	Exercise of Options	108,850	0.20	21,770
31 December 2011	Balance	<u>103,186,586</u>		<u>24,169,654</u>

(b) Options

At the end of the half-year, options over ordinary shares on issue are as shown below:

- » 1,931,225 unlisted options exercisable at 20 cents and expiring 31 August 2012;
- » 24,916,584 listed options exercisable at 20 cents and expiring 31 August 2012;
- » 1,000,000 unlisted options exercisable at 20 cents and expiring 28 November 2013;
- » 1,000,000 unlisted options exercisable at 20 cents and expiring 14 December 2013;
- » 340,000 unlisted options exercisable at 25 cents and expiry 9 October 2014;
- » 1,900,000 unlisted options exercisable at 28 cents and expiring 30 November 2014;
- » 100,000 unlisted options exercisable at 28 cents and expiring 4 January 2015;
- » 300,000 unlisted options exercisable at 85 cents and expiring 6 October 2015;
- » 300,000 unlisted options exercisable at 180 cents and expiring 20 June 2016;
- » 150,000 unlisted options exercisable at 100 cents and expiring 30 June 2016;
- » 100,000 unlisted options exercisable at 126 cents and expiring 23 August 2016;
- » 300,000 unlisted options exercisable at 100 cents and expiring 5 November 2014; and
- » 1,450,000 unlisted options exercisable at 171 cents and expiring 30 November 2016.

Date	Details	Number of options	Issue price \$	\$
At the beginning of the period		33,356,985	-	234,086
01 July 2011	Option Issue	150,000	-	-
04 July 2011	Exercise of Options	(250,000)	-	-
06 July 2011	Exercise of Options	(5,000)	-	-
11 July 2011	Exercise of Options	(30,000)	-	-
12 July 2011	Exercise of Options	(250,000)	-	-
13 July 2011	Exercise of Options	(82,000)	-	-
25 July 2011	Exercise of Options	(17,500)	-	-
28 July 2011	Exercise of Options	(660)	-	-
23 August 2011	Option Issue	100,000	-	-
29 September 2011	Exercise of Options	(81,633)	-	-
04 November 2011	Option Issue	300,000	0.10	30,000
10 November 2011	Exercise of Options	(100,000)	-	-
14 November 2011	Exercise of Options	(117,810)	-	-
21 November 2011	Exercise of Options	(30,000)	-	-
23 November 2011	Exercise of Options	(205,000)	-	-
28 November 2011	Exercise of Options	(113,677)	-	-
30 November 2011	Exercise of Options	(56,766)	-	-
30 November 2011	Option Issue	1,450,000	-	-
20 December 2011	Exercise of Options	(76,280)	-	-
21 December 2011	Exercise of Options	(44,000)	-	-
31 December 2011	Exercise of Options	(108,850)	-	-
31 December 2010	Balance	<u>33,787,809</u>		<u>264,086</u>

6 CONTINGENCIES

The Group has no contingent assets or liabilities to disclose at the date of this report.

7 RELATED PARTY TRANSACTIONS

Bonuses

No bonuses were paid to executive directors during the half-year to 31 December 2011.

Options

Current period

The following options were issued to related parties as compensation benefits during the half-year ended 31 December 2011. All options granted were for ordinary shares in MHM Metals Limited which confer a right of one ordinary share for every option held.

Name	Grant Date	Number	Exercise Price	Vesting Date	Expiry Date	Underlying Share Price at grant date	Expected Volatility	Risk Free Rate
B A Conti	30/11/11	200,000	\$1.71	30/11/16	30/11/16	\$1.03	110%	3.38%
N Allen	30/11/11	200,000	\$1.71	30/11/16	30/11/16	\$1.03	110%	3.38%
F A Rogers	30/11/11	250,000	\$1.71	30/11/16	30/11/16	\$1.03	110%	3.38%
B W Mead	30/11/11	250,000	\$1.71	30/11/16	30/11/16	\$1.03	110%	3.38%
S H Wells	30/11/11	250,000	\$1.71	30/11/16	30/11/16	\$1.03	110%	3.38%

The amount of options expensed for the half-year ended 31 December 2011 was \$16,199 each to F A Rogers, B W Mead and S H Wells, and \$12,959 each to B A Conti and N Allen.

Prior period

No options were issued to related parties as compensation benefits during the half-year ended 31 December 2010.

8 DIVIDENDS

No dividends were declared or paid during the half year.

9 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimated Impairment of Property Plant and Equipment

In accordance with AASB 136 Impairment of Assets, the Group assesses at each reporting date where there is an indication that an asset may be impaired. An asset is impaired if its carrying amount exceeds its recoverable amount which is the amount to be recovered through use or sale of the asset.

No impairment charge has been recorded during the half-year period.

10 SUBSEQUENT EVENT

On 2 February 2012, MHM Metals Ltd settled a contract for the purchase of a 115 acre industrial site located in Russellville, Kentucky, USA. The final settlement figure of US\$838,761 was settled from existing cash reserves.

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

In the directors' opinion:

(a) the financial statements and notes set out on pages 7 to 17 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, International Financial Reporting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of their performance for the financial period ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

This declaration is made in accordance with a resolution of the directors.



Basil Conti
Chairman

15 March 2012

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MHM METALS LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of MHM Metals Limited, which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MHM Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of MHM Metals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MHM Metals Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

BDO


Peter Toll
Director

Perth, Western Australia
Dated this the 15th day of March 2012

