

# MHM QUARTERLY ACTIVITIES REPORT

ASX Release – 31 October 2012

## Strategic Review

On 12 September 2012 MHM Metals Limited (ASX: MHM) requested an immediate voluntary suspension of its ordinary shares under ASX Listing Rule 17.2, pending an announcement by the Company in relation to the outcome of a strategic review of the Company's operations.

The strategic review has now been underway for the past 6 weeks and is nearing completion. The Company expects to issue a detailed announcement within the next two weeks before re-listing. The announcement will update the market on the outcomes of the review and the plans for the year ahead.

The major focus of the review has been on the Moolap plant, with a number of independent experts reviewing the operations at the plant and providing guidance moving forward. This process is now being finalised. The plant has continued to operate throughout this period.

However the review has also covered all other parts of the Company. Actions to date include appointment of a new Board, steps to cut costs and overheads, and the decision to close the Company's Hobart office by the end of this year. MHM will be moving its registered office to Moolap and all activities will be run from the plant office. This reflects the Board's focus on its core business and the drive for consistent, reliable processing to reduce stockpiles at Moolap as quickly as possible.

The Board thanks shareholders for their patience through this difficult period.

## September Quarter Performance

Quarterly cash receipts for Alreco were well down, however \$350,000 was received on 1 October, and this is reflected in the high receivables of \$1.17mill at 30 September.

The quarterly cash operating result for Alreco was a loss of \$684,000.

Approximately 4,700 tonnes of material was processed during the quarter. Total stockpiled material at the Moolap plant and on Alcoa's landfill remains above 25,000 tonnes.

Cash on hand at end September 2012 was \$6.77mill.

## **FURTHER INFORMATION:**

Rudi Michelson  
Monsoon Communications  
+61 (0)3 9620 3333



**ASX Codes**  
MHM, MHMO  
**Issued Capital**  
130.2m Ordinary Shares

**Substantial Shareholders**  
Brazil Farming 8.3%  
Rogers Southern PL 8.1%

**Directors** 8%  
Top 20 38%

**Directors**  
Chairman - Paul Lappin  
Non-Exec Director - Lyn Brazil  
Managing Director/CEO - Phil Thick

**Contact:**  
PO Box 21  
KINGSTON TAS 7051

T: +61 (0)3 6229 9955  
F: +61 (0)3 6229 8430  
W: [www.mhmmetals.com](http://www.mhmmetals.com)  
E: [info@mhmmetals.com](mailto:info@mhmmetals.com)

ABN: 41 124 212 175

# Appendix 5B

## Mining 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

Name of entity

**MHM Metals Limited**

ABN

**41 124 212 175**

Quarter ended ("current quarter")

**30 September 2012**

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	630	630
1.2 Payments for		
(a) exploration & evaluation	(70)	(70)
(b) US development	(241)	(241)
(c) production	(1,314)	(1,314)
(d) administration	(478)	(478)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	63	63
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – research & development tax incentive	683	683
<b>Net Operating Cash Flows</b>	<b>(727)</b>	<b>(727)</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) Exploration activities	-	-
(ii) Aluminium processing activities	(611)	(611)
(iii) US property acquisition & improvements	(404)	(404)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	7	7
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>(1,008)</b>	<b>(1,008)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,735)</b>	<b>(1,735)</b>

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(1,735)	(1,735)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	4,854	4,854
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(38)	(38)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	4,816	4,816
	<b>Net increase (decrease) in cash held</b>	3,081	3,081
1.20	Cash at beginning of quarter/year to date	3,699	3,699
1.21	Exchange rate adjustments to item 1.20	(11)	(11)
1.22	<b>Cash at end of quarter</b>	6,769	6,769

**Payments to directors of the entity and associates of the directors**

**Payments to 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	220
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

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

**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

+ See chapter 19 for defined terms.

### Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	(64)
4.2	Development	(1,581)
4.3	Production	(825)
4.4	Administration	(409)
<b>Total</b>		<b>(2,879)</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.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	6,769	3,699
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>6,769</b>	<b>3,699</b>

### Changes in interests in mining tenements

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

+ See chapter 19 for defined terms.

### 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	24,291,328	24,291,328		
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
	1,000,000	-	20 cents	28 November 2013
	1,000,000	-	20 cents	14 December 2013
	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 2014
	1,450,000	-	171 cents	29 November 2016
	150,000	-	135 cents	14 February 2017
7.8 Issued during quarter	-	-	<i>Exercise price</i>	<i>Expiry date</i>
7.9 Exercised during quarter	(24,291,328)	(22,376,353)		
7.10 Expired during quarter	(16,250)	-		

+ See chapter 19 for defined terms.

7.11	Debentures <i>(totals only)</i>		
7.12	Unsecured notes <i>(totals only)</i>		

## 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: .....  
(Director/Company secretary)

31/10/2012  
Date: .....

Print name: Richard Rybak

## 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 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, 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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