Interim Report – 31 December 2012

MHM

METALS

(ABN 41 124 212 175)

Contents

Corporate Directory

Directors
Franklyn Brazil *(Chairman)*
Philip Thick *(Managing Director)*
Iain Kirkwood

Secretary
Peter Ansell

Share Register
Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

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

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

Stock Exchange Listings
MHM Metals Limited shares are
listed on the Australian Securities Exchange

Ordinary Fully Paid Shares (ASX Code MHM)

Registered Office in Australia
72-80 Buckley Grove
Moolap VIC 3221
phone: +61 2 5248 2002
facsimile: +61 2 5248 3498
email: info@mhmmetals.com
website: www.mhmmetals.com

Directors' Report

Your directors present their report on the consolidated entity consisting of MHM Metals Limited ("MHM") and the entities it controlled at the end of, or during, the half-year ended 31 December 2012.

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:

P A Thick

F R Brazil was appointed as director on 10 October 2012 and continues in office at the date of this report.

I Kirkwood was appointed as director on 15 February 2013 and continues in office at the date of this report.

P J Lappin was a director from his appointment on 10 October 2012 until his resignation on 15 February 2013.

F A Rogers was a director from the start of the period until his resignation on 8 August 2012.

B A Conti was a director from the start of the period until his resignation on 10 October 2012.

B W Mead was a director from the start of the period until his resignation on 10 October 2012.

S H Wells was a director from the start of the period until his resignation on 10 October 2012.

Principal activities

During the period the principal activities of the Group consisted of aluminium salt slag processing, securing contracts and site for salt cake processing in the US and exploration and evaluation of the Tasmanian silica project.

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) Financial performance	2012 $	2011 $
Revenue from continuing operations	2,356,640	1,943,026
Loss before income tax expense	(3,923,034)	(1,119,089)
Income tax benefit	1,001,508	245,237
Loss attributable to members of MHM Metals Limited	**(2,921,526)**	**(873,852)**

Directors' Report

Review of operations (continued)

(a) Financial position

At the end of the half-year MHM Metals Limited had cash balances of $4,112,758 and net assets of $21,155,211.

Total liabilities amounted to $1,361,160 being trade and other payables of $980,711, borrowings of $23,922 and a deferred tax liability of $356,527.

During the reporting period, MHM's Australian aluminium operations delivered gross half-yearly cash receipts from customers of $1.54 million. Total cash receipts including interest and R & D tax incentive for 2010/11 year was $2.37 million. $4.85 million was raised through the exercise of options.

The half yearly cash operating result for Alreco was a loss of $1.55 million. A total of 9,600 tonnes was processed during the period and a reduction of total stockpiles was achieved.

Capital expenditure for the six months totalled $2.1 million.

CORPORATE

MHM Metals Limited made significant changes to the board and management during the first six months of the 2012/13 financial year.

On 18 July 2012 Phil Thick replaced Frank Rogers as Managing Director and CEO of MHM Metals. Mr Thick was previously a non-executive director of the company. Mr Rogers remained as a director until his resignation in August 2012. In October 2012 Lyn Brazil and Paul Lappin were appointed non-executive directors to replace Basil Conti, Ben Mead and Simon Wells. Subsequent to period end Lyn Brazil has been appointed as Chairman and Iain Kirkwood has been appointed to replace Paul Lappin upon his resignation.

Company executives Richard Rybak, Annabelle Brooks and Mark Rogers left MHM during the past six months and MHM appointed Jason Thiele as CFO and John Pugh as Operations Manager.

A net $4.85 million was raised during the period through the exercise of options that expired on 31 August 2012. All 20c options were exercised.

MHM Metals' Annual General Meeting was held in Melbourne on 29 November 2012 and all resolutions put to the meeting as outlined in the 31 October 2012 Notice of Meeting were passed unanimously.

Directors' Report

Review of operations (continued)

STRATEGIC REVIEW

MHM went into voluntary suspension of its ordinary shares under ASX Listing Rule 17.2 in September. The suspension was requested to allow the Company to conduct a full and detailed strategic review of the company and its operations and provide shareholders with a clear outline and timetable for future operations and activities.

The strategic review was completed and share trading recommenced in November 2012.

The review covered all elements of the Company's business and activities. The board and management changes referred to above resulted from the review, with the new board focussing on the core aluminium waste processing business at the Moolap (Geelong) plant, putting this back on track before looking at expansion options. MHM closed its Hobart office and moved its registered office to Moolap resulting in considerable cost and overhead savings.

Independent engineering, operational and OHS reviews were carried out on the plant and these resulted in detailed action plans moving forward. The plant continued to operate throughout the review period.

A full review of all agreements, including technology and tolling agreements, was conducted and negotiations were subsequently entered into to obtain unrestricted access by MHM to all technology and to have all agreements with customers held and owned directly by MHM going forward. In December 2012 agreements in principle were reached with all relevant parties to achieve these aims. Alcoa have been actively engaged and very supportive throughout the process and MHM continues in regular dialogue with them over the future plans and targets. New interim (three month) agreements were signed with Alcoa in December 2012 and negotiations continue on longer term agreements.

MOOLAP PLANT UPDATE

Alreco Pty Ltd (fully owned subsidiary of MHM Metals) processes 100% of the salt cake produced in Australia at its Moolap plant near Geelong, Victoria. The biggest customer of the plant is Alcoa, and material is also processed for Sims Metal Management. The company also has the opportunity to mine and process approximately 160,000 tonnes of waste material currently in a landfill owned by Alcoa adjacent to the Moolap site.

The Moolap plant has a nominal processing capacity of 1,200 tonnes per week. Until July 2012 the plant had never processed more than about one quarter of its capacity over three years of operation and upgrades. During the past six months throughput has been pushed up to 600 tonnes per week on a number of occasions, but this has caused a series of plant reliability issues, which have been slowly and systematically addressed over the period.

Directors' Report

Review of operations (continued)

Processing rates at the Moolap plant over the past few months have run consistently in the 400-550 tonnes per week range. The plant has been operating two shifts per day Monday to Friday and weekends have been used for maintenance and to run the fine material through the press. Reliability is improving but breakdowns still occur too frequently. Significant improvements have been implemented in safety practices and dust management. Costs have been reduced but still need to be reduced further over coming months.

The stockpiles of unprocessed and partly processed materials remain an issue for MHM. Tolling fees for this material have been received upon receipt into the plant and the material still has to be processed or disposed of at MHM's expense over the coming period.

The biggest issue facing the plant during the first half of the 2012/13 year has been the lack of a market for the non-metallic product (NMP or AL80) which is the main by-product of the plant. Previous attempts to sell this material into China have been unsuccessful, predominantly due to the quality variability of the NMP in the past. Recent changes to the plant have resulted in a higher quality, more consistent NMP and multiple sales options are being pursued actively at the present time. Small quantities are being sold in Australia and a number of large volume samples have recently been sent to customers in China and Australia for testing. The NMP stockpile at the plant and on adjacent land is now at the point where it is becoming a restraint to future processing rate increases.

Processing rates have been restricted by the amount of fine material produced and the need to dry and dispose of this material. The Company has ordered a new filter press in December to be installed at the Moolap plant, but this order has been put on hold and remains in Belgium ready for shipment to Geelong when required. Payment of a deposit of approximately $100,000 has been made and the balance of $400,000, including shipping, is due to be paid if the purchase proceeds. Installation costs will be on top of this. The Company made the decision to defer this purchase and installation until there is more certainty around the sale of NMP. It was agreed that this large capital cost should not be committed while the plant is constrained by the NMP issues. It is still believed that the filter press when installed will result in a substantial increase in processing capacity, but this would only add to stockpile issues at this time.

US EXPANSION

The board still believes it is imperative to focus on, and deliver, consistent, sustainable and cost efficient processing at the Moolap Plant prior to further discussions around the funding and construction of the new plant planned for Kentucky, US. Contracted customers, potential other customers and key stakeholders in the US are being kept fully informed of progress. Discussions with potential investors and funders have been put on hold at this time. It is planned to re-start that process in mid to late 2013 subject to delivery of the plan and targets for Moolap. By then, MHM then expects to be in a position where the performance of the Moolap plant and the technology on which the US design is based will provide the necessary support for the funding of the new plant.

Directors' Report

Review of operations (continued)

SILICA

Options for the Company's silica assets are still being progressed, with possibilities including full divestment and independent financing for potential smelter projects being evaluated. At present MHM maintains title to the tenement areas. In due course it will seek to recover any value it can from its Silica interests.

EXPLORATION

Other than its remaining Silica deposit and associated interests, MHM has no further plans to retain, acquire or invest in any mineral exploration projects at this time.

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 10.

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.

F.R. Brazil

Franklyn Brazil
Chairman

28 February 2013

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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

28 February 2013

The Board of Directors
MHM Metals Limited
Level 1
20 Kings Park Road
WEST PERTH WA 6005

Dear Sirs,

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF MHM METALS LIMITED

As lead auditor for the review of MHM Metals Limited for the half-year ended 31 December 2012, 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.

Glyn O'Brien

Glyn O'Brien
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

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Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2012

	Notes	Half-year 2012 $	Half-year 2011 $
Revenue from continuing operations	3	2,356,640	1,943,026
Cost of sales		(1,614,137)	(523,279)
Administrative expenses		(44,960)	(36,125)
Consultancy fees		(91,534)	(400)
Depreciation expenses		(1,064,061)	(118,386)
Employee benefit expenses		(1,293,024)	(1,086,475)
Employee entitlements expenses		(76,032)	(125,097)
Insurance expenses		(106,325)	(78,425)
Office accommodation expenses		(200,938)	(147,803)
Option expenses		(750,781)	(253,580)
Professional fees		(89,597)	(74,288)
Shareholder expenses		(80,781)	(85,447)
Other expenses		(867,504)	(532,810)
Loss before income tax expense		**(3,923,034)**	**(1,119,089)**
Income tax benefit		1,001,508	245,237
Loss for the half-year and total comprehensive income		**(2,921,526)**	**(873,852)**
Loss and comprehensive income attributable to owners of MHM Metals		**(2,921,526)**	**(873,852)**
		Cents	**Cents**
Loss per share for profit/(loss) attributable to the ordinary equity holders of the company:			
Basic loss per share		(2.371)	(0.853)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
As at 31 December 2012

	Notes	31 December 2012 $	30 June 2012 $
Assets			
Current assets			
Cash and cash equivalents		4,112,758	3,674,755
Trade and other receivables		2,331,714	1,691,818
Inventories		163,200	63,000
Total current assets		6,607,672	5,429,573
Non-current assets			
Other financial assets		18	43,197
Exploration and evaluation		1,188,926	1,121,485
Property, plant and equipment	4	11,680,282	10,923,040
Deferred tax assets		3,039,473	2,919,618
Total non-current assets		15,908,699	15,007,340
Total assets		**22,516,371**	**20,436,913**
Liabilities			
Current liabilities			
Trade and other payables		958,612	1,141,264
Borrowings		23,922	114,541
Other current liabilities		10,200	370,875
Total current liabilities		992,734	1,626,680
Non-current liabilities			
Deferred tax liabilities		356,527	324,389
Other payables		11,899	14,117
Total non-current liabilities		368,426	338,506
Total liabilities		**1,361,160**	**1,965,186**
Net assets		**21,155,211**	**18,471,727**
Equity			
Contributed equity		29,846,015	24,991,786
Share based payments reserve		3,019,695	2,268,914
Accumulated losses		(11,710,499)	(8,788,973)
Total equity		**21,155,211**	**18,471,727**

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 2012

	Notes	Issued Capital $	Accumulated Losses $	Share Based Payment Reserve $	Total $
Balance 1 July 2011		**24,088,404**	**(3,442,471)**	**1,066,900**	**21,712,833**
Total comprehensive loss for the half-year		-	(873,852)	-	(873,852)
Shares issued	5	315,336	-	-	315,336
Options issued	5	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**
Balance 1 July 2012		**24,991,786**	**(8,788,973)**	**2,268,914**	**18,471,727**
Total comprehensive loss for the half-year		-	(2,921,526)	-	(2,921,526)
Shares issued	5	4,854,229	-	-	4,854,229
Share based payments		-	-	750,781	750,781
Balance 31 December 2012		**29,846,015**	**(11,710,499)**	**3,019,695**	**21,155,211**

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 2012

	Notes	Half-year 2012 $	Half-year 2011 $
Cash flows from operating activities			
Receipts from customers		1,541,339	1,932,360
Payments to suppliers and employees		(4,502,289)	(2,600,613)
Interest received		149,375	206,297
Research and development tax incentive received		682,690	-
Net cash outflows from operating activities		**(2,128,885)**	**(461,956)**
Cash flows from investing activities			
Payments for plant and equipment		(2,138,866)	(2,449,244)
Proceeds from sale of plant and equipment		31,989	-
Exploration and evaluation expenditure		(73,050)	(534,759)
Net cash outflows from investing activities		**(2,179,927)**	**(2,984,003)**
Cash flows from financing activities			
Proceeds from issues of securities		4,854,229	345,336
Repayment of borrowings		(83,329)	(51,697)
Net cash inflows from financing activities		**4,770,900**	**293,639**
Net increase/(decrease) in cash and cash equivalents held		**462,088**	**(3,152,320)**
Cash and cash equivalents at the beginning of the financial period		3,674,755	8,998,269
Effects of exchange rate changes on cash and cash equivalents		(24,085)	1,964
Cash and cash equivalents at the end of the financial period		**4,112,758**	**5,847,913**

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 2012

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 2012 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 2012 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 same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements, except as follows:

- AASB 2011-9 Amendments to Australian Accounting Standards

Presentation of Items of Other Comprehensive Income
Comparatives have been reclassified to be consistent with the current year presentation. The reclassification does not have an impact on the results presented.

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

Half-year 2012	Prospecting and Mining Exploration	Aluminium Salt Slag Processing	Total
Total Segment Revenue	-	2,207,265	2,207,265
Cost of sales	-	1,614,137	1,614,137
Other overhead expenses	894,160	2,648,786	3,542,946
Total Segment Expenses	894,160	4,262,923	5,157,083
EBITDA	(894,160)	(2,055,659)	(2,949,818)

Notes to the Consolidated Financial Statements
For the period ended 31 December 2012

2 Segment information (continued)

Half-year 2011	Prospecting and Mining Exploration	Aluminium Salt Slag Processing	Total
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)
Total Segment Assets			
31 December 2012	9,334,880	13,181,491	22,516,371
30 June 2012	8,317,018	12,119,895	20,436,913

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

	Half-year 2012	Half-year 2011
EBITDA	(2,949,818)	(1,204,963)
Interest revenue	149,375	206,297
Effects of exchange rates	(55,748)	1,964
Finance costs	(2,782)	(4,001)
Depreciation and amortisation expense	(1,064,061)	(118,386)
Loss before income tax from continuing operations	(3,923,034)	(1,119,089)

3 Loss for the half-year

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

	Notes	Half-year 2012 $	Half-year 2011 $
Other income:			
Interest received		149,375	206,297

Notes to the Consolidated Financial Statements
For the period ended 31 December 2012

4 Property, plant and equipment

	Land & buildings	Plant improvements	Plant & equipment	Motor vehicles	Total
At 30 June 2012					
Cost or fair value	2,318,027	184,457	10,171,470	336,517	13,010,471
Accumulated depreciation	-	-	(1,956,064)	(131,367)	(2,087,431)
Net book amount	2,318,027	184,457	8,215,406	205,150	10,923,040
Half-year ended 31 December 2012					
Opening net book amount	2,318,027	184,457	8,215,406	205,150	10,923,040
Additions	-	1,820,232	58,291	-	1,878,523
Disposals	-	-	(157,614)	(86,178)	(243,792)
Effect of exchange rate changes	(24,902)	(4,760)	(282)	(1,361)	(31,305)
Depreciation charge	-	-	(862,337)	16,153	(846,184)
Closing net book amount	2,293,125	1,999,929	7,253,464	133,764	11,680,282
At 31 December 2012					
Cost or fair value	2,293,125	1,999,929	10,071,865	248,978	14,613,897
Accumulated depreciation	-	-	(2,818,401)	(115,214)	(2,933,615)
Net book amount	2,293,125	1,999,929	7,253,464	133,764	11,680,282

5 Equity securities issued

(a) Share capital	31 December 2012 Number	31 December 2011 Number	31 December 2012 $	31 December 2011 $
Ordinary shares – fully paid	130,218,145	105,926,817	29,816,015	24,169,654
Options – unlisted	7,490,000	8,821,225	30,000	30,000
Options – listed	-	22,376,353	-	234,086
			29,846,015	24,433,740

(b) 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.

Notes to the Consolidated Financial Statements
For the period ended 31 December 2012

5 Equity securities issued (continued)

During the half-year ended 31 December 2012 the following fully paid ordinary shares were issued:

Date	Details	Number of ordinary shares	Issue price $	$
At beginning of reporting period – 01 July 2012		105,926,817	-	24,727,700
12 July 2012	Exercise of Options	11,000	0.20	2,200
19 July 2012	Exercise of Options	125,000	0.20	25,000
23 July 2012	Exercise of Options	14,800	0.20	2,960
24 July 2012	Exercise of Options	3,500	0.20	700
25 July 2012	Exercise of Options	250,000	0.20	50,000
26 July 2012	Exercise of Options	210,000	0.20	42,000
30 July 2012	Exercise of Options	5,000	0.20	1,000
31 July 2012	Exercise of Options	269,800	0.20	53,960
1 August 2012	Exercise of Options	48,600	0.20	9,720
2 August 2012	Exercise of Options	103,675	0.20	20,735
3 August 2012	Exercise of Options	136,140	0.20	27,228
6 August 2012	Exercise of Options	42,547	0.20	8,509
7 August 2012	Exercise of Options	1,278,004	0.20	255,601
8 August 2012	Exercise of Options	497,000	0.20	99,400
9 August 2012	Exercise of Options	9,223	0.20	1,845
10 August 2012	Exercise of Options	32,500	0.20	6,500
13 August 2012	Exercise of Options	6,000	0.20	1,200
14 August 2012	Exercise of Options	935,390	0.20	187,078
15 August 2012	Exercise of Options	4,062,721	0.20	812,544
16 August 2012	Exercise of Options	190,307	0.20	38,061
17 August 2012	Exercise of Options	24,050	0.20	4,810
20 August 2012	Exercise of Options	2,130,118	0.20	426,024
22 August 2012	Exercise of Options	385,100	0.20	77,020
23 August 2012	Exercise of Options	1,046,022	0.20	209,204
24 August 2012	Exercise of Options	688,913	0.20	137,783
27 August 2012	Exercise of Options	1,373,578	0.20	274,715
28 August 2012	Exercise of Options	200,000	0.20	40,000
29 August 2012	Exercise of Options	1,373,439	0.20	274,688
30 August 2012	Exercise of Options	5,175,848	0.20	1,035,170
31 August 2012	Exercise of Options	1,578,773	0.20	315,755
3 September 2012	Exercise of Options	1,177,619	0.20	235,524
4 September 2012	Exercise of Options	570,246	0.20	114,049
10 September 2012	Exercise of Options	336,415	0.20	6,7283
10 September 2012	Option Underwriting Expense			(4,037)
10 September 2012	Transfer of Listed Option Balance			234,086
31 December 2012	Balance	130,218,145		29,816,015

Notes to the Consolidated Financial Statements
For the period ended 31 December 2012

5 Equity securities issued (continued)

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

- 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;
- 1,450,000 unlisted options exercisable at 171 cents and expiring 30 November 2016;
- 500,000 unlisted options exercisable at 100 cents and expiring 18 July 2017; and
- 100,000 unlisted options exercisable at 45 cents and expiring 13 November 2017.

Date	Details	Number of options	Issue price $	$
At the beginning of the period		31,197,578	-	264,086
12 July 2012	Exercise of Options	(11,000)	-	-
19 July 2012	Exercise of Options	(125,000)	-	-
23 July 2012	Exercise of Options	(14,800)	-	-
24 July 2012	Exercise of Options	(3,500)	-	-
25 July 2012	Exercise of Options	(250,000)	-	-
26 July 2012	Exercise of Options	(210,000)	-	-
30 July 2012	Exercise of Options	(5,000)	-	-
31 July 2012	Exercise of Options	(269,800)	-	-
1 August 2012	Exercise of Options	(48,600)	-	-
2 August 2012	Exercise of Options	(103,675)	-	-
3 August 2012	Exercise of Options	(136,140)	-	-
6 August 2012	Exercise of Options	(42,547)	-	-
7 August 2012	Exercise of Options	(1,278,004)	-	-
8 August 2012	Exercise of Options	(497,000)	-	-
9 August 2012	Exercise of Options	(9,223)	-	-
10 August 2012	Exercise of Options	(32,500)	-	-
13 August 2012	Exercise of Options	(6,000)	-	-
14 August 2012	Exercise of Options	(935,390)	-	-
15 August 2012	Exercise of Options	(4,062,721)	-	-
16 August 2012	Exercise of Options	(190,307)	-	-
17 August 2012	Exercise of Options	(24,050)	-	-
20 August 2012	Exercise of Options	(2,130,118)	-	-
22 August 2012	Exercise of Options	(385,100)	-	-
23 August 2012	Exercise of Options	(1,046,022)	-	-
24 August 2012	Exercise of Options	(688,913)	-	-
27 August 2012	Exercise of Options	(1,373,578)	-	-

Notes to the Consolidated Financial Statements

For the period ended 31 December 2012

5 Equity securities issued (continued)

Date	Details	Number of options	Issue price $	$
28 August 2012	Exercise of Options	(200,000)	-	-
29 August 2012	Exercise of Options	(1,373,439)	-	-
30 August 2012	Exercise of Options	(5,175,848)	-	-
31 August 2012	Exercise of Options	(1,578,773)	-	-
3 September 2012	Exercise of Options	(1,177,619)	-	-
4 September 2012	Exercise of Options	(570,246)	-	-
10 September 2012	Exercise of Options	(336,415)	-	-
10 September 2012	Options Lapsed	(16,250)	-	-
10 September 2012	Transfer of Listed Option Balance			(234,086)
29 September 2012	Option Issue	500,000	-	-
17 December 2012	Option Issue	100,000	-	-
31 December 2010	Balance	7,490,000		30,000

6 Contingencies

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

7 Related party transactions

Bonuses

Current period
No bonuses were paid to executive directors during the half-year to 31 December 2012.

Prior period
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 2012. 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
P A Thick	19/07/12	500,000	$1.00	18/07/13	18/07/17	$0.42	110%	2.42%

The amount of options expensed for the half-year ended 31 December 2012 was $79,951 each to F A Rogers, B W Mead and S H Wells, $63,961 each to B A Conti and N Allen, and $65,580 to P A Thick.

Notes to the Consolidated Financial Statements
For the period ended 31 December 2012

7 Related party transactions (continued)

Prior 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.

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 Events occurring after the reporting period

On 15 February 2013, Mr Paul Lappin resigned as Director, with Mr Franklyn Brazil replacing him as Chairman. Mr Iain Kirkwood was appointed as Director.

Directors' Declaration

For the half-year ended 31 December 2012

In the directors' opinion:

(a) the financial statements and notes set out on pages 10 to 21 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 2012 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.

F.R Brazil

Franklyn Brazil
Chairman

28 February 2013

BDO

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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 consolidated statement of financial position as at 31 December 2012, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 internal 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 half-year 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 2012, 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 review 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 2012, 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
Glyn O'Brien

Glyn O'Brien
Director

Perth, Western Australia
Dated this 28th day of February 2013