



ASX Announcement

For immediate release

Wednesday 30th April 2014

MHM QUARTERLY ACTIVITIES REPORT

March Quarter Financial Performance (unaudited)

MHM has continued to work to provide a solid foundation for the business with a net increase in cash of \$1.40 million for the quarter. Total cash sales receipts for the quarter were \$1.97 million with additional receipts of \$0.11 million banked on 1-Apr-14. The R&D tax refund of \$1.39 million was also received during the quarter.

The \$1.40 million increase in cash held for the quarter is comprised of:-

Net Operating Cash Flow	\$1.47 million
Net Investing Cash Flow	(\$0.07 million)
Net financing Cash Flow	\$0

Cash on hand at the end of March 2014 was \$2.62 million.

The cash sales receipts were lower than the forecast from the December 2013 Quarterly report owing to a lower volume of NMP. The company also had product delivered from Sims Metals during the quarter in which the payment date fell outside of the reporting quarter.

Projected cash sales receipts are expected to be \$1.52 million for FY14 Q4 (to the end of Jun-14) with outgoings anticipated to be \$1.58 million plus capex of \$0.06m.

Strategy

As announced on 18 February 2014, Alcoa Inc. has stated that it will permanently close its two rolling mills at Pt. Henry, Victoria and Yennora, New South Wales by the end of 2014. Currently, the majority of the salt slag that MHM processes at its Moolap plant near Geelong, Victoria, originates from Alcoa's Yennora facility. The permanent closure of Yennora in itself is likely to have a highly detrimental impact on the revenues of MHM in the second half of the financial year ending 30 June 2015 and thereafter if the Company is unable to source alternative processing arrangements. MHM expects to continue to receive revenue from Alcoa for at least the remainder of calendar year 2014 and from NMP sales.

During this quarter the company has established the framework and begun detailing its strategic review. The documentation and analysis stage of the review will run until the end of this financial year and will include an assessment of the business and related upstream and downstream opportunities.

The review will consider the following:

1. Review of operations at Moolap and consideration of feedstock opportunities;
2. Investigation into upstream opportunities including a review of the secondary smelting landscape in Australia and South East Asia;
3. Investigation into downstream opportunities including value adding to non-metallic product;
4. A review of the expansion into the USA at MHM's Kentucky site and comparative review into salt slag treatment in other parts of the world;
5. Analysis of other waste streams that may be treatable using the Moolap plant.

It is expected that a final decision will be made, based on the strategic review, and communicated to the market by the release of the FY14 annual accounts.

Production

Production for the quarter was 2,885 tons. A significant amount of January production and a small amount of February production was lost due to overruns in the annual maintenance shutdown and reactivity in the filter press as reported in the previous quarterly report. The reactivity in the press damaged some of the filter cloths that lead to unexpected downtime to rectify the issue.

Production began to stabilise in March as operators became more familiar with the operation of the filter press. Owing to the change in the overall process post commissioning of the filter press, some bottlenecks in the NMP drying circuit occurred and are currently being improved. The abrasive nature of the product continues to create breakdowns through wear and tear.

The production volume has not met the forecasts level for the quarter, however advancements in the process continue to be made. The process now achieves the stated aim of processing salt slag into discrete, useable and saleable products including aluminium, non-metallic product and concentrated brine.

Filter Press

Our production in January was adversely affected by the filter press and associated reactivity. The reactions that occurred in the filter press were determined to be caused by the excessive ambient temperatures during the month. The control system for the plant has been modified to monitor temperature of the feedstock and some of the additives to the process to ensure they remain in ranges that eliminate this reactivity. Since improving the monitoring of the process, we have not had any further reactivity in the filter press.

The filter press continues to perform well and we are looking at ways to increase throughput by reducing its cycle time.

NMP sales

For the quarter the company sold all of the NMP that was produced. For the quarter the company shipped 1,333 tons of NMP to both local and international customers. The lower volume of NMP shipped was a direct result of reduced plant throughput for the quarter.

Legal Dispute with Former Managing Director

The company continues to pursue its former Managing Director, Frank Rogers, with respect to alleged breaches of the Corporations Act, 2001 via proceedings issued in the Federal Court of Australia. The date of the trial has been set down for 14 May 2014. The company will inform the market and shareholders of the outcome as soon as is practicable.

END

For more information:

MHM Metals Limited
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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")

31 March 2014

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (.Nine months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	1,971	5,654
1.2 Payments for (a) exploration & evaluation	-	-
(b) US development	(35)	(108)
(c) production	(1,503)	(4,361)
(d) administration	(362)	(1,000)
1.3 Dividends received		
1.4 Interest received	10	45
1.5 Interest and other costs of finance paid		
1.6 Income tax refund	1,388	1,388
1.7 Other (provide details if material)		
Net Operating Cash Flows	1,469	1,618
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
(i) Aluminium processing activities	(67)	(1,417)
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)		
Net investing cash flows	(67)	(1,417)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (carried forward)	1,402	201
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+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	1,402	201
	Cash flows related to financing activities		
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)		
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	1,402	201
1.20	Cash at beginning of quarter/year to date	1,222	2,428
1.21	Exchange rate adjustments to item 1.20	(2)	(7)
1.22	Cash at end of quarter	2,622	2,622

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	29
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	(24)
4.3 Production	(1,218)
4.4 Administration	(333)
Total	(1,575)

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	2,622	1,222
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2,622	1,222

+ 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	Preference securities <i>(description)</i>			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	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	+Convertible debt securities <i>(description)</i>			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (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	Debentures (totals only)				
7.12	Unsecured notes (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: Date:
 (Director/Company secretary)

+ See chapter 19 for defined terms.

Print name:

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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