



TARGET'S STATEMENT

by

MHM Metals Limited
ACN 124 212 175

in relation to the offer by

Cadmon Ventures Pty Ltd
ACN 617 176 253

to acquire your shares in MHM Metals Limited

MHM Metals Limited's Directors unanimously recommend
that you

REJECT

Cadmon Ventures Pty Ltd's Offer

THIS IS AN IMPORTANT DOCUMENT

If you do not understand it or are in doubt as to how to act, you should consult your lawyer, accountant, stockbroker or financial adviser immediately.

LETTER FROM THE CHAIRMAN

Dear Shareholder

On 9 February 2017, MHM Metals Limited (**MHM**) received a notice of intention to make an off-market cash takeover offer from Cadmon Ventures Pty Ltd ACN 617 176 253 (**Cadmon**), for all the Shares in MHM (**Offer**). MHM received Cadmon's bidder's statement on 23 February 2017.

This Target's Statement sets out your Directors' formal response to the Offer.

While there are certain advantages associated with Cadmon's Offer, there are also a number of disadvantages. The Directors have extensively analysed the competing considerations in making their recommendation and, on balance, have decided that the disadvantages outweigh the advantages and therefore:

the Directors unanimously recommend that you REJECT Cadmon's inadequate Offer on the basis that:

- the Offer Price fails to take into account the value of MHM's ASX listing, which could be realised by MHM via a back-door listing in partnership with another entity;
- if you accept the Offer, you are unable to accept a Superior Offer if one emerges; and
- there may be tax implications for you if you accept the Offer.

Shareholders can **REJECT** the Offer by **TAKING NO ACTION**.

Further information, including the detailed reasons for your Directors' recommendation, is set out in this Target's Statement.

In assessing whether or not to accept the Offer, you should consider the information provided to you in this Target's Statement, the risks and potential rewards of remaining a Shareholder versus the certainty of a cash offer, and your own personal circumstances. I encourage you to read this document carefully. If you have any questions in relation to your position as a Shareholder I encourage you to seek either financial or legal advice without delay.

Yours faithfully



Faldi Ismail
Non-Executive Chairman

MHM's Directors unanimously recommend that you REJECT Cadmon's Offer by TAKING NO ACTION, given:

- 1. The Offer Price undervalues MHM's ASX listing;**
- 2. The Offer deprives the Company of the potential for an alternative opportunity which may be identified given the experience of the new Directors;**
- 3. If you accept the Offer, you are unable to accept a Superior Offer if one emerges; and**
- 4. There may be tax implications for you if you accept the Offer.**

The full basis for the Directors' recommendation is provided in Section 1.2 of this Target's Statement.

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IMPORTANT INFORMATION

Important Information

This is an important document. If you do not understand it or are in doubt as to how to act, you should consult your lawyer, accountant, stockbroker or financial adviser immediately.

Shareholder Information

If Shareholders have any queries in relation to Cadmon's Offer, they may call the Company +61 (03) 9692 7222 on weekdays between 9.00am and 5.00pm (Melbourne time) or visit MHM's website at www.mhmmetals.com.

Nature of this document

This Target's Statement is dated 20 March 2017 and is given under Part 6.5 Division 3 of the Corporations Act by MHM Metals Limited ACN 124 212 175 (MHM) in response to the Bidder's Statement lodged by Cadmon Ventures Pty Ltd ACN 617 176 253 (Cadmon) with ASIC and served on MHM by Cadmon on 23 February 2017.

ASIC and ASX disclaimer

A copy of this Target's Statement has been lodged with ASIC and ASX. Neither ASIC or ASX nor any of their respective officers take any responsibility for the content of this Target's Statement.

No account of personal circumstances

The recommendations of the Directors contained in this Target's Statement do not take into account the individual investment objectives, financial situation or particular needs of each Shareholder. You may wish to seek independent professional advice before making a decision as to whether to accept or reject the Offer.

Defined terms

This Target's Statement uses a number of capitalised terms that are defined in Section 12 which also contains some of the rules of interpretation that apply to this Target's Statement.

Forward-looking statements

This Target's Statement contains various forward-looking statements. Statements other than statements of historical fact may be forward-looking statements. Shareholders should note that such statements are subject to inherent risks and uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors, many of which are beyond the control of MHM. Actual results, values, performance or achievements may differ materially from results, values, performance or achievements expressed or implied in any forward-looking statement.

These forward looking statements are based on present economic and business conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Target's Statement, are considered reasonable.

None of MHM, its officers, any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any results, values, performances or

achievements expressed or implied in any forward-looking statement, except to the extent required by law. Shareholders should not place undue reliance on any such statement.

The forward-looking statements in this Target's Statement on behalf of MHM only reflect views held as at the date of this Target's Statement.

Notice to foreign shareholders

The distribution of this Target's Statement may, in some countries, be restricted by law or regulation. Persons who come into possession of this Target's Statement should inform themselves of and observe those restrictions.

Information on Cadmon and Cadmon Advisory in this Target's Statement

Except where disclosed otherwise, the information on Cadmon and Cadmon Advisory in this Target's Statement has been obtained from the Bidder's Statement and other publicly available information. MHM and its Directors are unable to verify the accuracy or completeness of the information on Cadmon and Cadmon Advisory (as applicable). Subject to the Corporations Act, neither MHM, nor its officers make any representation or warranty, express or implied, regarding such information and disclaim any responsibility in respect of that information.

Privacy statement

MHM has collected your information from the Share Register for the purpose of providing you with this Target's Statement. The type of information that MHM has collected about you includes your name, contact details and information on your shareholding in MHM. The Corporations Act requires the name and address of Shareholders to be held in a public register.

MHM has also provided or will provide personal information about its Shareholders to Cadmon in accordance with the Corporations Act and the ASX Settlement Operating Rules.

KEY POINTS

- Cadmon is offering \$0.0435 in cash for each Share you hold. This is more than the offer price per Share under the Alternative Offer.
- The Directors consider that Cadmon's Offer is more favourable to Shareholders than the Alternative Offer.
- Nonetheless, the Directors recommend that you **REJECT** Cadmon's Offer for your Shares. Accordingly, you should **TAKE NO ACTION**.
- As at the date of this Target's Statement, Cadmon does not hold any Relevant Interest in the Shares.
- Your choices in relation to this Offer are to:
 1. REJECT the Offer and do nothing.
 2. Accept the Offer and sell your Shares off-market to Cadmon at the Offer Price.
 3. Sell your shares off-market to a third party or, if the Shares resume trading, on-market (unless you have previously accepted the Offer and not validly withdrawn your acceptance).
- Shares are currently suspended from trading until MHM re-complies with Chapters 1 and 2 of the Listing Rules. If trading is resumed, you may elect to sell some or all of your Shares on-market for cash through ASX, if you wish.
- The Offer is off-market. If you do accept the Offer or otherwise sell your Shares, you will not be able to participate in the Alternative Offer, or any Superior Offer or other offer that may emerge.
- The Offer will expire on 7pm (AEST) on 7 April 2017 (unless extended or withdrawn by Cadmon beforehand).

IMPORTANT DATES

Event	Date
Offer received	23 February 2017
Offer Period commences	3 March 2017
Date of this Target's Statement	20 March 2017
Close of the Offer Period (unless extended or withdrawn)	7 April 2017

Note:

The above dates are indicative only and may change without notice. The Company reserves the right to amend the timetable at any time.

REASONS WHY YOU SHOULD REJECT THE OFFER

The Offer Price undervalues MHM's ASX listing.	Section 1.3(a)
The Offer deprives the Company of the potential for an alternative opportunity which may be identified given the experience of the new Directors.	Section 1.3(b)
If you accept the Offer, you are unable to accept a Superior Offer if one emerges.	Section 1.3(c)
There may be tax implications if you accept the Offer.	Section 1.3(d)

1. Recommendations of the Directors

1.1 Summary of the Offer

The consideration being offered by Cadmon under the Offer is \$0.0435 in cash for each Share you own.

The Offer is a cash offer and conditional upon no Prescribed Occurrences happening during the period commencing on the Announcement Date and ending on the expiry of the Offer Period.

The Offer Price values the equity of MHM at approximately \$5.93 million on an undiluted basis.

1.2 Directors recommendation

The Directors unanimously recommend you **REJECT** Cadmon's Offer for your Shares.

In making this recommendation, each Director has considered the merits of the Offer and weighed up the factors for and against acceptance.

When making your decision, you should:

- (a) read the Bidder's Statement in its entirety;
- (b) read this Target's Statement in its entirety, in particular the risks of holding Shares as set out in Section 6;
- (c) be aware that the Offer is conditional upon no Prescribed Occurrences happening during the period commencing on the Announcement Date and ending on the expiry of the Offer Period; and
- (d) be aware of the consequences of becoming a minority Shareholder, as set out in Section 2.5.

The Directors' recommendation is given as at the date of this Target's Statement. The Directors reserve the right to change their recommendation should new circumstances arise or a Superior Offer emerge.

1.3 Key considerations for **REJECTING** the Offer

- (a) **The Offer Price fails to take into account the value of MHM's ASX listing.**

The value of MHM's ASX listing could be realised by MHM via a back-door listing in partnership with another entity as an alternative to MHM's removal from the official list of ASX.

In section 5 of the Bidder's Statement, Cadmon has indicated that it may seek to procure the removal of MHM from the official list of ASX.

Cadmon's Offer would see the value of a significant asset pass to Cadmon without compensating existing Shareholders for the loss of that asset.

- (b) **The Offer deprives the Company of the potential for an alternative opportunity.**

On 21 December 2016, the Company announced that it had recently been in discussions with Otsana Capital to assist the Company identify and acquire a suitable business to facilitate the reinstatement of the Company's shares to trading on the ASX.

Otsana Capital is a Western Australian based corporate advisory firm which specialises in restructuring and recapitalising ASX listed entities, as well as identifying and facilitating reverse takeovers (also known as back-door listings) and initial public offerings. It has been agreed that Otsana Capital will continue to work with MHM.

Otsana Capital proposed 3 new Directors be appointed to the Board, Mr Faldi Ismail, Mr Bryn Hardcastle and Mr Nicholas Young. These appointments took effect on 20 December 2016. A biography regarding each of the Directors is in Section 7.7.

These new Directors have considerable experience as directors of companies that have undertaken back-door listings and have demonstrated an ability to realise value for shareholders through such transactions, as is further detailed in Section 7.3.

Given the previous experience and track record of the new Directors, there is a possibility that the Company may be able to identify alternate opportunities that provide value to Shareholders in excess of the Offer consideration. Therefore, a disadvantage of the Offer is that those Shareholders who accept the Offer, will forego the opportunity to participate in any potential benefits and access to new projects and ventures that the new Board may bring.

- (c) **If you accept the Offer, you are unable to accept a Superior Offer if one emerges.**

Accepting the Offer will deny you the benefit of any subsequent Superior Offer by another bidder should one emerge during the Offer Period, unless you become entitled to withdraw your acceptance or the Offer lapses. You will also give up your right to deal with your Shares whilst the Offer remains open.

The Directors, having considered all the respective terms and conditions of the Offer and the Alternative Offer, have determined that the Alternative Offer is NOT a Superior Offer to the Cadmon Offer.

See Section 2.8 for further details of the Alternative Offer.

The terms of Cadmon's Offer provide that the Offer Price is final and will not be increased (see section 10.10 of the Bidder's Statement).

As at the date of this Target's Statement, the Directors are not aware of a proposal by anyone to make a Superior Offer.

- (d) **There may be tax implications for you if you accept the Offer.**

No capital gains scrip-for-scrip rollover relief is available under Cadmon's cash Offer.

If you are an Australian resident for tax purposes, you may stand to make a capital gain by accepting the Offer and depending on your personal circumstances, you may be required to pay tax (in cash) on any gains.

See Section 10.1 for an overview of the tax consequences for accepting the Offer.

1.4 Further developments

Should there be any developments during the Offer Period (for example, the emergence of a Superior Offer from another bidder) which would alter the Directors' recommendations in relation to the Offer, you will be notified through an ASX announcement and/or a supplementary target's statement.

2. Important information for the Shareholders to consider

2.1 Information about MHM

Section 7 contains detailed information about MHM.

2.2 Information about Cadmon

Section 2 of the Bidder's Statement contains detailed information about Cadmon.

2.3 Cadmon's funding of Offer

Section 7 of the Bidder's Statement contains details of the arrangement that Cadmon has made in relation to the funding of the cash consideration payable under the Offer.

2.4 Conditions of the Offer

The Offer is conditional upon no Prescribed Occurrences happening during the period commencing on the Announcement Date and ending on the expiry of the Offer Period (each being a separate Condition).

Cadmon may waive any Condition under the Corporations Act.

The Prescribed Occurrences and details of the Conditions are set out in full in section 10.8 of the Bidder's Statement.

2.5 Minority ownership consequences

If the Offer becomes or is declared unconditional and Cadmon:

- (a) does not acquire all of the Shares, but acquires the majority of the Shares (i.e. more than 50% of Shares); and
- (b) is not able to compulsorily acquire the rest of the Shares under the Corporations Act,

there may be a number of possible implications for Shareholders, including:

- (a) Cadmon will be in a position to cast the majority of votes at a general meeting of MHM. This will enable Cadmon to control the composition of MHM's board of directors and senior management, determine MHM's fundraising plans and dividend policy as well as to control the strategic direction of MHM;
- (b) if Cadmon acquires 75% or more of the Shares it may be able to pass special resolutions at meetings of MHM's Shareholders. This may enable Cadmon to, among other things, change MHM's Constitution;
- (c) Cadmon has indicated that if it acquires 50.1% or more but less than 90% of the Shares:
 - (i) subject to the outcome of the Review, it will look to replace the Board with its own nominees;
 - (ii) it may seek to procure the removal of MHM from the official list of ASX; and

- (iii) it may, at some later time, acquire further Shares in a manner consistent with the Corporations Act including compulsory acquisition under Part 6A.2 of the Corporations Act if it becomes so entitled; and
- (d) the liquidity of Shares may be affected, particularly if MHM is removed from the official list of ASX.

Section 5 of the Bidder's Statement sets out the details of Cadmon's intentions.

2.6 Compulsory acquisition

Cadmon has indicated in section 5.4 of its Bidder's Statement that, if it is entitled to do so, it intends to proceed to compulsorily acquire all remaining Shares.

See Section 5.9 for further information.

2.7 Dividend issues for Shareholders

MHM has not paid a dividend to Shareholders since listing on the ASX. The Directors consider it unlikely that MHM will pay dividends in the 2017 or 2018 financial years.

2.8 Other alternatives to the Offer

On 10 January 2017, MVT announced an unsolicited, off-market cash takeover offer by its wholly owned subsidiary, Mercantile OFM for all the shares in MHM. On 27 February 2017 MHM lodged its target's statement in response to this Mercantile OFM's Alternative Offer (**Alternative Offer Target's Statement**).

Under the Alternative Offer, Mercantile OFM offers Shareholders \$0.04 cash for each Share they hold. The Alternative Offer is subject to the same conditions as the Offer by Cadmon.

The Directors recommend that you REJECT both Cadmon's Offer and the Alternative Offer. However, as the offer price under the Alternative Offer is almost 10% lower than the Offer Price under Cadmon's Offer, and is otherwise on the same conditions, the Board considers that Cadmon's Offer is more favourable to Shareholders than the Alternative Offer.

Further information, including detailed reasons for your Directors' recommendation that Shareholders REJECT the Alternative Offer are set out in the Alternative Offer Target's Statement.

2.9 Considerations in favour of accepting the Offer

Cadmon has set out its views on the considerations in favour of accepting the Offer in its Bidder's Statement.

The Directors encourage you to review the Bidder's Statement in its entirety.

The Directors consider that Cadmon's offer is more favourable to Shareholders than the Alternative Offer, and that the considerations in favour of accepting Cadmon's Offer outweigh those in favour of the Alternative Offer. See Section 2.8 for more information.

2.10 Taxation consequences of a change in control in MHM

The taxation consequences of accepting the Offer depends on a number of factors and will vary depending on your particular circumstances. A general outline of the Australian taxation considerations of accepting the Offer is set out in Section 10.1 of this Target's Statement and section 8 of the Bidder's Statement.

You should carefully read and consider the taxation consequences of accepting the Offer. The outline provided in the Bidder's Statement and the Target's Statement is of a general nature only and you should seek your own specific professional advice as to the taxation implications applicable to your circumstances.

2.11 Company announcements

MHM is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under both the Corporations Act and the Listing Rules. Copies of announcements lodged with ASX can be obtained from ASX's website at www.asx.com.au under the code "MHM" or from MHM's website at www.mhmmetals.com.

A list of announcements made by MHM to ASX between 30 September 2016 (the date of release of MHM's annual report for the financial year end 30 June 2016) and the date of this Target's Statement is set out in Annexure 1. This information may be relevant to your assessment of the Offer.

3. Frequently asked questions

This Section is not intended to address all issues relevant to you. This Section should be read together with all other parts of this Target's Statement.

Question	Answer
What is the Offer for my Shares?	Cadmon has made an off-market offer of \$0.0435 for each of your Shares.
What choices do I have as a Shareholder in relation to this Offer?	As a Shareholder you can: • REJECT the Offer by doing nothing. The Directors recommend that you REJECT the Offer by doing nothing; or • accept the Offer and sell your Shares off-market at the Offer Price; or • sell your Shares off-market to a third party, or if the Shares resume trading on ASX, on-market (unless you have previously accepted the Offer and not validly withdrawn your acceptance).
What are the Directors recommending?	Your Directors unanimously recommend that you REJECT Cadmon's Offer. The reasons for the Directors' recommendation are set out in this Target's Statement.
How do I accept the Offer?	To accept the Offer, you should carefully follow the instructions in section 10.5 of the Bidder's Statement.
What do the Directors intend to do with their Shares?	The Directors do not hold a Relevant Interest in any Shares.
What happens if a Superior Offer is made by a third party or if the Shares resume trading on the ASX?	If you accept the Offer and you have not validly withdrawn your acceptance: • you will not be able to participate in any Superior Offer made by a third party; and • you will not be able to sell your Shares at a higher price quoted on the ASX if the Shares resume trading.
What are the consequences of accepting the Offer now?	If you accept the Offer now and do not validly withdraw your acceptance, you will not be able to accept a Superior Offer from any other bidder if such an offer is made or benefit from any higher price on the ASX if the Shares resume trading.
If I accept the Offer now, can I withdraw my acceptance?	Yes, however you may only withdraw your acceptance if the Offer is still subject to any of the Conditions and Cadmon varies the Offer in a way

Question	Answer
	that extends by more than one month the time it has to provide consideration under the Offer. See Section 5.7 for further detail.
Can Cadmon vary the Offer?	Yes. Cadmon can vary the Offer by waiving any of the Conditions or extending the Offer Period. However, the Offer Price is final and Cadmon cannot increase the Offer Price. See section 10.10 of the Bidder's Statement. See Section 5.5 for further detail.
What are the conditions of the Offer?	The Offer is conditional upon no Prescribed Occurrences happening during the period commencing on the Announcement Date and ending on the expiry of the Offer Period (each being a separate Condition). See Section 5.3 for further detail.
Can I be forced to sell my Shares?	You <u>cannot</u> be forced to sell your Shares unless Cadmon proceeds to compulsory acquisition. If Cadmon proceeds to compulsory acquisition you will receive the same consideration as if you had accepted the Offer. See Section 5.9 and section 5.4 of the Bidder's Statement for further detail.
Will there be any costs associated with accepting the Offer?	No. No brokerage or stamp duty will be payable as a result of your acceptance of the Offer. You may incur brokerage fees if you instruct your Controlling Participant to accept the Offer on your behalf. See page 9, page 11, section 8.3 and section 10.12 of the Bidder's Statement.
When does the Offer close?	The Offer is presently scheduled to close at 7pm (AEST) on 7 April 2017, but the Offer Period can be extended in certain circumstances in accordance with the Corporations Act. See Section 5.5 for details on extending the Offer Period.
What are the tax implications of accepting the Offer?	A general outline of the tax implications for certain Australian resident Shareholders of accepting the Offer is set out in Section 10.1 of this Target's Statement and section 8 of the Bidder's Statement. You should not rely on these outlines as advice on your own affairs. They do not deal with the position of particular Shareholders. You should seek your own personal, independent financial and taxation advice before making a decision as to whether to accept or reject the Offer for your Shares.

Question	Answer
Can overseas Shareholders accept the Offer?	The Offer is not registered in any jurisdiction outside Australia unless an applicable foreign law treats it as registered as a result of the Bidder's Statement being lodged with ASIC. It is your sole responsibility to satisfy yourself that you are permitted by any foreign law applicable to you to accept the Offer. See section 10.13 of the Bidder's Statement.

4. Your choices as a Shareholder

4.1 Directors recommend that you **REJECT** the Offer

In considering whether to accept the Offer, the Directors encourage you to read this Target's Statement and seek professional advice if you are unsure as to whether or not accepting the Offer is in your best interests, taking into account your individual circumstances.

The Bidder's Statement contains important information which you are urged to read carefully. MHM has not undertaken investigations to verify the accuracy or completeness of the information contained in the Bidder's Statement and neither MHM nor its Directors or advisers makes any representation as to the accuracy or completeness of information contained in the Bidder's Statement. To the fullest extent permitted by law, each of those parties disclaims liability to any person who acts in reliance of that information.

If you would like further information on MHM before making a decision about the Offer, you are encouraged to exercise your right under the Corporations Act to obtain from ASIC copies of all documents lodged by MHM with ASIC or ASX. You can also find information about MHM and its activities on the MHM website at www.mhmmetals.com.

During the Offer Period you have the following choices:

(a) **REJECT the Offer and retain your Shares**

If you wish to retain your Shares, you need **TAKE NO ACTION** in relation to the Offer.

You should note that if Cadmon acquires 90% of Shares and the compulsory acquisition provisions of the Corporations Act are satisfied, it will be entitled to compulsorily acquire the Shares that it does not already own.

You should also note that if Cadmon acquires more than 50% but less than 90% of Shares, you will be exposed to the risks associated with being a minority Shareholder. See Section 2.5 for further details.

If you reject the Offer, you may elect to accept the Alternative Offer.

(b) **Sell your Shares off-market or, if the Shares resume trading on ASX, on-market**

During a takeover, shareholders in a target company can generally still sell their shares on the market for cash. However, Shares have been suspended from trading since 14 July 2016 and will remain suspended from trading on market until MHM re-complies with Chapters 1 and 2 of the Listing Rules.

As at the date of this Target's Statement, the Directors do not anticipate that the Shares will resume trading during the Offer Period (unless the Offer Period is extended significantly).

If MHM re-complies with Chapters 1 and 2 of the Listing Rules and the Shares resume trading, you can sell your Shares on-market for cash if you have not already accepted the Offer or validly withdrawn your acceptance.

If you sell your Shares on-market or off-market, you will receive payment sooner than if you accept the Offer, while it remains subject to outstanding Conditions.

If you are considering selling your Shares off-market, you should contact your broker for information on how to do so and your tax adviser to determine your tax implications from such a sale.

If you sell your Shares on or off-market, you:

- (i) will lose your ability to accept the Offer, the Alternative Offer and any Superior Offer from another bidder;
- (ii) will lose the opportunity to receive future returns from MHM;
- (iii) may be liable for capital gains tax on the sale (refer to Section 10.1 for further details); and
- (iv) may incur a brokerage fee.

Please note that you cannot sell your Shares on or off-market if you have accepted the Offer and have not validly withdrawn your acceptance.

(c) ACCEPT the Offer

The Directors unanimously recommend that you reject the Offer. However, if you wish to accept the Offer, you should follow the instructions in section 10.5 of the Bidder's Statement.

5. Key features of the Offer

5.1 Off-market takeover bid

Cadmon has made an off-market takeover bid to buy all Shares that exist or will exist any time during the Offer Period.

The consideration being offered by Cadmon is \$0.0435 for each Share.

5.2 Offer Period

Unless the Offer is extended or withdrawn, it is open for acceptance from 3 March 2017 until 7 April 2017. The circumstances in which Cadmon may vary or withdraw its Offer are set out in Sections 5.5 and 5.6 respectively.

5.3 Conditions of the Offer

The Offer is conditional upon no Prescribed Occurrences happening during the period commencing on the Announcement Date and ending on the expiry of the Offer Period (each being a separate Condition).

The Prescribed Occurrences and details of the Conditions are set out in full in section 10.8 of the Bidder's Statement.

Cadmon may waive any Condition under the Corporations Act.

See Section 5.6 for an explanation of the circumstances in which Cadmon may withdraw unaccepted Offers.

5.4 Consequences if the Conditions are not satisfied

If any of the Conditions are not satisfied or waived before the Offer closes, the Offer will lapse. The means that:

- (a) if you have accepted the Offer, your acceptance is void and you will continue to be a Shareholder, free to deal with your Shares; or
- (b) if you have not accepted the Offer, you will continue to be a Shareholder, free to deal with your Shares.

5.5 Variation of the Offer

Cadmon may vary its Offer in accordance with the Corporations Act by:

- (a) waiving a Condition of the Offer; or
- (b) extending the Offer Period.

Any variation to the Offer must be announced on ASX.

The terms of the Offer provide that the Offer Price is final and cannot be increased by Cadmon (section 10.10 of the Bidder's Statement).

5.6 Withdrawal of Offer

Cadmon may be able to withdraw the Offer if it obtains the written consent of ASIC, subject to the conditions (if any) specified in such consent.

5.7 Limited rights to withdraw your acceptance

You have only limited rights to withdraw your acceptance of the Offer. You may withdraw your acceptance of the Offer only if the Offer is still subject to a Condition and Cadmon varies the Offer in a way that postpones, for more than one month, the time when Cadmon has to meet its obligations under the Offer.

If you have accepted the Offer and any of the Conditions have not been satisfied or waived by the end of the Offer Period (which may be extended), the Offer will lapse and you will be free to deal with your Shares.

5.8 When you will receive payment if you accept the Offer

Payment for acceptances will be received by the later of:

- (a) the date 1 month after you accept the Offer; and
- (b) 1 month after the date the Offer becomes or is declared unconditional,

but in any event (assuming the Offer becomes or is declared unconditional) no later than the date 21 days after the end of the Offer Period.

5.9 Compulsory acquisition

As at the date of this Target's Statement, Cadmon does not hold any Relevant Interest or voting power in the Shares.

Cadmon has indicated in section 5.4 of its Bidder's Statement that, if it satisfies the required thresholds, it intends to compulsorily acquire any remaining Shares.

Cadmon will be entitled to compulsorily acquire any Shares in respect of which it has not received an acceptance of its Offer on the same terms as the Offer if, during or at the end of the Offer Period, Cadmon and its associates have a Relevant Interest in at least 90% (by number) of the Shares.

The consideration per Share payable to Shareholder whose Shares are compulsorily acquired is the same as that payable under the Offer.

If the 90% threshold is met, Cadmon will have one month after the end of the Offer Period within which to give compulsory acquisition notices to Shareholders who have not accepted the Offer. Shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant Shareholder to establish to the satisfaction of a Court that the terms of the relevant Offer do not represent "fair value" for their Shares. If compulsory acquisition occurs, Shareholders who have their Shares compulsorily acquired are likely to be issued their consideration approximately five to six weeks after the compulsory acquisition notices are dispatched to them.

It is also possible that Cadmon will, at some time after the end of the Offer Period, become the beneficial holder of 90% or more of the Shares. Cadmon would then have rights to compulsorily acquire Shares not owned by it within six months of becoming the holder of 90% or more of the Shares. Cadmon's price for compulsory acquisition

under this procedure would have to be considered in a report of an independent expert.

6. Risks

6.1 Risks associated with Shares

In considering the Offer, Shareholders should be aware of the risks related to MHM, its business and assets.

MHM is subject to a number of investment risk factors, both specific to its business activities and of a general nature which may affect the future operating and financial performance of MHM and the value of Shares.

Many of the risks are outside the control of MHM and the Directors, and there can be no certainty that MHM's objectives or anticipated outcomes will be achieved.

The following list is not intended to be an exhaustive exploration of the risk factors to which MHM is exposed.

6.2 Risks Specific to MHM

(a) No current undertaking

MHM currently has no main undertaking and as a result is currently not generating any income. There is a risk that MHM will not be able to identify a suitable new opportunity that will increase Shareholder value in the short term or at all.

(b) Minority ownership risks

Cadmon may acquire more than 50% but less than 90% of Shares pursuant to the Offer. This has a number of possible implications, including those set out in Section 2.5.

(c) Illiquid Shares

MHM is presently admitted to the official list of ASX however the Shares have been suspended from trading on the ASX since 14 July 2016, and will remain suspended until MHM re-compiles with Chapters 1 and 2 of the Listing Rules. There is a risk that MHM will not re-comply with Chapters 1 and 2 of the Listing Rules in the near future or at all, and that MHM will remain suspended from trading. In which case, Shareholders will have limited means by which to dispose of their Shares.

(d) Value of MHM's ASX listing

The value of MHM's ASX listing, which might be realised via a back-door listing in partnership with another entity, may be adversely affected by legislative and regulatory changes, including changes to ASX policy and the Listing Rules in relation to back-door listings.

(e) Reliance on Key Personnel

The previous experience and track record of the Directors is a key reason for the possibility that MHM may be able to identify alternate opportunities that provide value to Shareholders in excess of the Offer consideration.

While it is not currently anticipated, one or any number of these key Directors may cease their engagement with MHM. The loss of any such person could potentially have a detrimental impact on MHM until the skills that are lost are adequately replaced.

6.3 General Securities Risks

(a) Economic risks

Adverse changes in economic conditions such as interest rates, exchange rates, inflation, government policy, international economic conditions and employment rates, amongst others, are outside MHM's control and have the potential to have an adverse impact on MHM and its operations.

(b) Share market conditions

If MHM resumes trading on the ASX, share market conditions may affect the value of MHM's quoted securities regardless of MHM's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;
- (iii) currency fluctuations;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of the Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. Neither MHM nor the Directors warrant the future performance of MHM or any return on an investment in MHM.

(c) Regulatory Risks

Changes in relevant taxes, legal and administrative regimes, accounting practice and government policies in Australia may adversely affect the financial performance of MHM.

6.4 Investment Speculative

- (a) The above list of risk factors ought not to be taken as exhaustive of the risks faced by MHM or by investors in MHM. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of MHM and the value of the Shares of MHM.
- (b) You should be cognisant of all the above risks when making your decision whether to accept or reject the Offer. Accepting the Offer will mean that you will minimise your exposure to the above risks by receiving the Offer Price, whereas rejecting the Offer will see you remain exposed to all the above risks on an ongoing basis.

7. Information relating to MHM

7.1 Background of MHM

MHM was incorporated on 1 March 2007 as 'Macquarie Mining Ltd'. The Company subsequently changed its name to 'Macquarie Harbour Mining Ltd' on 22 May 2007 and was admitted to the official list of ASX on 12 December 2007.

MHM was established for the purpose of acquiring and developing a portfolio of exploration projects contained within Tasmania.

In December 2010, MHM changed its name to 'MHM Metals Ltd' to reflect the Company's transition to focus on aluminium recycling salt slag processing (**Aluminium Business**).

MHM focused on its Aluminium Business until 30 September 2015, when the Moolap plant was closed. On 23 December 2016, the Company announced that it had settled the sale of the property, plant and equipment at 80 Buckley Grove, Moolap, for total consideration of \$1. The buyer assumed all responsibility for all potential liabilities attaching to the property. This disposal finalised the Company's interests in the Moolap region and in the Aluminium Business.

On 14 July 2016, MHM's securities were suspended from official quotation on ASX pending a re-compliance with Chapters 1 and 2 of the Listing Rules.

The Company's last remaining non-current assets were the Russellville property and a luxury yacht which had been provided as security to the Company as part of the Federal Court's determination that its former managing director, Frank Rogers, had breached his duties to the Company. The Company announced the settlement of the sale of the Russellville property on 12 April 2016, and announced the settlement of the sale of the luxury yacht on 12 January 2017.

On 12 July 2016, it was announced that MHM had become a substantial shareholder of Kin Mining NL (Kin). On 19 July 2016 the Company announced that it had ceased to be a substantial holder of Kin, however it still holds 5,139,438 shares in Kin.

7.2 Company direction and Board changes

MHM has been focused on assessing new business opportunities capable of being its primary undertaking since winding down its aluminium operations.

On 21 December 2016, MHM announced that it was in discussions with Otsana Capital to assist MHM to identify and acquire a suitable business to facilitate the reinstatement of its shares to trading on the ASX.

Otsana Capital is a Western Australian based corporate advisory firm which specialises in restructuring and recapitalising ASX listed entities, as well as identifying and facilitating reverse takeovers (also known as back-door listings) and initial public offerings. It has been agreed that Otsana Capital will continue to work with MHM.

As part of these discussions, Otsana Capital proposed a complete Board change. Pursuant to this proposal, the existing Board members resigned effective immediately, and Messrs Faldi Ismail, Bryn Hardcastle and Nicholas Young were appointed to the Board.

Mr Ismail has also been appointed Chairman of the Board.

7.3 Board experience and success with back-door listing transactions

The current Directors of MHM have considerable experience as directors of companies that have undertaken back-door listings and have demonstrated an ability to realise value for shareholders through such transactions, as is further detailed below.

Mr Faldi Ismail (Non-Executive Chairman of MHM) is a director of Otsana Capital. Mr Bryn Hardcastle (Non-Executive Director of MHM) is a director of Bellanhouse Legal.

The current Board has experience with the following recent back-door listing transactions and initial public offering.

(a) **Cre8tek Limited (ASX:CR8)**

On 5 May 2016, Cre8tek Limited (previously named 'Marion Energy Limited') was suspended from official quotation on ASX.

On 17 November 2016, Cre8tek Limited was reinstated to official quotation on ASX following the successful completion of a back-door listing.

Mr Faldi Ismail and Mr Bryn Hardcastle are directors of Cre8tek Limited. Otsana Capital was engaged as the lead manager and corporate advisor for the back-door listing, and Bellanhouse Legal was engaged as the legal advisor for the back-door listing.

(b) **Ookami Limited (ASX:OOK)**

Mr Faldi Ismail and Mr Nicholas Young were appointed directors of Ookami Limited (previously named 'Advanced Engine Components Limited') on 5 June 2015.

On 5 February 2016, Ookami Limited was reinstated to official quotation on ASX following the successful completion of a back-door listing.

Otsana Capital was engaged as lead manager for the back-door listing.

(c) **Dotz Nano Limited (ASX:DTZ)**

On 17 November 2015, Dotz Nano Limited (previously named 'Northern Iron Limited') was suspended from official quotation on ASX.

On 14 November 2016, Dotz Nano Limited was reinstated to official quotation on ASX following the successful completion of a back-door listing.

Mr Faldi Ismail is a director of Dotz Nano Limited. Otsana Capital was engaged as the lead manager for the back-door listing. Bellanhouse Legal was engaged as the legal advisor for the company vended in to Dotz Nano Limited (Dotz Nano Ltd (Israel Registrar of Companies ID No. 515063790)).

(d) **ESense Ltd (ASX:ESE)**

ESense Ltd was admitted to the official list of ASX on 10 February 2017 following an initial public offering.

(e) Xped Limited (ASX: XPE)

On 4 March 2016, Xped Limited (previously named “Raya Group Limited”) was suspended from official quotation on the ASX.

On 5 April 2016, Xped Limited was reinstated to official quotation on ASX following the successful completion of a back-door listing.

Otsana Capital acted as corporate advisor for Raya Group Limited on the backdoor listing.

(f) Mareterram Limited (ASX: MTM)

On 23 November 2015, Mareterram Limited (previously named “Style Limited”) was suspended from official quotation on the ASX.

On 6 January 2016, Mareterram Limited was reinstated to official quotation on the ASX following the successful completion of a back-door listing.

Mr Faldi Ismail was a director of Style Limited and was instrumental in facilitating the backdoor listing.

(g) Zenitas Health Limited (ASX: ZNT)

On 23 June 2016, Zenitas Limited (previously named “BGD Corporation Limited”) was suspended from official quotation on the ASX.

On 13 January 2017, Zenitas Limited was reinstated to official quotation on the ASX following the successful completion of a back-door listing.

Mr Faldi Ismail and Mr Nicholas Young were directors of BGD Corporation Limited.

7.4 Board's Intentions

Following the close of the Offer and the Alternative Offer, assuming neither offeror obtains control of the Company, the Board's intention is to aggressively pursue new business opportunities with a view to successfully completing a back door listing and having the Company's Share's reinstated to official quotation on the ASX and generating Shareholder value.

7.5 Mercantile OFM Takeover Proposal

On 15 December 2016 MVT, the parent company of Mercantile OFM, announced an intention to make an unsolicited takeover bid for the Company. The Company received the Bidder's Statement from Mercantile OFM on 10 January 2017 and lodged its target's statement in response on 27 February 2017.

7.6 Cadmon Takeover Proposal

On 9 February 2017, MHM received a notice of intention to make an off-market, cash takeover offer by Cadmon. The Company received Cadmon's bidder's statement on 23 February 2017. Cadmon's bidder's statement was dispatched to Shareholders on 3 March 2017.

7.7 Directors and Senior Management

The names and details of the Directors are as follows:

(a) **Mr Faldi Ismail - Non-Executive Chairman**

Qualifications - B Bus

Mr Ismail has significant experience working as a corporate advisor specialising in the restructure and recapitalisation of a wide range of ASX-listed companies having many years of investment banking experience covering a wide range of sectors. He has significant cross-border experience, having advised on numerous overseas transactions including capital raisings, structuring of acquisitions and joint ventures in numerous countries.

Mr Ismail is the founder and operator of Otsana Capital, a boutique advisory firm specialising in mergers and acquisitions, reverse takeovers, capital raisings and initial public offerings. Mr Ismail is currently a non-executive director of dual listed Asiamet Resources Limited (previously Kalimantan Gold Corporation Limited) (TSXV/AIM:ARS), Dotz Nano Limited (ASX:DTZ), Cre8tek Limited (ASX:CR8) and Ookami Limited (ASX:OOK).

(b) **Mr Bryn Hardcastle - Non Executive Director**

Qualifications - BA, LLB

Mr Hardcastle is an experienced corporate lawyer specialising in corporate, commercial and securities law. He is the managing director of Bellanhouse Legal which predominantly advises on equity capital markets, re-compliance transactions and takeovers across a variety of industries. Mr Hardcastle has extensive international legal experience and has advised on numerous cross border transactions. He also has experience acting as a non-executive director of ASX-listed companies.

Mr Hardcastle is also a non-executive director of Attila Resources Limited (ASX: AYA), Cre8tek Limited (ASX: CR8) and ServTech Global Holdings Ltd (ASX: SVT, to be listed).

(c) **Mr Nicholas Young - Non Executive Director**

Qualifications - B Comm, CA

Mr Young holds a Bachelor of Commerce, majoring in Accounting and Finance, is a Chartered Accountant and has completed the Insolvency Education Program at the Australian Restructuring Insolvency and Turnaround Association.

Mr Young commenced his career in the Corporate Restructuring division of an accounting firm and has gained valuable experience in Australia and Southern Africa, across a wide range of industries, including mining and exploration, mining services, renewable energy, professional services, manufacturing and transport. Mr Young has been involved in the recapitalisation of various ASX-listed companies.

7.8 Interests of Directors in Shares

All Directors have decided to **REJECT** the Offer prior to the date of this Target's Statement.

No Shares or other securities in the Company are held by or on behalf of any of the Directors as at the date of this Target's Statement.

No Director has acquired or disposed of any Shares within the four month period immediately prior to the date of this Target's Statement.

7.9 No benefits to Directors

No benefit (other than a benefit permitted under sections 200E or 200F of the Corporations Act) is proposed to be given to a Director (or anyone else) in connection with the Director's retirement as a Director (or executive) of MHM.

7.10 Other agreements or arrangements with Directors

There are no other agreements or arrangements made between a Director and any other person in connection with or conditional upon the outcome of the Offer.

7.11 Interests of Directors in Cadmon

No Director has a relevant interest in any securities in Cadmon.

No Director acquired or disposed of any securities in Cadmon within the four month period immediately prior to the date of this Target's Statement.

No Director has any interest in any contract entered into by Cadmon.

7.12 Key Statistics

Set out below are some key ratios and statistics extracted from MHM's audited financial statements for the years ended 30 June 2016 and 30 June 2015.

Year Ended 30 June	2016	2015
Basic earnings/(loss) per Share	3.081	(3.030)
Share Price at year end	\$0.030	\$0.017

7.13 Summary of historical financial information

The summary historical financial information below has been extracted from MHM's audited financial statements for the years ended 30 June 2016 and 30 June 2015 and does not take into account the effect of the Offer.

Copies of MHM's annual reports from which the financial information was extracted can be found on the company's website at www.mhmmetals.com. These reports also contain details of MHM's accounting policies. Shareholders without internet access can obtain copies of these reports by contacting the Company Secretary of MHM on +61 3 9692 7222.

Statement of Financial Position	2016	2015
Total Assets	9,158,174	5,415,821
Total Liabilities	1,217,760	1,957,818
Total Equity	7,940,414	3,458,003

Income Statement	2016	2015
Net interest Income	365,498	32,834
Other income	5,698,414	493,520
Expenses	1,159,014	2,201,600
Profit/(Loss) for the year	4,904,898	(1,675,246)

Statement of Cash Flows	2016	2015
Net Cash Flows from Operating Activities	5,623,402	(1,044,130)
Net Cash Flows from Investing Activities	447,897	-
Net Cash Flows from Financing Activities	38,612	-

Statement of Cash Flows	2016	2015
Net Increase (Decrease) in Cash and Cash Equivalents	6,109,991	(1,044,130)
Beginning Cash and Cash Equivalents	1,357,966	2,403,479
Effects of exchange rate changes	31,897	(1,383)
Ending Cash and Cash Equivalents	7,499,774	1,357,966

7.14 No material change in financial position

MHM's last published financial statements are for the six months ended 30 June 2016, as set out in its Annual Report lodged with ASX on 30 September 2016. Except as disclosed in this Target's Statement and in any announcement made by MHM to ASX since 30 September 2016, the Directors are not aware of any material change to the financial position of MHM since 30 June 2016.

In particular, the Company refers to its announcement of 12 January 2017 regarding the receipt of USD \$380,000 following the sale of the Executive 73 vessel.

7.15 Publicly available information

MHM is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under both the Corporations Act and the Listing Rules of ASX. Copies of announcements lodged with ASX can be obtained from the ASX's website

at www.asx.com.au under the code "MHM" or from MHM's website at www.mhmmetals.com.

A list of announcements made by MHM to ASX between 30 September 2016 (the date of release of MHM's annual report for the financial year end 30 June 2016) and the date of this Target's Statement is set out in Annexure 1. This information may be relevant to your assessment of the Offer.

Further announcements about developments on the Offer will continue to be made publicly available on MHM's website at www.mhmmetals.com after the date of his Target's Statement.

7.16 Issued Capital

MHM's issued capital comprises:

Number of Shares	Number of Options ¹
136,228,616	600,000

7.17 Substantial Shareholders

The following persons are the registered holders of over 5% of the Shares as at the date of this Target's Statement:

Shareholder	Shares	%
Invia Custodian Pty Ltd <NJ Family A/C Share A/C>	14,592,325	10.71
Mr Paul Kopejtka & Mrs Karen Kopejtka	9,651,011	7.08

¹Comprising 500,000 MHM options with an exercise price \$1.00 per share and an expiry date of 18 July 2017 and 100,000 MHM options with an exercise price \$0.45 per share and an expiry date of 13 November 2017.

8. Information relating to Cadmon

8.1 Disclaimer

The following information about Cadmon has been prepared by MHM using publicly available information, including information in the Bidder's Statement, and has not been independently verified. Accordingly, MHM does not, subject to the Corporations Act, make any representation or warranty, express or implied as to the accuracy or completeness of this information.

The information on Cadmon in this Target's Statement should not be considered comprehensive.

8.2 Overview of Cadmon and its principal activities

Cadmon was incorporated in 2017 for the purpose of investing in emerging companies and small business ventures. Cadmon is a wholly owned subsidiary of Cadmon Advisory Pty Ltd (**Cadmon Advisory**), a corporate advisory firm.

8.3 Further information

Further information about Cadmon and Cadmon Advisory can be found on Cadmon Advisory's website: www.cadmon.com.au.

9. Disadvantages associated with rejecting the Offer

Although your Directors unanimously recommend that you REJECT the Offer, there may be a number of disadvantages in doing so. A summary of some of those disadvantages is set out below.

This summary is not exhaustive and you should have regard to your own personal investment objectives and financial circumstances, and should consult your professional advisers, before deciding whether or not to accept Cadmon's Offer.

9.1 The Offer provides the opportunity for all Shareholders to realise their investment in MHM

Under the Offer, all Shareholders have an opportunity to realise their investment in MHM for a certain cash consideration (subject to the Conditions being satisfied or waived).

Accepting the Offer removes the risks associated with continuing to hold Shares, including risks associated with MHM's business as well as general industry and market risks including those outlined in Section 6.

Further, there is currently a limited market for Shares. While your Directors are hopeful that MHM will re-comply with Chapters 1 and 2 of the Listing Rules and that trading of Shares will resume on the ASX, there can be no guarantee that this will occur in the short term or at all. Accordingly, Cadmon's Offer represents an opportunity for Shareholders to liquidate their entire holding of Shares that is superior to the Alternative Offer.

9.2 Your Shares may be compulsorily acquired and there may be adverse consequences associated with not accepting Cadmon's Offer

If Cadmon becomes entitled to compulsorily acquire your Shares, it intends to do so.

Accordingly, even if you do not accept the Offer but a sufficient number of other Shareholders do, Cadmon may nevertheless compulsorily acquire your Shares.

If your Shares are compulsorily acquired, you will still receive the Offer Price for your Shares but at a later date than you would have received it if you had accepted the Offer.

Further, if you do not accept the Offer and Cadmon obtains a controlling interest in MHM, Cadmon has indicated it may seek to procure the removal of all Shares from the official list of ASX, and as a result your ability to realise your investment in MHM in the future may be limited.

10. Other material information

10.1 Taxation Implications

The following is intended only as a general guide to the income tax position under current Australian income tax law and administrative practice as at the date of this Target's Statement. Income tax is a complex area of law and the income tax implications for you may differ from those detailed below, depending on your particular circumstances. As these statements are of a general nature only it is recommended that you obtain your own independent professional advice in respect of the Australian income tax implications of the Offer.

The following is an overview of the likely Australian income tax implications as a consequence of the takeover bid for an Australian tax resident or non-Australian tax resident Shareholder who holds their Shares on capital account.

The following may not apply to certain Shareholders, such as if you are a dealer in shares, you hold Shares on revenue account or as trading stock, if you are an insurance company or a collective investment scheme, or if Division 230 of the *Income Tax Assessment Act 1997* (Cth) (**ITAA 1997**) applies to you and you have made an election to apply certain methods to calculating gains and losses. In addition, the following may not apply to you if you acquired your Shares as a result of an employment or services arrangement. Such persons may be subject to special rules or any gain on the disposal of their Shares may be assessed as ordinary income. As outlined above, it is recommended that you obtain specific taxation advice concerning your specific circumstances.

The following may also not apply to non-Australian tax resident Shareholders. The Australian income tax implications for non-Australian resident Shareholders are complex and will depend upon their own specific circumstances. Non-Australian tax resident Shareholders may also have tax implications in their country of Tax residence.

(a) Australian tax resident Shareholders

The transfer of Shares to Cadmon pursuant to the Offer will trigger a capital gains tax (**CGT**) event for you. Australian tax resident Shareholders may make a capital gain or a capital loss in respect of this event.

You may make a capital gain equal to the capital proceeds received (the cash consideration received from Cadmon) less the cost base of your Shares. The cost base of your Shares is generally the cost of their acquisition plus certain other amounts associated with their acquisition and disposal such as brokerage or stamp duty. We recommend you obtain specific taxation advice concerning this.

If you are an individual, trustee of a trust or a complying superannuation entity, and you acquired your Shares at least 12 months prior to accepting the Offer, you may be entitled to concessional discount CGT treatment under Division 115 -A of the ITAA 1997 in respect of a capital gain (based on meeting a number of conditions). This will depend upon your individual circumstances. We recommend you obtain specific taxation advice concerning this.

If the reduced cost base of your Shares is greater than the capital proceeds you received, you may realise a capital loss equal to the difference. A capital loss may be applied to reduce a capital gain in the same or a future tax year.

(b) Non-Australian tax resident Shareholders

Non-Australian tax resident Shareholders that hold Shares on capital account may only be subject to Australian CGT upon disposal of their Shares where the following conditions are met:

- (i) the non-Australian tax resident Shareholder, together with its associates, holds 10 per cent or more of MHM's issued Shares at the time of the disposal or for any 12 month period in the 24 months prior to disposal; and
- (ii) more than 50 per cent of the market value of the assets of MHM is represented (directly or indirectly) by real property interests or mining rights in respect of certain resources in Australia.

If CGT applies, concessional CGT treatment under Division 115 of the ITAA 1997 (general discount) is not available to non-Australian tax residents in relation to the disposal of Shares acquired after 8 May 2012. We recommend you obtain specific taxation advice concerning this.

10.2 Material Litigation

As at the date of this Target's Statement, MHM is not involved in any material litigation.

10.3 Consents

The following persons have given, and have not before the date of issue of this Target's Statement withdrawn, their consent to:

- (a) be named in this Target's Statement in the form and content in which they are named; and
- (b) the inclusion of other statements in this Target's Statement which are based on or referable to statements made in the reports or statements noted next to their names, or which are based on or referable to other statements made by those persons, in the form and context in which they appear:

Name of Person	Capacity	Reports or Statements
Mr Faldi Ismail, Mr Bryn Hardcastle, and Mr Nicholas Young	Directors	Statements made by, or statements based on the statements made by, the Directors
Bellanhouse Legal	Legal advisor to MHM	N/A
Security Transfer Registrars Pty Ltd	MHM's share registry	N/A

Each of the persons named above:

- (a) does not make, or purport to make, any statement in this Target's Statement other than those statements referred to above and as consented to by that person; and

- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement other than as described in this Section with the person's consent.

As permitted by ASIC Class Order 13/521, this Target's Statement contains statements that are made, or based on statements made, in documents lodged with ASIC or ASX (in compliance with the Listing Rules), including the Bidder's Statement. Pursuant to this Class Order, the consent of persons to whom such statements are attributed to is not required for the inclusion of those statements in the Target's Statement.

Any Shareholder who would like to receive a copy of any of the documents (or parts of the documents) that contain the statements which have been included pursuant to ASIC Class Order 13/521 may obtain a copy free by writing to MHM's Company Secretary.

Copies of all announcements by MHM may also be obtained from its website at www.mhmmetals.com or from ASX's website www.asx.com.au under the code "MHM".

Additionally, as permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement may include or be accompanied by statements:

- (a) fairly representing a statement by an official person; or
- (b) which are a correct and fair copy of, or extract from, a public official document or a published book, journal or comparable publication.

Pursuant to that Instrument, the consent of persons to whom such statements are attributed is not required for inclusion of those statements in this Target's Statement.

10.4 No Other Material Information

There is no other information that Shareholders or their professional advisers would reasonably require to make an informed assessment on whether to accept the Offer, being information which:

- (a) is reasonable for Shareholders and their professional advisers to expect to find in this Target's Statement; and
- (b) is known to any of the Directors.

In deciding what information should be included in this Target's Statement, the Directors have had regard to, amongst other things, the matters which Shareholders (or their professional advisers) may reasonably be expected to know, including information contained in documents previously sent to Shareholders and information available from public sources such as the ASX, ASIC or MHM's website at www.mhmmetals.com.

11. Authorisation

Mr Faldi Ismail, the Chairman of MHM, is authorised to sign this Target's Statement pursuant to a resolution passed at a meeting of directors held on 20 March 2017.

A handwritten signature in black ink, appearing to read 'Faldi Ismail', with a stylized flourish at the end.

Mr Faldi Ismail
Non-Executive Chairman
Dated: 20 March 2017

12. Glossary of terms

12.1 Glossary

In this Target's Statement, unless a contrary intention appears, the following expressions have the following meanings:

AEST means Australian Eastern Standard Time.

Alternative Offer means the offer dated 13 February 2017 made by Mercantile OFM to acquire all of the Shares on the terms set out in Mercantile OFM's replacement bidder's statement dated 30 January 2017.

Alternative Offer Target's Statement means the MHM's target's statement in response to the Alternative Offer dated 27 February 2017.

Announcement Date means 9 February 2017 being the date on which Cadmon announced that it intended to undertake an off-market takeover bid for MHM.

ASIC means Australian Securities and Investment Commission.

ASX means ASX Limited ACN 008 624 691 trading as Australian Securities Exchange.

ASX Settlement means ASX Limited ABN 98 008 504 532.

ASX Settlement Operating Rules means the settlement rules of ASX Settlement.

Bidder's Statement means the bidder's statement of Cadmon dated 23 February 2017 which was served on MHM on 23 February 2017.

Board means the board of directors of MHM.

Business Day means a day on which banks are open for general banking business in Melbourne (not being a Saturday, Sunday or public holiday in that place).

Cadmon means Cadmon Ventures Pty Ltd ACN 617 176 253.

Cadmon Advisory means Cadmon Advisory Pty Ltd ACN 498 985 015.

CHESS means the Clearing House Electronic Sub-register System, which provides for electronic share transfer in Australia.

CHESS Holding means a holding of Shares on the CHESS sub-register of MHM.

Conditions means the conditions to the Offer as described in section 10.8 of the Bidder's Statement.

Controlling Participant means the broker who is designated as the controlling participant for Shares in a CHESS Holding in accordance with the ASX Settlement Operating Rules.

CGT means capital gains tax.

Competing Proposal means any proposal or transaction, which, if completed, would mean a person (other than Cadmon or any associate of Cadmon) would:

- (a) acquire control of MHM, within the meaning of section 50AA of the Corporations Act, or a material part of MHM's business; or
- (b) otherwise acquire or merge (including by a reverse takeover bid or dual listed MHM structure) with MHM.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of MHM and **Directors** means all of the directors of MHM.

ITAA 1997 means *Income Tax Assessment Act 1997* (Cth).

Listing Rules means the listing rules of the ASX.

Mercantile OFM means Mercantile OFM Pty Ltd ACN 120 221 623.

MHM or Company means MHM Metals Limited ACN 124 212 175.

MVT means Mercantile Investment Company Limited ACN 121 415 576.

Offer or Cadmon's Offer means the offer dated 3 March 2017 made by Cadmon to acquire all of the Shares on the terms set out in section 10 of the Bidder's Statement.

Offer Period means the period commencing on 3 March 2017 and ending on 7 April 2017 (unless extended or withdrawn) during which the Offer will remain open for acceptance.

Offer Price means the offer of \$0.0435 in cash for each Share.

Prescribed Occurrences means the events referred to in section 10.8 of the Bidder's Statement.

Relevant Interest has the meaning given to that term in the Corporations Act.

Review means the proposed review, by Cadmon, of MHM's activities, assets and liabilities in light of the information that will become available to it upon completion of the Offer.

Section means a section of this Target's Statement.

Share Register means the register of shareholders of MHM maintained by or on behalf of MHM in accordance with the Corporations Act.

Shareholder means a person registered as a member of MHM.

Shares means fully paid ordinary shares in MHM.

Superior Offer means a Competing Proposal which the Board of MHM determines to be more favourable to Shareholders than Cadmon's Offer, taking into account all terms and conditions of the Competing Proposal or variation to the Offer by Cadmon.

Target's Statement means this Target's Statement, being the statement of MHM under Part 6.5 Division 3 of the Corporations Act.

12.2 Interpretation

Various defined terms are used in this Target's Statement. Unless the contrary intention appears, the context requires otherwise, or words are defined in Section 12.1, words and phrases in this Target's Statement have the same meaning and interpretation as in the Corporations Act.

In this Target's Statement, headings are for convenience only and do not affect interpretation and unless the context indicates a contrary intention:

- (a) the expression "person" includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture (whether incorporated or unincorporated), a partnership and a trust;
- (b) a reference to any party includes that party's executors, administrators, successors and permitted assigns, including any person taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee;
- (c) a reference to any document (including this Target's Statement) is to that document as varied, novated, ratified or replaced from time to time;
- (d) a reference to any statute or to any statutory provision includes any statutory modification or re-enactment of it or any statutory provision substituted for it, and all ordinances, by-laws, regulations, rules and statutory instruments (however described) issued under it;
- (e) words importing the singular include the plural (and vice versa), and words indicating a gender include every other gender;
- (f) references to parties, clauses, schedules, exhibits or annexures are references to parties, clauses, schedules, exhibits and annexures to or of this Target's Statement, and a reference to this Target's Statement includes any schedule, exhibit or annexure to this Target's Statement;
- (g) where a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (h) the word "includes" in any form is not a word of limitation;
- (i) a reference to "\$" or "dollar" is to Australian currency; and
- (j) if any day appointed or specified by this Target's Statement for the payment of any money or doing of any thing falls on a day which is not a Business Day, the day so appointed or specified shall be deemed to be the next Business Day.

ANNEXURE 1 - MHM ASX ANNOUNCEMENTS

Date	Announcement
8-Mar-17	Change in substantial holding from MVT
6-Mar-17	MVT: Takeover Bid - MHM - Extending Offer Period
3-Mar-17	Bidder's Statement - Despatched 3 March 2017
3-Mar-17	Despatch of Bidder's Statement
28-Feb-17	Notice of Change in Holding from MVT
27-Feb-17	Target's Statement for Mercantile Offer
24-Feb-17	Becoming a substantial holder
23-Feb-17	Cadmon Ventures Pty Ltd - Bidder's Statement
22-Feb-17	Change in substantial holding from MVT
16-Feb-17	Chairman's letter to Shareholders
14-Feb-17	MVT: Replacement Bidder's Statement - MHM
9-Feb-17	Receipt of intention to make Off-market Takeover Offer
24-Feb-17	Becoming a substantial holder
23-Feb-17	Cadmon Ventures Pty Ltd - Bidder's Statement
22-Feb-17	Change in substantial holding from MVT
31-Jan-17	December 2016 Quarterly Activities & Cashflow Reports
31-Jan-17	MVT: Supplementary and Replacement Bidder's Statements - MHM
17-Jan-17	MVT: Supplementary Bidder's Statement
16-Jan-17	Results of Annual General Meeting
12-Jan-17	Sale of Executive 73 Vessel
11-Jan-17	Receipt of Bidder's Statement
11-Jan-17	MVT: Bidder's Statement
30-Dec-16	Addendum to Notice of Annual General Meeting
23-Dec-16	Alreco Update - Sale of Moolap Property
21-Dec-16	Final Director' Interest Notices x3
21-Dec-16	Initial Director's Interest Notices x3

Date	Announcement
21-Dec-16	Shareholder Update and Board Changes
16-Dec-16	Response to Proposed Takeover by Mercantile Investment Co
16-Dec-16	2016 Notice of Annual General Meeting / Proxy Form
16-Dec-16	AGM Update
15-Dec-16	Response to Announcement by Mercantile Investment Company
15-Dec-16	MVT: Intention to Make Takeover Bid - MHM Update
15-Dec-16	Becoming a substantial holder
15-Dec-16	Change of Director's Interest Notice
15-Dec-16	MVT: Intention to Make Takeover Bid - MHM
12-Dec-16	Mutual Termination of Proposed Merger with AMC
7-Dec-16	Change of Director's Interest Notice
7-Dec-16	Appointment of Director
2-Dec-16	Final Director's Interest Notice
2-Dec-16	Final Director's Interest Notice
2-Dec-16	Initial Director's Interest Notice
2-Dec-16	Board Changes and AGM Update
25-Nov-16	Change to Annual General Meeting Date
15-Nov-16	Clarification to ASX Announcement
15-Nov-16	Proposed Merger with Alliance Mining Commodities Limited
31-Oct-16	September Quarterly Activities & Cashflow Reports
28-Oct-16	Sale of Executive 73 Vessel Update
27-Oct-16	Notice of Annual General Meeting/Proxy Form
21-Oct-16	Alreco Update
12-Oct-16	Alreco Update
30-Sept-16	Appendix 4G and Corporate Governance Statement
30-Sept-16	2016 Annual Report to Shareholders

CORPORATE DIRECTORY

Directors

Mr Faldi Ismail	Non-Executive Chairman
Mr Bryn Hardcastle	Non-Executive Director
Mr Nicholas Young	Non-Executive Director

Company Secretary

Justin Mouchacca

Registered and Principal Office

Level 4, 100 Albert Road
SOUTH MELBOURNE VIC 3025
Phone: +61 3 9692 7222
Fax: +61 3 9077 9233
Website: www.mhmmetals.com

Legal Adviser

Bellanhouse Legal
Ground Floor, 11 Ventnor Avenue
WEST PERTH WA 6005

Share Registry

Security Transfer Australia Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Phone: +61 8 9315 2333
Fax: +61 8 9315 2233

Securities Exchange Listing

Australian Securities Exchange (ASX)
ASX Code: MHM