

MHM QUARTERLY ACTIVITIES REPORT

ASX Release – September 2013

September Quarter Financial Performance (unaudited)

Total cash receipts for the quarter were \$1.82 million.

There was a net decrease of cash held for the quarter of (\$0.18 million) comprised of:-

Net Operating Cash Flow	\$0.36 million
Net Investing Cash Flow	(\$0.54 million)
Net Financing Cash Flow	\$0

Cash on hand at the end of September 2013 was \$2.25 million.

Projected Cash Flows for FY14 Q2 (31-Dec-13) are:

Total Cash Receipts	\$1.97 million
Total Operating Cash Outflows	(\$1.72 million)
Total Investing Cash Outflows	(\$0.40 million)

Quarter Highlights:

- Production throughput at the plant continues to improve month on month towards a steady state target
- Increased sales of NMP Standard product
- New filter press to be cut into the plant at the end of October

Production

MHM processed a total of 5,640 tons for the first quarter of FY14. This is an average of 434 tons per week. This is below the current steady state target of 500T per week however volumes trended up each month during the quarter and are getting close to the steady state target of 500T per week.

Significant downtime associated with the plant is attributed to the fines not being captured in the process which will be addressed with the new filter press resulting in an expected step change in weekly throughput post filter installation.

NMP sales

During the quarter MHM shipped 1,233 tons of NMP to both domestic and international customers. All product sold was NMP Standard product. Some fines were shipped out as test batches.

Currently MHM is selling the majority of the Standard NMP that it is producing but not selling any of the Fine NMP product. The company continues to look at all avenues for the sale or disposal of the Fine NMP material stockpiled on site.

Once the new filter press is installed there will only be one product produced, the new Standard product. The company is working with its current customers to ensure that this new NMP Standard product meets their requirements.

Testing on the NMP as a compost accelerant has shown some good initial results however more testing is required to determine if that application is viable.

Filter Press Installation

The new filter press continued to be installed throughout the quarter and remains on track to be cut into the plant at the end of October.

MHM engaged an Australian based mechanical engineer specialising in filtration to assist with the commissioning of the filter press. The engineer has run tests on the slurry (NMP) produced at the Moolap plant through a filter test rig. This was completed to best understand the optimum slurry parameters (temperature, pH and density) and best washing sequence for the filter press.

For further information contact

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Iain Kirkwood - Chairman **+61 (0) 408 473 496**

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")

30 September 2013

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (Three months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	1,823	1,823
1.2 Payments for (a) exploration & evaluation (b) US development (c) production (d) administration	- (31) (1,177) (275)	- (31) (1,177) (275)
1.3 Dividends received		
1.4 Interest received	23	23
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	363	363
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	(542)	(542)
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	(542)	(542)
1.13 Total operating and investing cash flows (carried forward)	(179)	(179)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(179)	(179)
	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	(179)	(179)
1.20	Cash at beginning of quarter/year to date	2,428	2,428
1.21	Exchange rate adjustments to item 1.20	1	1
1.22	Cash at end of quarter	2,250	2,250

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Curent quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	78
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	(25)
4.3 Production	(1,394)
4.4 Administration	(301)
Total	(1,720)

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	2,250	2,428
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2,250	2,428

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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>			

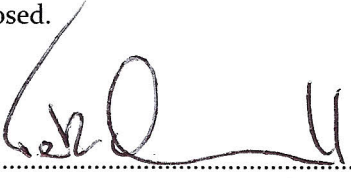
+ See chapter 19 for defined terms.

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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>
	1,000,000			20 cents	25 November 2013
	1,000,000			20 cents	14 December 2013
	140,000			25 cents	9 October 2014
	1,900,000			28 cents	30 November 2014
	100,000			28 cents	4 January 2015
	300,000			85 cents	6 October 2015
	300,000			180 cents	20 June 2016
	150,000			100 cents	30 June 2016
	100,000			126 cents	23 August 2016
	300,000			100 cents	5 November 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: 
(Director/Company secretary)

Date: 22-10-13

+ See chapter 19 for defined terms.

Print name: PETER ANSELL

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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