MHM Metals Limited

ABN 41 124 212 175

Annual Report - 30 June 2016

MHM Metals Limited
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30 June 2016

The Company’s 2016 Corporate Governance Statement has been released to ASX on 30 September 2016 and is available on the Company’s website

Directors	Paul Kopejtka (Non-Executive Chairman) Joseph van den Elsen (Managing Director) Christopher Goodman (Non-Executive Director)
Company secretary	Justin Mouchacca
Registered office	Level 4, 100 Albert Road South Melbourne, VIC, 3025 Tel: +613 9692 7222 Fax: +613 9077 9233
Share register	Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross WA 6153 Tel: +618 9315 2333 Fax: +618 9315 2233
Auditor	Grant Thornton Audit Pty Ltd The Rialto Level 30, 525 Collins Street MELBOURNE VIC 3000
Stock exchange listing	MHM Metals Limited shares are listed on the Australian Securities Exchange (ASX code: MHM)
Website	www.mhmmetals.com

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of MHM Metals Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2016.

Directors
The following persons were Directors of MHM Metals Limited during the financial year ended 30 June 2016 and up to the date of this report. All Directors, unless otherwise indicated, were in office from the beginning of the financial period until the date of this report.

Joseph van den Elsen (Managing Director)
Paul Kopejtka (Non-Executive Chairman)
Christopher Goodman (Non-Executive Director)

Principal activities
During the financial year the principal continuing activities of the consolidated entity consisted of:
- The wind down of its aluminium salt slag processing and production of Non Metallic Product (NMP) for sale to domestic and overseas customers.
- Review of new opportunities capable of increasing overall shareholder value.

Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations
The profit for the consolidated entity after providing for income tax amounted to $4,178,571 (30 June 2015: loss of $3,945,600).

The profit for the period has resulted from a review of previous year's claims in Research and Development Incentive Claims which resulted in a refund of $4,433,329 being received during the year. The consolidated entity also received $2,983,592 during the year period in relation to a claim for the 2014/2015 financial year, of which $1,244,405 has been accounted for during the period and $1,739,187 accrued in the 2015 Annual Report.

During the year, there was a significant decrease in revenues and expenses from the consolidated entity's salt slag processing and production activities following the decision by Alcoa Inc in 2014 to close its operations.

Significant changes in the state of affairs
On 9 October 2015, the consolidated entity entered into two separate loan agreements with related entities of two Directors, Mr van den Elsen and Mr Kopejtka, for the provision of up to $400,000 in funding. The maturity date of the loans was 12 months and interest applicable on the amounts at a rate of 12.5%. This funding was sought to ensure the Company was able to meet its working capital requirements, fund ongoing remediation at the Moolap site and continued Due Diligence on new business opportunities, pending the receipt of an R&D Incentive rebate. The Consolidated entity drew down $200,000 from a related entity of Mr Kopejtka and subsequently sought shareholder approval at the Company's 2015 Annual General Meeting (AGM) of Shareholders to convert the loaned amounts into fully paid ordinary shares in the Company. Shareholder approval was granted and on 25 November 2015, the Company issued 9,651,011 fully paid ordinary shares at a deemed issue price of $0.021 (2.1 cents) in order to satisfy repayment of loaned amounts.

On 24 November 2015, the consolidated entity issued 1,250,000 fully paid ordinary shares to its previous Managing Director in partial satisfaction of bonus amounts payable at a deemed issue price of $0.02 (2 cents) per share following receipt of shareholder approval at the 2015 AGM.

On 11 January 2016, the consolidated entity entered into a Binding Heads of Agreement (the Agreement) with Stone Resources Australia Limited (SHK) to develop the Brightstar Gold Project located in the Laverton region of Western Australia. The consolidated entity continued to advance the joint venture transaction, with due diligence investigations, negotiations to finalise and execute a formal agreement to document the joint venture transaction and finalisation of the project implementation schedule progressing during the financial year. On 23 March 2016, the consolidated entity advised the ASX that it was terminating the agreement with SHK due to breach of contract by SHK. On 11 July 2016, MHM advised that it had executed a Deed of Settlement (Deed) with Stone Resources Limited (ASX: SHK) concluding all discussions concerning the Brightstar Gold Project.

On 17 February 2016, the consolidated entity announced that it would offer to acquire the holdings of Shareholders who held a small parcel of shares in the Company for $0.033 (3.3 cents) per share and that any shares acquired by the Company pursuant to the buy-back would be cancelled.

On 7 April 2016, the consolidated entity announced that it had cancelled a total of 4,890,540 fully paid ordinary shares following the election of 942 shareholders to have their small parcel holdings acquired by the Company.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year
Subsequent to the end of the financial year, the consolidated entity acquired an equity interest in KIN Mining N.L (ASX: KIN). The investment in KIN is consistent with MHM's strategy of identifying opportunities where MHM's Financial Position and management experience can be applied to create new business opportunities in the resources sector. Following the acquisition of the equity interest and liaison with ASX, the Company's securities were placed into suspension and will remain in suspension until such time as the Company has identified a suitable new opportunity and has met any necessary requirements under ASX Listing Rule 11.1 that may apply in relation to that opportunity (including re-complying with Chapters 1 and 2 of the ASX Listing Rules, to the extent required).

On 19 August 2016, the consolidated entity entered into a sale agreement for the Executive 73 Vessel for an agreed consideration of $508,000 USD. A deposit has been received from the buyer with settlement scheduled for 15 October 2016.

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Environmental regulation
The consolidated entity was previously subject to the reporting requirements of the National Pollutant Inventory under the National Environmental Protection Measures Legislation. This requires the consolidated entity to monitor, measure and report its annual emissions. The consolidated entity implemented systems and processes for the collection and calculation of the data required. There are no significant environmental regulations under the law of the Commonwealth and State which affect the consolidated in future financial years.

Information on directors

Name:	Joseph van den Elsen
Title:	Managing Director
Experience and expertise:	A qualified Australian lawyer, Mr van den Elsen has lived and worked in Australia and numerous Latin American jurisdictions. Prior to assuming the role of MHM's Managing Director, he served as an Executive Director of Hampshire Mining Group, a privately owned coal project development group. Joseph has considerable experience identifying and acquiring mining projects and overseeing complicated, cross jurisdictional Due Diligence. Prior to joining the Hampshire Mining Group, Mr van den Elsen was an Associate Director with UBS having previously held a comparable position with Goldman Sachs JBWere.
Other current directorships:	Nil
Former directorships (last 3 years):	None
Interests in shares:	6,511,668 Fully paid ordinary shares

Name:	Christopher Goodman
Title:	Non-Executive Director
Experience and expertise:	Mr Goodman is a highly experienced senior coal trader with extensive global experience in coal procurement, coal sales, and coal technology and holds a Global Executive MBA through the IESE Business School in Barcelona. Mr Goodman has previously held senior management positions with Trafigura, Mercuria Energy and Noble Group and holds a Bachelor of Science (Hons) (Chemistry) from the University of Bristol.
Other current directorships:	Non-Executive Director of Canada Rare Earth Corporation (LL.V)
Former directorships (last 3 years):	None
Interests in shares:	Nil

Name:	Paul Kopejtka
Title:	Non-Executive Director – Chairman
Experience and expertise:	Mr Kopejtka has a Bachelor's Degree in Chemical Engineering and is a member of the Australian Institute of Company Directors. Mr Kopejtka has been associated with a number of Australian listed companies, notably Murchison Metals Ltd and Extract Resources Ltd. Under Paul's leadership, Murchison successfully developed the Jacks Hills Iron Ore Stage 1 mine producing 2Mtpa of high grade Iron Ore. In late 2007, Murchison entered into a Joint Venture with Mitsubishi Corporation to jointly develop the Jack Hills Stage 2 project.
Other current directorships:	Nil
Former directorships (last 3 years):	Non-Executive Chairman of Ascot Resources (Unlisted Public)
Interests in shares:	9,651,011

Name:	Matthew T M Keen B. Eng. (Hons)
Title:	Managing Director (Resigned 31 July 2015)
Experience and expertise:	Mr Keen holds an Electrical and Electronic Engineering degree and has 15 years' experience in both engineering and finance and in a variety of senior roles. He has worked in complex engineering, mining, construction and infrastructure projects both locally and internationally. Most recently he was the Managing Director of Queen Street Capital, a private corporate advisory business where he gained enormous experience across a range of projects and professional networks.
Other current directorships:	N/A
Former directorships (last 3 years):	N/A
Interests in shares:	N/A

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2016, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Joseph van den Elsen	5	5
Christopher Goodman	5	5
Paul Kopejtka	4	5
Matthew Keen*	1	1

Held: represents the number of meetings held during the time the director held office.

* MTM Keen resigned as CEO and Managing Director on 31 July 2015.

Remuneration report (audited)
The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation;
- transparency; and
- capital management.

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The consolidated entity has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- focuses on exploration success as the creation of shareholder value and returns;
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:
- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration
Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

ASX listing rules require the aggregate non-executive directors remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 29 November 2010, where the shareholders approved an aggregate remuneration of $200,000.

Executive remuneration
The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has three components:
- base pay, benefits and bonuses;
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and bonuses. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any executives' contracts.

Directors and employees are permitted to nominate a superannuation fund of their choice to receive superannuation contributions.

Consolidated entity performance and link to remuneration
Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Nomination and Remuneration Committee. Refer to the section 'Additional information' below for details of the earnings and total shareholders return for the last five years.

The Nomination and Remuneration Committee is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

Voting and comments made at the company's 2015 Annual General Meeting ('AGM')
MHM Metals Limited received more than 91.24% of "yes" votes on its remuneration report for the 2015 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Details of remuneration

Amounts of remuneration
Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

2016	Short-term benefits: Cash salary and fees $	Short-term benefits: Cash bonus $	Short-term benefits: Non-monetary $	Post-employment benefits: Super-annuation $	Long-term benefits: Long service leave $	Share-based payments: Equity-settled $	Total $
Non-Executive Directors:							
Christopher Goodman	35,000	-	-	-	-	-	35,000
Matthew T M Keen*	43,510	-	-	4,134	-	-	47,644
Paul Kopejtka**	155,167	-	-	-	-	-	155,167
Executive Directors:							
Joseph van den Elsen***	207,107	50,000	-	17,893	-	-	275,000
Other Key Management Personnel:							
Justin Mouchacca****	87,000	-	-	-	-	-	87,000
	527,784	50,000	-	22,027	-	-	599,811

* Mr Keen resigned as CEO and Managing Director on 31 July 2015.
** During the financial year, Mr Kopejtka received consulting fees for additional work provided to the Company.
*** Mr van den Elsen appointed as Managing Director on 1 July 2015.
**** Fees paid to Leydin Freyer Corp Pty Ltd in respect of Company Secretarial and Accounting services.

Bonuses

During the year a performance review was carried out in in line with the Managing Director's Employment Agreement and a cash bonus was awarded, in place increasing the base remuneration.

The bonus was determined following a review of the achievements of the Managing Director throughout the year including:

- The increase in the Company's cash reserves by approximately $8 million;
- The significant progress of the ongoing asset realisation campaign; and
- The continued efforts to identify and pursue new business opportunities.

2015	Short-term benefits: Cash salary and fees $	Short-term benefits: Cash bonus $	Short-term benefits: Non-monetary $	Post-employment benefits: Super-annuation $	Long-term benefits: Long service leave $	Share-based payments: Equity-settled $	Total $
Non-Executive Directors:							
Christopher Goodman*	4,677	-	-	-	-	-	4,677
Paul Kopejtka**	5,000	-	-	-	-	-	5,000
Ian M Kirkwood***	61,400	-	-	5,856	-	-	67,256
David Menzies****	45,142	-	-	2,191	-	-	47,333
Joseph van den Elsen*****	58,892	-	-	-	-	-	58,892
Executive Directors:							
Matthew T M Keen******	250,000	100,000	-	28,500	25,000	-	403,500
Other Key Management Personnel:							
J Thiele	40,931	-	-	3,888	-	-	44,819
	466,042	100,000	-	40,435	25,000	-	631,477

* Mr Goodman appointed as director on 5 May 2015.
** Mr Kopejtka appointed as director on 23 March 2015.
*** Mr Kirkwood resigned as director on 23 March 2015.
**** Mr Menzies resigned as director on 28 February 2015.
***** Mr van den Elsen appointed as director on 10 December 2014 and as CEO and Managing Director on 1 July 2015.
****** Mr Keen resigned as CEO and Managing Director on 31 July 2015.
******* Mr Thiele resigned as CFO on 14 September 2014.

No bonuses were paid to new Directors or key management personnel of the Group prior to their appointments.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		Remuneration linked to performance		At risk - LTI	
Name	2016	2015	2016	2015	2016	2015
Non-Executive Directors:						
Christopher Goodman	100%	100%	-	-	-	-
Paul Kopejtka	100%	100%	-	-	-	-
Ian M Kirkwood	-	100%	-	-	-	-
David Menzies	-	100%	-	-	-	-
Executive Directors:						
Joseph van den Elsen	82%	100%	18%	-	-	-
Matthew T M Keen*	100%	67%	-	33%	-	-
Other Key Management Personnel:						
J Thiele	-	100%	-	-	-	-
Justin Mouchacca	100%	100%	-	-	-	-

* Included in Mr Keen's remuneration for the financial year ended 30 June 2015 is an additional bonus amount of $50,000, which whilst agreed to and thus expressed in the financial year ended 30 June 2015, related to the financial year ended 30 June 2014.

Service agreements
Remuneration and other terms of employment for the Company's Managing Directors were formalised in an employment contract.

Major provisions of the key management personnel contracts relating to remuneration are per below.

Name:	Joseph van den Elsen
Title:	CEO / Managing Director
Agreement commenced:	1 July 2015
Term of agreement:	For an initial term of two years with a notice period of three months
Details:	Base salary for the year ended 30 June 2016 of $225,000 (including superannuation). Provision of four weeks annual leave; and upon termination any payment required by legislation is payable by the company.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
The consolidated entity issued 1,250,000 fully paid ordinary shares to its previous Managing Director in order to satisfy a portion of bonus amounts payable at a deemed issue price of $0.02 (2 cents) per share following receipt of shareholder approval at the 2015 AGM.

Options
There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2016.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2016.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2016 are summarised below:

	2016 $	2015 $	2014 $	2013 $	2012 $
Sales revenue	365,498	32,834	7,191,006	4,712,795	3,976,648
Net profit/(loss) before tax	4,904,898	(1,675,246)	(9,448,487)	(7,017,641)	(7,066,521)
Net profit/(loss) after tax	4,904,898	(3,945,600)	(6,892,234)	(7,017,641)	(6,152,728)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2016	2015	2014	2013	2012
Share price at start of year ($)	0.017	0.014	0.12	0.44	1.03
Share price at end of year ($)	0.030	0.017	0.014	0.12	0.445
Basic earnings per share (cents per share)	3.081	(3.030)	(5.300)	(5.400)	(5.95)
Diluted earnings per share (cents per share)	3.081	(3.030)	(5.300)	(5.400)	(5.95)

Additional disclosures relating to key management personnel

In October 2015, the company entered into a loan agreement with Mr Paul Kopejtka for provision an unsecured loan $200,000 to the consolidated entity. Following shareholders' approval at the 2015 AGM, the loan was converted to fully paid ordinary shares.

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Joseph van den Elsen	6,511,668	-	-	-	6,511,668
Paul Kopejtka	-	-	9,651,011	-	9,651,011
	6,511,668	-	9,651,011	-	16,162,679

Loans to directors and executives

There are no loans to Directors or other key management personnel of MHM Metals Limited.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of MHM Metals Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
02 December 2011	29 November 2016	$1.7100	1,200,000
14 February 2012	14 February 2017	$1.3500	150,000
29 November 2012	18 July 2017	$1.0000	500,000
14 November 2012	13 November 2017	$0.4500	100,000
			1,950,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options
There were no ordinary shares of MHM Metals Limited issued on the exercise of options during the year ended 30 June 2016 and up to the date of this report.

Indemnity and insurance of officers
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Consolidated entity paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Consolidated entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings.

This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Consolidated entity. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Indemnity and insurance of auditor
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services
There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former partners of Grant Thornton Audit Pty Ltd
There are no officers of the company who are former partners of Grant Thornton Audit Pty Ltd.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor
Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Paul Kopejtka
Non-executive Chairman

30 September 2016

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Auditor's Independence Declaration
To the Directors of MHM Metals Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of MHM Metals Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

B. L. Taylor
Partner - Audit & Assurance

Melbourne, 30 September 2016

MHM Metals Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Revenue			
Income		365,498	32,834
Other income	5	5,698,414	493,520
Expenses			
Administration expenses		(117,565)	(117,881)
Corporate expenses		(631,354)	(284,102)
Employee benefits expenses		(442,193)	(679,271)
Depreciation and amortisation expense		(8,287)	(11,001)
Impairment reversal/(expense)		308,939	(839,098)
Insurance expense		(66,417)	(75,036)
Legal fees		(128,539)	(332,047)
Foreign Exchange Gain/(Loss)		-	185,212
Other expenses		(73,598)	(48,376)
Profit/(loss) before income tax benefit from continuing operations		4,904,898	(1,675,246)
Income tax benefit	6	-	2,722,815
Profit after income tax benefit from continuing operations		4,904,898	1,047,569
Loss after income tax expense from discontinued operations	7	(726,327)	(4,993,169)
Profit/(loss) after income tax benefit for the year attributable to the owners of MHM Metals Limited	18	4,178,571	(3,945,600)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		40,821	-
Gain on the revaluation of assets		108,565	-
Gain on the revaluation of available-for-sale financial assets, net of tax		113,171	-
Other comprehensive income for the year, net of tax		262,557	-
Total comprehensive income for the year attributable to the owners of MHM Metals Limited		4,441,128	(3,945,600)
Total comprehensive income for the year is attributable to:			
Continuing operations		5,167,455	1,047,569
Discontinued operations		(726,327)	(4,993,169)
		4,441,128	(3,945,600)

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

MHM Metals Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

	Note	Consolidated 2016 $	2015 $
		Cents	**Cents**
Earnings per share for loss from discontinued operations attributable to the owners of MHM Metals Limited			
Basic earnings per share	27	(0.536)	(3.834)
Diluted earnings per share	27	(0.536)	(3.834)
Earnings per share for profit/(loss) attributable to the owners of MHM Metals Limited			
Basic earnings per share	27	3.081	(3.030)
Diluted earnings per share	27	3.081	(3.030)

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

MHM Metals Limited
Statement of financial position
As at 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Assets			
Current assets			
Cash and cash equivalents	8	7,123,253	1,357,966
Trade and other receivables	9	40,270	1,860,264
Other	10	41,728	40,219
		7,205,251	3,258,449
Non-current assets classified as held for sale	11	-	423,177
Assets of disposal groups classified as held for sale	7	883,137	-
Total current assets		8,088,388	3,681,626
Non-current assets			
Available-for-sale financial assets	12	445,728	-
Property, plant and equipment	13	624,058	1,734,195
Total non-current assets		1,069,786	1,734,195
Total assets		9,158,174	5,415,821
Liabilities			
Current liabilities			
Trade and other payables	14	178,127	267,645
Provisions	15	31,142	1,690,173
Liabilities directly associated with assets of disposal groups classified as held for sale	7	1,008,491	-
Total current liabilities		1,217,760	1,957,818
Total liabilities		1,217,760	1,957,818
Net assets		7,940,414	3,458,003
Equity			
Issued capital	16	29,912,298	29,846,015
Reserves	17	2,565,631	2,328,074
Accumulated losses	18	(24,537,515)	(28,716,086)
Total equity		7,940,414	3,458,003

The above statement of financial position should be read in conjunction with the accompanying notes

MHM Metals Limited
Statement of cash flows
For the year ended 30 June 2016

Consolidated	**Issued capital $**	**Reserves $**	**Accumulated losses $**	**Total equity $**
Balance at 1 July 2014	29,846,015	2,303,074	(24,770,486)	7,378,603
Loss after income tax benefit for the year	-	-	(3,105,600)	(3,105,600)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(3,105,600)	(3,105,600)
Transactions with owners in their capacity as owners:				
Share-based payments	-	25,000	-	25,000
Balance at 30 June 2015	29,846,015	2,328,074	(27,876,086)	4,298,003
Adjustment for correction of error (Note 28)	-	-	(840,000)	(840,000)
Balance as at 30 June 2015 – restated	29,846,015	2,328,074	(28,716,086)	3,458,003

Consolidated	**Issued capital $**	**Reserves $**	**Accumulated losses $**	**Total equity $**
Balance at 1 July 2015	29,846,015	2,328,074	(28,716,086)	3,458,003
Profit after income tax expense for the year	-	-	4,178,571	4,178,571
Other comprehensive income for the year, net of tax	-	262,557	-	262,557
Total comprehensive income for the year	-	262,557	4,178,571	4,441,128
Transactions with owners in their capacity as owners:				
Share buy back	(161,388)	-	-	(161,388)
Issue of shares	202,671	-	-	202,671
Share based payments	25,000	(25,000)	-	-
Balance at 30 June 2016	29,912,298	2,565,631	(24,537,515)	7,940,414

The above statement of cash flows should be read in conjunction with the accompanying notes

MHM Metals Limited
Statement of cash flows
For the year ended 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		219,704	4,452,720
Payments to suppliers and employees (inclusive of GST)		(2,409,503)	(7,685,153)
		(2,189,799)	(3,232,433)
Interest received		396,280	36,224
R&D tax offset received		7,416,921	2,152,079
Net cash from/(used in) operating activities	26	5,623,402	(1,044,130)
Cash flows from investing activities			
Payments for equity investments		(332,557)	-
Proceeds from disposal of property, plant and equipment		780,454	-
Net cash from investing activities		447,897	-
Cash flows from financing activities			
Proceeds from borrowings		200,000	-
Payments for share buy-backs		(161,388)	-
Net cash from financing activities		38,612	-
Net increase/(decrease) in cash and cash equivalents		6,109,911	(1,044,130)
Cash and cash equivalents at the beginning of the financial year		1,357,966	2,403,479
Effects of exchange rate changes on cash and cash equivalents		31,897	(1,383)
Cash and cash equivalents at the end of the financial year	8	7,499,774	1,357,966

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover MHM Metals Limited as a consolidated entity consisting of MHM Metals Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is MHM Metals Limited's functional and presentation currency.

MHM Metals Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Registered office

Level 4, 100 Albert Road
South Melbourne, Victoria, 3205

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2016. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 22.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of MHM Metals Limited ('company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. MHM Metals Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Note 2. Significant accounting policies (continued)

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation
The financial statements are presented in Australian dollars, which is MHM Metals Limited's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods
Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Note 2. Significant accounting policies (continued)

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Note 2. Significant accounting policies (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Current assets held for sale and discontinued operations
The consolidated entity classifies current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell or to distribute. Costs to distribute are the incremental costs directly attributable to the distribution, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate distribution in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the distribution will be made or that the sale will be withdrawn. Management must be committed to the distribution expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Additional disclosures are provided in Note 7. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Note 2. Significant accounting policies (continued)

Impairment of financial assets
The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

Property, plant and equipment
Land and buildings are shown at cost. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	40 years
Leasehold improvements	3-10 years
Plant and equipment	3-7 years
Plant and equipment under lease	2-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 2. Significant accounting policies (continued)

Provisions
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

Note 2. Significant accounting policies (continued)

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Note 2. Significant accounting policies (continued)

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of MHM Metals Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Research and Development Incentive refund
To the extent the consolidated entity incurs eligible expenditure, annual R&D claims will continue to be made. Claims are submitted based on expenditure incurred during the year and independently verified for eligibility. The accounting policy adopted by the consolidated entity is to recognise the claims once reviewed by an independent expert and submitted to the ATO, therefore, no amount has been recorded for a potential R&D tax incentive refund as at 30 June 2016.

Note 2. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2016. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 2. Significant accounting policies (continued)

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Discontinued operations and non-cash distribution
On 20 February 2014, the consolidated entity announced that Alcoa Inc, the Company’s main supplier of feedstock for its salt slag business, had announced its intention to permanently close its two rolling mills at Port Henry, Victoria and Yennora, New South Wales by the end of 2014. The Company through its wholly owned subsidiary, Alreco Pty Ltd, received its last supply of material from Alcoa on 31 March 2015 and since that time has been focused on progressing legacy stockpiles and the remediation of its Moolap plant.

As at 30 September 2015, the consolidated entity ceased all commercial operations at its Moolap plant and the Board considered the subsidiary to meet the criteria to be classified as held for sale at that date.

For more details on the discontinued operation, refer to Notes 7.

Note 4. Operating segments

Identification of reportable operating segments
The consolidated entity does not have any reportable operating segments following the wind down of its wholly owned subsidiaries activities earlier in the financial year. Internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources are prepared on the consolidated entity as a whole.

Note 5. Other income

	Consolidated	
	2016	2015
	$	$
Net gain on disposal of property, plant and equipment	20,680	493,520
R&D tax incentive refunds	5,677,734	-
Other income	5,698,414	493,520

To the extent the consolidated entity incurs eligible expenditure, annual R&D claims will continue to be made. Claims are submitted based on expenditure incurred during the year and independently verified for eligibility. The accounting policy adopted by the consolidated entity is to recognise the claims once reviewed by an independent expert and submitted to the ATO, therefore, no amount has been recorded for a potential R&D tax incentive refund as at 30 June 2016.

The consolidated entity proposes to lodge a claim for the current financial year following an independent review of the eligibility to lodge a claim.

Note 6. Income tax expense/(benefit)

	Consolidated	
	2016	2015
	$	$
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Profit/(loss) before income tax benefit from continuing operations	4,904,898	(1,675,246)
Loss before income tax expense from discontinued operations	(726,327)	(4,153,169)
	4,178,571	(5,828,415)
Tax at the statutory tax rate of 30%	1,253,571	(1,748,524)
Impairment of investment	208,355	-
Foreign income offset by foreign tax losses	(61,108)	-
	147,247	-
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	-	111
Timing differences and tax losses not recognised	323,706	1,748,413
Current tax benefit due to R&D tax offset	(337,366)	1,739,187
Prior year under/over due to R&D tax offset	-	983,628
R&D expenses not deductible	316,162	
R&D incentive recognised in other income not taxable	(1,703,320)	-
Income tax expense/(benefit)	-	2,722,815

Note 7. Discontinued operations

Description
On 20 February 2014, the consolidated entity announced that Alcoa Inc, the Company's main supplier of feedstock for its salt slag processing business, had announced its intention to permanently close its two rolling mills at Port Henry, Victoria and Yennora, New South Wales by the end of 2014. The Company, through its wholly owned subsidiary, Alreco Pty Ltd, received its last supply of material from Alcoa on 31 March 2015 and since that time has been focused on processing legacy stockpiles and the remediation of its Moolap plant.

As at 30 September 2015, the consolidated entity ceased all commercial operations at its Moolap plant.

Post the operational closure of the Moolap facilities the Company's focus in the Moolap region remains the clean-up of its local platform in the most cost effective and environmentally sensitive manner.

Financial performance information

	Consolidated	
	2016	**2015**
	$	**$**
Income	219,899	3,327,648
Production expenses	(391,726)	(4,494,253)
Total revenue	(171,827)	(1,166,605)
Corporate expenses	(124,289)	(119,070)
Employee benefit expense	(145,099)	(506,374)
Administration expense	(76,386)	(141,342)
Depreciation expense	(24,714)	(1,941,916)
Rehabilitation expense	510,504	(1,102,944)
Impairment of asset	(694,516)	-
Other expenses	-	(14,918)
Total expenses	(554,500)	(3,826,564)
Loss before income tax expense	(726,327)	(4,993,169)
Income tax expense	-	-
Loss after income tax expense from discontinued operations	(726,327)	(4,993,169)

Cash flow information

	Consolidated	
	2016	**2015**
	$	**$**
Net cash used in operating activities	(968,040)	-
Net cash from investing activities	914,694	-
Net decrease in cash and cash equivalents from discontinued operations	(53,346)	-

Note 7. Discontinued operations (continued)

Carrying amounts of assets and liabilities disposed

	Consolidated	
	2016 **$**	**2015** **$**
Cash and cash equivalents	376,521	-
Trade and other receivables	6,077	-
Prepayments	540	-
Property, plant and equipment	500,000	-
Total assets	883,138	-
Trade and other payables	8,167	-
Provisions	1,000,000	-
Other liabilities	324	-
Total liabilities	1,008,491	-
Net liabilities	(125,353)	-

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2016 **$**	**2015** **$**
Cash at bank	2,068,204	1,007,966
Cash on deposit	5,055,049	350,000
	7,123,253	1,357,966

Reconciliation to cash and cash equivalents at the end of the financial year
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	7,123,253	1,357,966
Cash and cash equivalents - classified as held for sale (note 7)	376,521	-
Balance as per statement of cash flows	7,499,774	1,357,966

Note 9. Current assets - trade and other receivables

	Consolidated 2016 $	Consolidated 2015 $
Trade receivables	-	39,098
GST receivables	12,916	46,323
Interest receivables	27,354	-
	40,270	85,421
R&D tax incentive refund	-	1,739,187
Other receivable	-	35,656
	40,270	1,860,264

To the extent members of the consolidated entity incurs eligible expenditure, annual R&D claims will continue to be made. Claims are submitted based on expenditure incurred during the year and independently verified for eligibility. The accounting policy adopted by the consolidated entity is to recognise the claims once reviewed by an independent expert and submitted to the ATO, therefore, no amount has been recorded for a potential R&D tax incentive refund as at 30 June 2016.

Note 10. Current assets - other

	Consolidated 2016 $	Consolidated 2015 $
Prepayments	41,728	40,219

Note 11. Current assets - Non-current assets classified as held for sale

	Consolidated 2016 $	Consolidated 2015 $
Assets Held for Sale	-	423,177

Reconciliations

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	423,177	-
Additions	-	1,262,275
Impairment recognised on transfer from property, plant & equipment	-	(286,903)
Impairment recognised while classified as available for sale	-	(552,195)
Reversal of prior impairment of assets	311,117	-
Foreign exchange movements	18,511	-
Sale of Asset held for sale	(752,805)	-
	-	423,177

Note 11. Current assets - Non-current assets classified as held for sale (continued)

During the financial year ended 30 June 2015, the decision was made to sell the Property, Plant and Equipment owned in Russellville, KY, USA. As a result, the Property, Plant and Equipment owned in Russellville, KY, USA is classified as assets held for sale. The Property, Plant and Equipment classified as held for sale has been written down to the expected recoverable amount.

As at 30 June 2015, the consolidated entity did not have a purchaser for the Property, Plant and Equipment and used its best judgement on the potential sale price which could be achieved at the time of finalising the 2015 Annual Report. During the current financial year, the consolidated entity has since entered into an agreement for the sale of the Property, Plant and Equipment for the sum of US$ 550,000. A reversal of the prior period impairment charge amounting to $311,117 has been accounted for in the financial statements.

Note 12. Non-current assets - available-for-sale financial assets

During the financial year ended 30 June 2016, the consolidated entity acquired an equity interest in KIN Mining N.L. (ASX: KIN). The investment in KIN is consistent with MHM's strategy of identifying opportunities where MHM's Financial Position and management experience can be applied to create new business opportunities in the resources sector.

	Consolidated	
	2016	**2015**
	$	**$**
Investment in Kin Mining NL	445,728	-

Reconciliation
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	-	-
Additions	332,557	-
Revaluation increments	113,171	-
Closing fair value	445,728	-

The consolidated entity's investment in KIN is held at fair value and is valued in accordance with AASB 13, using Level 1 of the fair value hierarchy – quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair values of the financial asset held has been determined by reference to the quoted price on the ASX as at 30 June 2016.

Note 13. Non-current assets - property, plant and equipment

	Consolidated 2016 $	Consolidated 2015 $
Land and buildings - at cost	-	1,218,253
Less: Accumulated depreciation	-	(23,943)
	-	1,194,310
Plant and equipment - at cost	675,386	6,999,405
Less: Accumulated depreciation	(51,328)	(6,465,977)
	624,058	533,428
Motor vehicles - at cost	-	72,506
Less: Accumulated depreciation	-	(66,049)
	-	6,457
	624,058	1,734,195

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Land & Building $	Plant & Equipment $	Motor Vehicle $	Total $
Balance at 1 July 2014	2,255,606	1,988,973	13,397	4,257,976
Additions	-	493,520	-	493,520
Exchange differences	206,431	(8,539)	-	197,892
Transfers in/(out)	(1,262,275)	-	-	(1,262,275)
Depreciation expense	(5,452)	(1,940,526)	(6,940)	(1,952,918)
Balance at 30 June 2015	1,194,310	533,428	6,457	1,734,195
Disposals	-	-	(4,775)	(4,775)
Exchange differences	-	11,674	-	11,674
Impairment of assets	(669,596)	109,851	-	(559,745)
Depreciation expense	(24,714)	(6,605)	(1,682)	(33,001)
Transfers out to assets held for sale	(500,000)	(24,290)	-	(524,290)
Balance at 30 June 2016	-	624,058	-	624,058

During the financial year ended 30 June 2016, the consolidated entity held a Contingent Asset linked to the Federal Court proceedings against the Company's former Managing Director, Mr Frank Rogers. The Federal Court's dismissal of the appeal and the issue of a Power of Attorney giving the Group control of a luxury vessel has led to an addition to Group PP&E. The consolidated entity has entered into an Agreement to sell a luxury vessel for the sum of US$ 508,000 subsequent to the end of the financial year and a reversal of previous impairments has been accounted for in the current financial year.

Note 14. Current liabilities - trade and other payables

	Consolidated 2016 $	Consolidated 2015 $
Trade payables	39,864	177,230
Other payables	138,263	90,415
	178,127	267,645

Refer to note 20 for further information on financial instruments.

Note 15. Current liabilities - provisions

	Consolidated 2016 $	Consolidated 2015 $
Annual leave	6,530	20,520
Long service leave	1,614	17,115
Employee benefits	22,998	22,998
Remediation - current	-	1,510,504
Redundancy - current	-	119,036
	31,142	1,690,173

Environment Rehabilitation Provision
During previous financial years the consolidated entity accounted for an environment rehabilitation provision in relation to its Moolap operations, in particular its Buckley grove property, which at 30 June 2015 was $670,504. During the period, the consolidated entity has received a Notice of Revocation in relation to the Pollution Abatement Notice which had previously been in place over the property. As such, no further provision is required in relation to environmental rehabilitation as at 30 June 2016 and this remediation provision has been reversed in the current period.

The consolidated entity has also accounted for a prior period error in relation to a rehabilitation provision on its Hays Road Lease, located in Moolap. The prior period error amounted to $840,000 (refer to Note 28). During the previous financial years, the consolidated entity could not quantify the remediation costs of the property and a bank guarantee is in place, amounting to approximately $368,000, in order to cover a portion of these costs. An additional remediation provision has been accounted for in the current year of $160,000, increasing the total provision to $1,000,000. This amount has been accounted for in the liabilities of the discontinued operation (refer to Note 7).

Note 16. Equity - issued capital

	Consolidated 2016 Shares	Consolidated 2015 Shares	Consolidated 2016 $	Consolidated 2015 $
Ordinary shares - fully paid	136,228,616	130,218,145	29,882,298	29,816,015
Options - unlisted	2,650,000	2,650,000	30,000	30,000
	138,878,616	132,868,145	29,912,298	29,846,015

Note 16. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance		130,218,145		29,816,015
Balance	30 June 2015	130,218,145		29,816,015
Issue of Shares to satisfy outstanding loans	24 November 2015	9,651,011	$0.021	202,671
Issue of Shares to satisfy bonus payments	24 November 2015	1,250,000	$0.020	25,000
Share buy-back	7 April 2016	(4,890,540)	$0.033	(161,388)
Balance	30 June 2016	136,228,616		29,882,298

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
On 17 February 2016, the consolidated entity announced that it will carry out a buy-back facility through which it will offer to acquire the holdings of shareholders who hold less than a marketable parcel of shares in the Company as at 5.00pm on 16 February 2016 for $0.033 (3.3 cents) per share. A total of 4,890,540 shares were bought back from shareholders and cancelled.

Capital risk management
The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2015 Annual Report.

Note 17. Equity - reserves

	Consolidated 2016 $	Consolidated 2015 $
Asset revaluation reserve	108,565	-
Available for sale financial asset revaluation reserve	113,171	-
Foreign currency reserve	40,821	-
Share-based payments reserve	2,303,074	2,328,074
	2,565,631	2,328,074

Financial assets revaluation reserve
The reserve is used to recognise increments and decrements in the fair value of available-for-sale financial assets.

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve
The equity settled share based payment reserves arise on issue of options under the Employee Share Based Payment plan to Executives and senior employees. Amounts are transferred out of the reserves and into issued capital when the options are converted to shares. Amount are transferred to accumulated losses when the shares or options are cancelled. Further information about share based payments to Directors and key Management personnel is made at Note 20 of the financial statements.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share based payment reserve $	Available for sale financial assets revaluation reserve $	Foreign currency reserve $	Asset Revaluation reserve $	Total $
Balance at 1 July 2014	2,303,074	-	-	-	2,303,074
Additions	25,000	-	-	-	25,000
Balance at 30 June 2015	2,328,074	-	-	-	2,328,074
Revaluation - gross	-	113,171	-	-	113,171
Foreign currency translation	-	-	40,821	-	40,821
Re-allocation of value of issued capital	(25,000)	-	-	-	(25,000)
Revaluation	-	-	-	108,565	108,565
Balance at 30 June 2016	2,303,074	113,171	40,821	108,565	2,565,631

Note 18. Equity - accumulated losses

	Consolidated 2016 $	Consolidated 2015 $
Accumulated losses at the beginning of the financial year	(28,716,086)	(24,770,486)
Profit/(loss) after income tax benefit for the year	4,178,571	(3,105,600)
Adjustment for correction of error	-	(840,000)
Accumulated losses at the end of the financial year	(24,537,515)	(28,716,086)

Note 19. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. Exchange rate exposures are managed within approved policy parameters. The Group manages the currency rick by monitoring the trend of the US dollar and Euro.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

Consolidated	Assets 2016 $	Assets 2015 $	Liabilities 2016 $	Liabilities 2015 $
US dollars	875,157	704,782	-	-
Euros	38,399	-	-	-
	913,556	704,782	-	-

The consolidated entity operated US dollar and Euro bank accounts, and held assets in US dollar in the US Subsidiary MHM LLC. There were no other liabilities denominated in foreign currencies at the year end. The US balance on the account was US$649,901 and the exchange rate used to translate the balance at 30 June 2016 was $1.3466. The Euro balance on the account was €25,804 and the exchange rate used to translate the balance at 30 June 2016 was 1.4881.

Note 19. Financial instruments (continued)

Consolidated - 2016	% change	AUD strengthened Effect on profit before tax	Effect on equity	% change	AUD weakened Effect on profit before tax	Effect on equity
US dollars	10%	(17,038)	(17,038)	(6%)	10,223	10,223
Euro	10%	(3,840)	(3,840)	(6%)	2,304	2,304
		(20,878)	(21,148)		12,527	12,527

Price risk
The consolidated entity is not exposed to any significant price risk.

Interest rate risk
The consolidated entity's only exposure to interest rate risk is in relation to deposits held. Deposits are held with reputable banking financial institutions.

The tables below illustrate the impact on profit before tax based upon expected volatility of interest rates using market date and analysis forecasts.

Consolidated - 2016	Basis points change	Basis points increase Effect on profit before tax	Effect on equity	Basis points change	Basis points decrease Effect on profit before tax	Effect on equity
Cash and equivalents	50	37,499	37,499	50	(37,499)	(37,499)

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 19. Financial instruments (continued)

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2016	1 year or less $	Remaining contractual maturities $
Non-derivatives		
Non-interest bearing		
Trade payables	39,864	39,864
Other payables	138,263	138,263
Total non-derivatives	178,127	178,127

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Note 20. Key management personnel disclosures

Directors
The following persons were directors of MHM Metals Limited during the financial year:

Paul Kopejtka	Non-executive Chairman
Joseph van den Elsen	Managing Director
Christopher Goodman	Non-executive Director

Other key management personnel
The following person also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Justin Mouchacca	Company Secretary

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2016 $	**2015 $**
Short-term employee benefits	577,784	566,042
Post-employment benefits	22,027	40,435
Share-based payments	-	25,000
	599,811	631,477

Note 21. Related party transactions

Parent entity
MHM Metals Limited is the parent entity.

Key management personnel
Disclosures relating to key management personnel are set out in note 21 and the remuneration report included in the directors' report.

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
In October 2015, the company entered into a loan agreement with Mr Paul Kopejtka for provision an unsecured loan $200,000 to the consolidated entity. Following shareholders' approval at the 2015 AGM, the loan was converted to fully paid ordinary shares.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 22. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2016	**2015**
	$	**$**
Profit after income tax	3,465,652	(4,797,028)
Total comprehensive income	3,465,652	(4,797,028)

Statement of financial position

	Parent	
	2016	**2015**
	$	**$**
Total current assets	24,705,765	3,021,443
Total non-current assets	1,088,201	514,965
Total assets	25,793,966	3,536,408
Total current liabilities	209,269	153,226
Total liabilities	209,269	153,226
Equity		
Issued capital	29,912,301	29,846,015
Financial asset revaluation reserve	113,171	-
Foreign currency reserve	147,512	-
Share-based payments reserve	2,303,074	2,323,074
Accumulated losses	(6,891,361)	(28,790,907)
Total equity	25,584,697	3,383,182

Note 22. Parent entity information (continued)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2016 and 30 June 2015.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2016 and 30 June 2015.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 23. Events after the reporting period

Subsequent to the end of the financial year, the consolidated entity acquired an equity interest in KIN Mining N.L (ASX: KIN). The investment in KIN is consistent with MHM’s strategy of identifying opportunities where MHM’s Financial Position and management experience can be applied to create new business opportunities in the resources sector. Following the acquisition of the equity interest and liaison with ASX, the Company’s securities were placed into suspension and will remain in suspension until such time as the Company has identified a suitable new opportunity and has met any necessary requirements under ASX Listing Rule 11.1 that may apply in relation to that opportunity (including re-complying with Chapters 1 and 2 of the ASX Listing Rules, to the extent required).

On 19 August 2016, the consolidated entity entered into a sale agreement for the Executive 73 Vessel for an agreed consideration of $508,000 USD. A deposit has been received from the buyer with settlement scheduled for 15 October 2016.

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 24. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

		Ownership interest	
Name	**Principal place of business / Country of incorporation**	**2016 %**	**2015 %**
Goldstock Mining Pty Ltd*	Australia	-	100.00%
Alreco Pty Ltd	Australia	100.00%	100.00%
Goldstock East Africa Limited	Tanzania	100.00%	100.00%
MHM Corporation USA LLC	USA	-	-

* Deregistered on 15 June 2016.

Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by , the auditor of the company, and unrelated firms:

	Consolidated 2016 $	Consolidated 2015 $
Audit services		
Deloitte Touche Tomatsu	-	80,340
Grant Thornton Audit Pty Ltd	49,150	-
Total remuneration for audit services	49,150	80,340

Note 26. Reconciliation of profit/(loss) after income tax to net cash from/(used in) operating activities

	Consolidated 2016 $	Consolidated 2015 $
Profit/(loss) after income tax benefit for the year	4,178,571	(3,945,600)
Adjustments for:		
Exchange (Gain)/Loss	(23,225)	(185,212)
Depreciation and impairment	418,578	2,792,015
Other Income - legal settlement	-	(493,520)
Share based payment expense	-	25,000
Bad debts written off	10,500	-
Change in operating assets and liabilities:		
Decrease in trade and other receivables	1,803,415	518,877
Decrease in other operating assets	(2,049)	41,574
Decrease in trade and other payables	(103,357)	(579,915)
Increase/(decrease) in other provisions	(659,031)	782,651
Net cash from/(used in) operating activities	5,623,402	(1,044,130)

Note 27. Earnings per share

	Consolidated 2016 $	Consolidated 2015 $
Earnings per share for profit from continuing operations		
Profit after income tax attributable to the owners of MHM Metals Limited	4,904,898	1,047,569
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	135,618,462	130,218,145
Weighted average number of ordinary shares used in calculating diluted earnings per share	135,618,462	130,218,145
	Cents	**Cents**
Basic earnings per share	3.617	0.804
Diluted earnings per share	3.617	0.804

Note 27. Earnings per share (continued)

	Consolidated 2016 $	Consolidated 2015 $
Earnings per share for loss from discontinued operations		
Loss after income tax attributable to the owners of MHM Metals Limited	(726,327)	(4,993,169)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	135,618,462	130,218,145
Weighted average number of ordinary shares used in calculating diluted earnings per share	135,618,462	130,218,145
	Cents	**Cents**
Basic earnings per share	(0.536)	(3.834)
Diluted earnings per share	(0.536)	(3.834)

	Consolidated 2016 $	Consolidated 2015 $
Earnings per share for profit/(loss)		
Profit/(loss) after income tax attributable to the owners of MHM Metals Limited	4,178,571	(3,945,600)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	135,618,462	130,218,145
Weighted average number of ordinary shares used in calculating diluted earnings per share	135,618,462	130,218,145
	Cents	**Cents**
Basic earnings per share	3.081	(3.030)
Diluted earnings per share	3.081	(3.030)

Note 28. Correction of prior period error

The company advises that it is a party to a Lease Agreement with Alcoa over an industrial property in Moolap, Victoria which is due to expire in November 2016. The lease agreement includes a make good provision which was forecast at a cost of $840,000 as at 30 June 2015. Following another review during the current financial year, the estimate has been increased to $1,000,000.

Whilst the company currently holds a bank guarantee in Alcoa’s favour, in the amount of $368,000, as partial security against the make good provision, it is noted that no previous liability has been accounted for in the Company's financial statements. A restatement is therefore required to be made to prior periods however due to the inability to properly quantify the timing of when the liability for remediation has accrued, an adjustment has been made to the immediate prior period.

The impact of the restatement on prior period financial statements lines depicted in this annual financial report is as follows:

Statement of Financial Position as at 30 June 2015 (Extract):	**Previous Amount $**	**Adjustment $**	**Restated Amount $**
Total assets	**5,415,821**	**-**	**5,415,821**
Liabilities			
Trade and other payables	267,645	-	267,645
Provisions	850,173	840,000	1,690,173
Total current liabilities	**1,117,818**	**-**	**1,957,818**
Net assets	**4,298,003**	**(840,000)**	**3,458,003**
Equity			
Issued capital	29,846,015	-	29,846,015
Share based premium reserve	2,328,074	-	2,328,074
Accumulated losses	(27,876,086)	(840,000)	(28,716,086)
Total equity	**4,298,003**	**-**	**3,458,003**

Statement of profit or loss and other comprehensive income as at 30 June 2015 (Extract):	**Previous Amount $**	**Adjustment $**	**Restated Amount $**
Revenue	32,834	-	32,834
Other Income	493,520		493,520
Profit after income tax expense from continuing operations	**1,047,569**	**-**	**1,047,569**
Loss after income tax expense from discontinued operations	**(4,153,169)**	**(840,000)**	**(4,993,169)**
Loss after income tax expense for the half-year attributable to the owners of MHM Metals Limited	**(3,105,600)**	**(840,000)**	**(3,945,600)**

MHM Metals Limited
Directors' declaration
30 June 2016

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Paul Kopejtka
Non-executive Chairman

30 September 2016

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Independent Auditor's Report
To the Members of MHM Metals Limited

Report on the financial report

We have audited the accompanying financial report of MHM Metals Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

a the financial report of MHM Metals Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2016. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of MHM Metals Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

B. L. Taylor
Partner - Audit & Assurance

Melbourne, 30 September 2016

MHM Metals Limited
Shareholder information
30 June 2016

The shareholder information set out below was applicable as at 23 September 2016.

Distribution of equitable securities
Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	88
1,001 to 5,000	108
5,001 to 10,000	88
10,001 to 100,000	589
100,001 and over	186
	1,059
Holding less than a marketable parcel	324

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Invia Custodian Pty Limited <NJ Family A/C/Share A/C>	14,592,325	10.71
Brazil Farming Pty Ltd	11,011,717	8.08
Mr Paul Kopejtka & Mrs Karen Kopejtka <Kopejtka Family A/C>	9,651,011	7.08
Guacamaya Holdings Inc	6,511,688	4.78
Mr Anastasios Karafotias	4,985,000	3.66
TZW Nominees Pty Ltd <The TZW Martin Family A/C>	2,900,000	2.13
Netwealth Investments Limited <Super Services A/C>	2,122,500	1.56
Netwealth Investments Limited <Wrap Services A/C>	1,726,317	1.27
Joseph Psereckis	1,642,846	1.21
Waye-Harris Enterprises Pty Ltd	1,523,932	1.12
P & R Sanders Family Pty Ltd	1,298,133	0.95
Mr Wei Xiong + Ms Ying Zhang <Xiong Superfund A/C>	1,250,000	0.92
Mr Peter L Gebhardt & Mrs Carlene J Gebhardt <Petard S/F A/C>	1,169,720	0.86
Blujak Pty Limited	1,100,000	0.81
Mr Murray M Bailey & Mrs Patricia J Bailey <M & P S/F A/C>	1,000,000	0.73
Mr Ross Brown	1,000,000	0.73
Dorran Pty Ltd	1,000,000	0.73
Leuchter Enterprises Pty Ltd <Leuchther Superannuation A/C>	918,000	0.67
Mr Oliver R Dupuy & Mrs Julie E Dupuy <Enerjee Super Fund A/C>	900,000	0.66
Mr Trevor N Hay	850,068	0.62
	67,153,257	49.28

Unquoted equity securities

Number of Options	Number of Holders	Exercise Price	Date of Expiry
1,200,000	6	$1.71	29/11/2016
150,000	1	$1.35	14/02/2017
500,000	1	$1.00	18/07/2017
100,000	1	$0.45	13/11/2017

Substantial holders
Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Invia Custodian Pty Limited <NJ Family A/C/Share A/C>	14,592,325	10.71
Brazil Farming Pty Ltd	11,011,717	8.08
Mr Paul Kopejtka & Mrs Karen Kopejtka <Kopejtka Family A/C>	9,651,011	7.08

Voting rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.