

MHM Metals Limited

ABN 41 124 212 175

Annual Report - 30 June 2017

MHM Metals Limited**Contents****30 June 2017**

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MHM Metals Limited
Corporate directory
30 June 2017

Directors	Faldi Ismail (Non-Executive Chairman) Bryn Hardcastle (Non-Executive Director) Nicholas Young (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
Corporate Governance Statement	The Company's 2017 Corporate Governance Statement has been released to ASX on 28 September 2017 and is available on the Company's website.

MHM Metals Limited
Directors' report
30 June 2017

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 2017.

Directors

The following persons were Directors of MHM Metals Limited during the financial year ended 30 June 2017 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.

Faldi Ismail (Non-Executive Chairman) (appointed 20 December 2016)
Bryn Hardcastle (Non-Executive Director) (appointed 20 December 2016)
Nicholas Young (Non-Executive Director) (appointed 20 December 2016)
Paul Harley (Non-Executive Director) (appointed 2 December 2016 resigned 20 December 2016)
Francis DeSouza (Non-Executive Director) (appointed 7 December 2016 resigned 20 December 2016)
Joseph van den Elsen (Managing Director) (resigned 20 December 2016)
Paul Kopejtko (Non-Executive Chairman) (resigned 1 December 2016)
Christopher Goodman (Non-Executive Director) (resigned 1 December 2016)

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 which will provide overall increase to shareholder value.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$566,442 (30 June 2016: profit of \$4,178,571).

The majority of the loss for the period has resulted from the sale of the Company's property, plant and equipment held by its wholly owned subsidiary, Alreco Pty Ltd, with a loss of \$499,999 being recognised in the current half-year period. The expenses relating to Alreco's operations for the period have been recorded as a discontinued operation.

Working capital, being current assets less current liabilities, was \$6,906,780 (30 June 2016: \$6,870,628). The consolidated entity had negative cash flows from operating activities for the period amounting to \$1,795,692 (2016: positive cash flows from operating activities of \$5,623,402).

Significant changes in the state of affairs

During 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 12 October 2016 the Company announced that its wholly subsidiary, Alreco Pty Ltd (Alreco), had entered into a Deed of Settlement and Release (Deed) with Alcoa of Australia Limited (Alcoa) in connection with the lease of the Hays Road property and the associated remediation obligation. The Deed of Settlement and Release was to be effected through payment by Alreco to Alcoa of \$1,000,000 and Alcoa's discharge of its security over a \$350,000 bank guarantee and the property at 80 Buckley Grove, Moolap. On 21 October 2016 the Company announced that settlement had been carried out in accordance with the Deed.

On 15 November 2016, the consolidated entity announced that it had entered into a merger term sheet with Alliance Mining Commodities Limited (AMC), a privately owned Bermudan company that owns a 90% interest in the Koumbia bauxite project in Republic of Guinea. On 12 December 2016 the consolidated entity announced that a mutual agreement to terminate the merger term sheet had been agreed with AMC and the proposed transaction was terminated.

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On 15 December 2016, Mercantile Investment Company Limited (Mercantile) (ASX: MVT) stated that it intends to make an off-market takeover bid for the shares in MHM.

On 23 December 2016, the Company settled the sale of the property, plant and equipment at 80 Buckley Grove, Moolap for \$1. The property, plant and equipment at 80 Buckley Grove had been accounted for in the Company's 2016 financial statements in the amount of \$500,000. The settlement of the property at 80 Buckley Grove finalizes the Company's interests in the Moolap region and in the aluminium recycling industry.

On 11 January 2017, the Company announced that it had received a Bidder's Statement from Mercantile OFM Pty Limited (Mercantile OFM), a wholly owned subsidiary of Mercantile Investment Company Limited (ASX: MVT). The offer being made to shareholders was for a cash consideration of \$0.04 (4 cents) per share.

On 12 January 2017, the Company announced that it had settled the sale of the Executive 73 Vessel for net consideration of approximately US \$380,000 (AUD \$506,566).

On 9 February 2017, the Company advised that it has received an intention to make an off-market takeover for all of the ordinary shares in the Company from Cadmon Ventures Pty Ltd. The offer being made to shareholders was for a cash consideration of \$0.0435 (4.35 cents) per share.

On 5 May 2017, Cadmon announced that it will extend the offer period under its unconditional takeover bid for all of the ordinary shares in MHM Metals Limited, the terms of which are contained in the Bidder's Statement dated 7 April 2017, Cadmon's Offer is unconditional.

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

No matter or circumstance has arisen since 30 June 2017 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:	Faldi Ismail
Title:	Non-Executive Chairman (appointed 20 December 2016)
Experience and expertise:	Mr Ismail has significant experience working as a corporate advisor specialising in the restructure and recapitalisation of a wide range of ASX listed companies having many years of investment banking experience covering a wide range of sectors. He has significant cross border experience, having advised on numerous overseas transactions including capital raisings, structuring of acquisitions and joint ventures in numerous countries.
Other current directorships:	Founder and operator of Otsana Capital, Non-Executive Director of Asiamet Limited (previously Kalimantan Gold Corporation Limited) (AIM listed - Ticker Code "ARS"), Dotz Nano Ltd (ASX:DTZ) and Ookami Limited (ASX:OOK).
Former directorships (last 3 years):	N/A
Interests in shares:	N/A

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Name: Bryn Hardcastle
Title: Non-Executive Director (appointed 20 December 2016)
Experience and expertise: Mr Hardcastle is an experienced corporate lawyer specialising in corporate, commercial and securities law. He is the managing director of Bellanhouse Legal which predominantly advises on equity capital markets, re-compliance transactions and takeovers across a variety of industries. Mr Hardcastle has extensive international legal experience and has advised on numerous cross border transactions. He also has experience acting as a non-executive director of ASX-listed companies.

Other current directorships: Non-Executive Director of Attila Resources Limited (ASX: AYA), Cre8tek Limited (ASX: CR8) and ServTech Global Holdings Ltd (ASX: SVT).

Former directorships (last 3 years): N/A
Interests in shares: N/A

Name: Nicholas Young
Title: Non-Executive Director (appointed 20 December 2016)
Experience and expertise: Mr Young holds a Bachelor of Commerce, majoring in Accounting and Finance, is a Chartered Accountant and has completed the Insolvency Education Program at the Australian Restructuring Insolvency and Turnaround Association. Nicholas commenced his career in the Corporate Restructuring division of an accounting firm and has gained valuable experience in Australia and Southern Africa, across a wide range of industries, including mining and exploration, mining services, renewable energy, professional services, manufacturing and transport. Mr Young has been involved in the recapitalisation of various ASX-listed companies.

Other current directorships: A.C.N. 009 161 522 Limited (Subject to Deed of Company Arrangement)

Former directorships (last 3 years): N/A
Interests in shares: N/A

Name: Joseph van den Elsen
Title: Managing Director (resigned 20 December 2016)
Experience and expertise: A qualified Australian lawyer fluent in Spanish, 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): N/A
Interests in shares: N/A

Name: Christopher Goodman
Title: Non-Executive Director (resigned 1 December 2016)
Experience and expertise: Mr Goodman is a highly experienced senior coal trader with extensive global experience in coal procurement, coal sales, and coal technology. Currently studying towards 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): N/A
Interests in shares: N/A

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Name: Paul Kopejtka
Title: Non-Executive Director – Chairman (resigned 1 December 2016)
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
Interests in shares: N/A

Name: Francis DeSouza
Title: Non-Executive Director (appointed 7 December 2016 resigned 20 December 2016)
Experience and expertise: Mr DeSouza has over 15 years' experience in equity markets and corporate advisory including mergers and acquisitions, asset divestments and corporate business development. His career includes time at Citigroup Capital Markets and Burnvoir Corporate Finance as well as being a founding director of Otsana Capital. More recently he has served on the Board of various ASX listed companies in a non-executive capacity and is currently founder of software development company Appstablishment providing mobile application solutions to the supply chain industry.

Other current directorships: Founding Director of Otsana Capital and Founding Director of Appstablishment
Former directorships (last 3 years): N/A
Interests in shares: N/A

Name: Paul Harley
Title: Non-Executive Director (appointed 2 December 2016 resigned 20 December 2016)
Experience and expertise: Mr Harley is a lawyer and Principal of law firm Hunt & Humphry Project Lawyers, with experience in providing advice to listed public and private companies and in all aspects of project acquisitions and disposals. Mr Harley has practised corporate and commercial law for over 14 years.

Other current directorships: Principal of Hunt & Humphry Project Lawyers
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 2017, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Joseph van den Elsen*	3	3	-	-	-	-
Christopher Goodman**	2	2	-	-	-	-
Paul Kopejtka***	2	2	-	-	-	-
Paul Harley****	1	1	-	-	-	-

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

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*Joseph van den Elsen resigned as Managing Director on 20 December 2016

**Christopher Goodman resigned as Non-Executive Director on 1 December 2016

***Paul Kopejtko resigned as Non-Executive Chairman 1 December 2016

****Paul Harley appointed as Non-Executive Director on 2 December 2016 and resigned on 20 December 2016

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 2016 Annual General Meeting ('AGM')

MHM Metals Limited received more than 89.14% of "yes" votes on its remuneration report for the 2016 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.

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	Short-term benefits				Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Unused Holiday Pay	Super-annuation	Long service leave	Equity-settled	Total
2017	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Faldi Ismail*	25,548	-	-	-	-	-	-	25,548
Bryn Hardcastle**	25,548	-	-	-	-	-	-	25,548
Nicholas Young***	25,548	-	-	-	-	-	-	25,548
Paul Kopejtka****	156,667	-	-	-	-	-	-	156,667
Christopher Goodman*****	17,500	-	-	-	-	-	-	17,500
<i>Executive Directors:</i>								
Joseph van den Elsen*****	153,036	-	-	-	13,155	-	-	166,191
<i>Other Key Management Personnel:</i>								
Justin Mouchacca*****	90,000	-	-	-	-	-	-	90,000
	493,847	-	-	-	13,155	-	-	507,002

* Mr Faldi Ismail was appointed as Non-Executive Chairman on 20 December 2016.

** Mr Bryn Hardcastle was appointed as Non-Executive Director on 20 December 2016. During the financial year, Mr Hardcastle received legal fees for additional work provided to the Company.

*** Mr Nicholas Young was appointed as Non-Executive Director on 20 December 2016.

**** Mr Paul Kopejtka resigned as Non-Executive Chairman on 1 December 2016. During the financial year, Mr Kopejtka received consulting fees for additional work provided to the Company.

***** Mr Christopher Goodman resigned as Non-Executive Director on 1 December 2016.

***** Mr Joseph van den Elsen resigned as Managing Director on 20 December 2016.

***** Fees paid to Leydin Freyer Corp Pty Ltd in respect of company secretarial and accounting services.

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	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
2016	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Christopher Goodman	35,000	-	-	-	-	-	35,000
Matthew T M Keen*	43,510	-	-	4,134	-	-	47,644
Paul Kopejtka**	155,167	-	-	-	-	-	155,167
<i>Executive Directors:</i>							
Joseph van den Elsen***	207,107	50,000	-	17,893	-	-	275,000
<i>Other Key Management Personnel:</i>							
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, no bonuses have been awarded.

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

Name	Fixed remuneration		Remuneration linked to performance		At risk - LTI	
	2017	2016	2017	2016	2017	2016
<i>Non-Executive Directors:</i>						
Faldi Ismail	100%	-	-	-	-	-
Bryn Hardcastle	100%	-	-	-	-	-
Nicholas Young	100%	-	-	-	-	-
Christopher Goodman	100%	100%	-	-	-	-
Matthew T M Keen	100%	100%	-	-	-	-
Paul Kopejtka	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
Joseph van den Elsen	100%	82%	-	18%	-	-
<i>Other Key Management Personnel:</i>						
Justin Mouchacca	100%	100%	-	-	-	-

Service agreements

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

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

Name:	Joseph van den Elsen
Title:	CEO / Managing Director - resigned 20 December 2016
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

During the previous financial year, 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 2017.

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 2017.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2017 are summarised below:

	2017	2016	2015	2014	2013
	\$	\$	\$	\$	\$
Sales revenue	75,008	365,498	32,834	7,191,006	4,712,795
Net profit/(loss) before tax	37,842	4,904,898	(1,675,246)	(9,448,487)	(7,017,641)
Net profit/(loss) after tax	37,842	4,904,898	(3,945,600)	(6,892,234)	(7,017,641)

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

	2017	2016	2015	2014	2013
Share price at start of year (\$)	0.350	0.017	0.014	0.120	0.440
Share price at end of year (\$)	0.350	0.030	0.017	0.014	0.120
Basic earnings per share (cents per share)	(0.416)	3.081	(3.030)	(5.300)	(5.400)
Diluted earnings per share (cents per share)	(0.416)	3.081	(3.030)	(5.300)	(5.400)

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.

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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	Other	Balance at the end of the year
<i>Ordinary shares</i>					
Joseph van den Elsen*	6,511,668	-	-	(6,511,668)	-
Paul Kopejtka**	9,651,011	-	-	(9,651,011)	-
	<u>16,162,679</u>	<u>-</u>	<u>-</u>	<u>(16,162,679)</u>	<u>-</u>

* Mr van den Elsen resigned as Managing Director on 20 December 2016 therefore ordinary shares are no longer held as part of the consolidated entity.

** Mr Kopejtka resigned as Non-Executive Chairman on 1 December 2016 therefore ordinary shares are no longer held as part of the consolidated entity.

This concludes the remuneration report, which has been audited.

Loans to directors and executives

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

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
14 November 2012	17 December 2018	\$0.4500	100,000

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 2017 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.

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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



Faldi Ismail
Non-executive Director

28 September 2017

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

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 2017, 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, 28 September 2017

Grant Thornton Audit Pty Ltd ACN 130 913 594
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MHM Metals Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Note	Consolidated 2017 \$	2016 \$
Revenue			
Income		75,008	365,498
Other income	5	983,624	5,698,414
Expenses			
Administration expenses		(65,448)	(117,565)
Corporate expenses		(403,075)	(631,354)
Employee benefits expenses		(227,850)	(442,193)
Depreciation and amortisation expense	12	(990)	(8,287)
Impairment reversal/(expense)		(7,393)	308,939
Insurance expense		(48,830)	(66,417)
Legal fees		(208,566)	(128,539)
Other expenses		(58,638)	(73,598)
Profit before income tax expense from continuing operations		37,842	4,904,898
Income tax expense	6	-	-
Profit after income tax expense from continuing operations		37,842	4,904,898
Loss after income tax expense from discontinued operations	7	(604,284)	(726,327)
Profit/(loss) after income tax expense for the year attributable to the owners of MHM Metals Limited		(566,442)	4,178,571
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Gain on the revaluation of available-for-sale financial assets, net of tax		21,829	113,171
Foreign currency translation		(25,456)	40,821
Gain on the revaluation of assets		(108,565)	108,565
Other comprehensive income for the year, net of tax		(112,192)	262,557
Total comprehensive income for the year attributable to the owners of MHM Metals Limited		<u>(678,634)</u>	<u>4,441,128</u>
Total comprehensive income for the year is attributable to:			
Continuing operations		(74,350)	5,167,455
Discontinued operations		(604,284)	(726,327)
		<u>(678,634)</u>	<u>4,441,128</u>

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 2017

	Note	Consolidated 2017 \$ Cents	2016 \$ Cents
Earnings per share for profit from continuing operations attributable to the owners of MHM Metals Limited			
Basic earnings per share	25	0.028	3.617
Diluted earnings per share	25	0.028	3.617
Earnings per share for loss from discontinued operations attributable to the owners of MHM Metals Limited			
Basic earnings per share	25	(0.444)	(0.536)
Diluted earnings per share	25	(0.444)	(0.536)
Earnings per share for profit/(loss) attributable to the owners of MHM Metals Limited			
Basic earnings per share	25	(0.416)	3.081
Diluted earnings per share	25	(0.416)	3.081

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 2017

	Note	Consolidated 2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents	8	6,925,160	7,123,253
Trade and other receivables	9	11,970	40,270
Other	10	15,366	41,728
		<u>6,952,496</u>	<u>7,205,251</u>
Assets of disposal groups classified as held for sale		1,166	883,137
Total current assets		<u>6,953,662</u>	<u>8,088,388</u>
Non-current assets			
Available-for-sale financial assets	11	355,000	445,728
Property, plant and equipment	12	-	624,058
Total non-current assets		<u>355,000</u>	<u>1,069,786</u>
Total assets		<u>7,308,662</u>	<u>9,158,174</u>
Liabilities			
Current liabilities			
Trade and other payables	13	45,502	178,127
Provisions	14	-	31,142
Liabilities directly associated with assets of disposal groups classified as held for sale		1,380	1,008,491
Total current liabilities		<u>46,882</u>	<u>1,217,760</u>
Total liabilities		<u>46,882</u>	<u>1,217,760</u>
Net assets		<u>7,261,780</u>	<u>7,940,414</u>
Equity			
Issued capital	15	29,912,298	29,912,298
Reserves	16	150,366	2,565,631
Accumulated losses		(22,800,884)	(24,537,515)
Total equity		<u>7,261,780</u>	<u>7,940,414</u>

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

MHM Metals Limited
Statement of changes in equity
For the year ended 30 June 2017

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
<i>Transactions with owners in their capacity as owners:</i>				
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	<u>29,912,298</u>	<u>2,565,631</u>	<u>(24,537,515)</u>	<u>7,940,414</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016	29,912,298	2,565,631	(24,537,515)	7,940,414
Loss after income tax expense for the year	-	-	(566,442)	(566,442)
Other comprehensive income for the year, net of tax	-	(112,192)	-	(112,192)
Total comprehensive income for the year	-	(112,192)	(566,442)	(678,634)
<i>Transactions with owners in their capacity as owners:</i>				
Share based payments	-	(2,303,073)	2,303,073	-
Balance at 30 June 2017	<u>29,912,298</u>	<u>150,366</u>	<u>(22,800,884)</u>	<u>7,261,780</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

MHM Metals Limited
Statement of cash flows
For the year ended 30 June 2017

	Note	Consolidated 2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		75,000	219,704
Payments to suppliers and employees (inclusive of GST)		(2,258,037)	(2,409,503)
Interest received		107,709	396,280
R&D tax offset received		279,636	7,416,921
Net cash from/(used in) operating activities	24	(1,795,692)	5,623,402
Cash flows from investing activities			
Payments for equity investments		(1,065,720)	(332,557)
Proceeds from sale of Moolap		1	-
Proceeds from disposal of property, plant and equipment		506,566	780,454
Proceeds from sale of investments		1,806,745	-
Net cash from investing activities		1,247,592	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		(548,100)	6,109,911
Cash and cash equivalents at the beginning of the financial year		7,499,774	1,357,966
Effects of exchange rate changes on cash and cash equivalents		(25,455)	31,897
Cash and cash equivalents at the end of the financial year	8	<u>6,926,219</u>	<u>7,499,774</u>

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:

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 28 September 2017. 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 either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

Any new or amended 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 21.

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 2017 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'.

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.

Note 2. Significant accounting policies (continued)

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.

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.

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.

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.

Note 2. Significant accounting policies (continued)

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.

Note 2. Significant accounting policies (continued)

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.

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.

Note 2. Significant accounting policies (continued)

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.

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 2017.

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 2017. 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 Group does not hold complex financial instruments. The classification of its financial instruments will not change under the new accounting standard. Therefore, management does not expect the adoption of this accounting standard will have a material impact on the Groups financial performance.

Note 2. Significant accounting policies (continued)

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. Management does not expect the adoption of this accounting standard will have a material impact on the Group's financial performance.

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.

Accounting policy for 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.

Note 5. Other income

	Consolidated	
	2017	2016
	\$	\$
Net gain on disposal of property, plant and equipment	-	20,680
Net gain in sale of equity investments	628,120	-
R&D tax incentive refunds	279,636	5,677,734
Deposit received	868	-
Other income	75,000	-
Other income	983,624	5,698,414

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 2017.

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

	Consolidated	
	2017	2016
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense from continuing operations	37,842	4,904,898
Loss before income tax expense from discontinued operations	(604,284)	(726,327)
	<u>(566,442)</u>	<u>4,178,571</u>
Tax at the statutory tax rate of 27.5% (2016: 30%)	(155,772)	1,253,571
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment of investment	-	208,355
Foreign income offset by foreign tax losses	-	(61,108)
Timing differences and tax losses not recognised	(26,540)	323,706
Current tax benefit due to R&D tax offset	-	(337,366)
R&D expenses not deductible	-	316,162
R&D incentive recognised in other income not taxable	-	(1,703,320)
Survey Vessel Expenses	25,658	-
Blackhole Expenditure	(13,169)	-
2016 Tax Refund (R&D offset)	(76,900)	-
2017 Tax Loss	<u>246,723</u>	<u>-</u>
Income tax expense	<u>-</u>	<u>-</u>

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.

Note 7. Discontinued operations (continued)

Financial performance information

	Consolidated	
	2017	2016
	\$	\$
Income	2,175	219,899
Production expenses	(13,824)	(391,726)
Total revenue	(11,649)	(171,827)
Corporate expenses	(37,504)	(124,289)
Employee benefit expense	(88)	(145,099)
Administration expense	(55,044)	(76,386)
Depreciation expense	-	(24,714)
Rehabilitation expense	-	510,504
Impairment of asset	-	(694,516)
Property write off	(499,999)	-
Total expenses	(592,635)	(554,500)
Loss before income tax expense	(604,284)	(726,327)
Income tax expense	-	-
Loss after income tax expense from discontinued operations	(604,284)	(726,327)

Cash flow information

	Consolidated	
	2017	2016
	\$	\$
Net cash used in operating activities	(375,463)	(968,040)
Net cash from investing activities	1	914,694
Net decrease in cash and cash equivalents from discontinued operations	(375,462)	(53,346)

Carrying amounts of assets and liabilities disposed

	Consolidated	
	2017	2016
	\$	\$
Cash and cash equivalents	1,059	376,521
Trade and other receivables	109	6,077
Prepayments	-	540
Property, plant and equipment	-	500,000
Total assets	1,168	883,138
Trade and other payables	1,056	8,167
Provisions	-	1,000,000
Other liabilities	324	324
Total liabilities	1,380	1,008,491
Net liabilities	(212)	(125,353)

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2017	2016
	\$	\$
Cash at bank	6,925,160	2,068,204
Cash on deposit	-	5,055,049
	<u>6,925,160</u>	<u>7,123,253</u>

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	6,925,160	7,123,253
Cash and cash equivalents - classified as held for sale	1,059	376,521
	<u>6,926,219</u>	<u>7,499,774</u>

Accounting policy for 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.

Note 9. Current assets - trade and other receivables

	Consolidated	
	2017	2016
	\$	\$
GST receivables	11,970	12,916
Interest receivables	-	27,354
	<u>11,970</u>	<u>40,270</u>

Note 10. Current assets - other

	Consolidated	
	2017	2016
	\$	\$
Prepayments	<u>15,366</u>	<u>41,728</u>

Note 11. 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 Statement of Financial Position and management experience can be applied to create new business opportunities in the resources sector.

Note 11. Non-current assets - available-for-sale financial assets (continued)

	Consolidated	
	2017	2016
	\$	\$
Investment in Kin Mining NL	<u>355,000</u>	<u>445,728</u>
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening fair value	445,728	-
Additions	1,065,719	332,557
Revaluation increments	135,000	113,171
Disposals	<u>(1,291,447)</u>	<u>-</u>
Closing fair value	<u>355,000</u>	<u>445,728</u>

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 2017.

Note 12. Non-current assets - property, plant and equipment

	Consolidated	
	2017	2016
	\$	\$
Plant and equipment - at cost	-	675,386
Less: Accumulated depreciation	<u>-</u>	<u>(51,328)</u>
	<u>-</u>	<u>624,058</u>

Reconciliations

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

	Land & Building	Plant & Equipment	Motor Vehicle	Total
	\$	\$	\$	\$
Consolidated				
Balance at 1 July 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	(688,858)	109,851	-	(579,007)
Depreciation expense	(5,452)	(6,605)	(1,682)	(13,739)
Transfers out to assets held for sale	<u>(500,000)</u>	<u>(24,290)</u>	<u>-</u>	<u>(524,290)</u>
Balance at 30 June 2016	-	624,058	-	624,058
Disposals	-	(623,068)	-	(623,068)
Depreciation expense	<u>-</u>	<u>(990)</u>	<u>-</u>	<u>(990)</u>
Balance at 30 June 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note 12. Non-current assets - property, plant and equipment (continued)

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. During the financial year, the consolidated entity had entered into an Agreement to sell the luxury vessel and was settled at the sum of AUD \$508,000.

Accounting policy for 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.

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.

Note 13. Current liabilities - trade and other payables

	Consolidated	
	2017	2016
	\$	\$
Trade payables	25,502	39,864
Other payables	20,000	138,263
	<u>45,502</u>	<u>178,127</u>

Refer to note 17 for further information on financial instruments.

Accounting policy for 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 14. Current liabilities - provisions

	Consolidated 2017 \$	2016 \$
Annual leave	-	6,530
Long service leave	-	1,614
Employee benefits	-	22,998
	<u>-</u>	<u>31,142</u>

Accounting policy for 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.

Note 15. Equity - issued capital

	2017 Shares	Consolidated 2016 Shares	2017 \$	2016 \$
Ordinary shares - fully paid	136,228,616	136,228,616	29,882,298	29,882,298
Options - unlisted	600,000	2,650,000	30,000	30,000
	<u>136,828,616</u>	<u>138,878,616</u>	<u>29,912,298</u>	<u>29,912,298</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2015	130,218,145		29,816,015
Issue of Shares to satisfy outstanding loans	24 November 2015	9,651,011	\$0.0210	202,671
Issue of Shares to satisfy bonus payments	24 November 2015	1,250,000	\$0.0200	25,000
Share buy-back	7 April 2016	(4,890,540)	\$0.0330	(161,388)
Balance	30 June 2016	<u>136,228,616</u>		<u>29,882,298</u>
Balance	30 June 2017	<u>136,228,616</u>		<u>29,882,298</u>

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.

Note 15. Equity - issued capital (continued)

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 2016 Annual Report.

Accounting policy for 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.

Note 16. Equity - reserves

	Consolidated	
	2017	2016
	\$	\$
Asset revaluation reserve	-	108,565
Financial asset revaluation reserve	135,000	113,171
Foreign currency reserve	15,366	40,821
Share-based payments reserve	-	2,303,074
	<u>150,366</u>	<u>2,565,631</u>

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 18 of the financial statements.

Note 16. Equity - reserves (continued)

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 \$	Financial assets revaluation reserve \$	Foreign currency reserve \$	Asset revaluation reserve \$	Total \$
Balance at 1 July 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
Foreign currency translation	-	-	(25,455)	-	(25,455)
Re-allocation of value of issued capital	(2,303,074)	-	-	-	(2,303,074)
Revaluation	-	649,949	-	(108,565)	541,384
Disposal of financial assets	-	(628,120)	-	-	(628,120)
Balance at 30 June 2017	-	135,000	15,366	-	150,366

Note 17. 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 risk 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.

Note 17. Financial instruments (continued)

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

	Assets		Liabilities	
	2017 \$	2016 \$	2017 \$	2016 \$
Consolidated				
US dollars	845,588	875,157	-	-
Euros	38,367	38,399	-	-
	<u>883,955</u>	<u>913,556</u>	<u>-</u>	<u>-</u>

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 2017 was US\$649,516. The Euro balance on the account was €25,804 and the exchange rate used to translate the balance at 30 June 2017 was €25,804.

Consolidated - 2017	% 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%	(84,559)	(84,559)	(10%)	84,559	84,559
Euro	10%	(3,837)	(3,837)	(10%)	3,837	3,837
		<u>(88,396)</u>	<u>(88,396)</u>		<u>88,396</u>	<u>88,396</u>

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
		<u>(20,878)</u>	<u>(20,878)</u>		<u>12,527</u>	<u>12,527</u>

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 - 2017	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	<u>346,258</u>	<u>346,258</u>	50	<u>(346,258)</u>	<u>(346,258)</u>

Note 17. Financial instruments (continued)

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

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 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.

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.

	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2017					
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables	25,502	-	-	-	25,502
Other payables	20,000	-	-	-	20,000
Total non-derivatives	<u>45,502</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,502</u>

	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2016					
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables	39,864	-	-	-	39,864
Other payables	138,263	-	-	-	138,263
Total non-derivatives	<u>178,127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,127</u>

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

Note 17. Financial instruments (continued)

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 18. Key management personnel disclosures

Directors

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

Faldi Ismail	Non-Executive Chairman (appointed 20 December 2016)
Bryn Hardcastle	Non-Executive Director (appointed 20 December 2016)
Nicholas Young	Non-Executive Director (appointed 20 December 2016)

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
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Compensation

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

	Consolidated	
	2017	2016
	\$	\$
Short-term employee benefits	493,847	577,784
Post-employment benefits	13,155	22,027
	<u>507,002</u>	<u>599,811</u>

Note 19. 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	
	2017	2016
	\$	\$
<i>Audit services - Grant Thornton Audit Pty Ltd</i>		
Audit or review of the financial statements	<u>39,047</u>	<u>49,150</u>

Note 20. Related party transactions

Parent entity

MHM Metals Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 22.

Key management personnel

Disclosures relating to key management personnel are set out in note 18 and the remuneration report included in the directors' report.

Note 20. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2017	2016
	\$	\$
Payment for goods and services:		
Payment for services to Bellanhouse Legal (an entity associated with Mr Bryn Hardcastle)	58,227	-
Payment for services to Taswa Pty Ltd (an entity associated with Paul Kopejtka)	140,000	155,167

Other transactions with key management personnel and their related parties

During the reporting period, the Company engaged the services on the following related-parties on normal commercial terms and conditions no more favourable than those available to other parties:

Bellanhouse Legal, an entity associated with Mr Bryn Hardcastle, received payments totalling \$58,227 in relation to legal services provided to the Company.

Taswa, an entity associated with Mr Paul Kopejtka, received payments totalling \$140,000 in relation to consulting services provided to the Company.

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 of 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 21. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2017	2016
	\$	\$
Profit/(loss) after income tax	(18,143,648)	3,465,652
Total comprehensive income	(18,255,840)	3,465,652

Note 21. Parent entity information (continued)

Statement of financial position

	Parent	
	2017	2016
	\$	\$
Total current assets	6,952,496	24,705,765
Total assets	7,375,911	25,793,966
Total current liabilities	45,513	209,269
Total liabilities	45,513	209,269
Equity		
Issued capital	29,912,301	29,912,301
Financial asset revaluation reserve	135,000	113,171
Foreign currency reserve	15,032	147,512
Share-based payments reserve	-	2,303,074
Accumulated losses	(22,731,935)	(6,891,361)
Total equity	7,330,398	25,584,697

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 and 30 June 2016.

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 22. 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:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2017	2016
		%	%
Goldstock Mining Pty Ltd*	Australia	-	-
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 23. Events after the reporting period

No matter or circumstance has arisen since 30 June 2017 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. Reconciliation of profit/(loss) after income tax to net cash from/(used in) operating activities

	Consolidated	
	2017	2016
	\$	\$
Profit/(loss) after income tax expense for the year	(566,442)	4,178,571
Adjustments for:		
Exchange (Gain)/Loss	193	(23,225)
Depreciation and impairment	508,382	418,578
Bad Debt W/O	-	10,500
Net gain in sale of equity investments	(628,120)	-
Change in operating assets and liabilities:		
Decrease in trade and other receivables	61,160	1,803,415
Increase in other operating assets	-	(2,049)
Decrease in trade and other payables	(139,723)	(103,357)
Decrease in employee benefits	(31,142)	(659,031)
Decrease in other provisions	(1,000,000)	-
Net cash from/(used in) operating activities	<u>(1,795,692)</u>	<u>5,623,402</u>

Note 25. Earnings per share

	Consolidated	
	2017	2016
	\$	\$
<i>Earnings per share for profit from continuing operations</i>		
Profit after income tax attributable to the owners of MHM Metals Limited	<u>37,842</u>	<u>4,904,898</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>136,228,616</u>	<u>135,618,462</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>136,228,616</u>	<u>135,618,462</u>
	Cents	Cents
Basic earnings per share	0.028	3.617
Diluted earnings per share	0.028	3.617
	Consolidated	
	2017	2016
	\$	\$
<i>Earnings per share for loss from discontinued operations</i>		
Loss after income tax attributable to the owners of MHM Metals Limited	<u>(604,284)</u>	<u>(726,327)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>136,228,616</u>	<u>135,618,462</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>136,228,616</u>	<u>135,618,462</u>

Note 25. Earnings per share (continued)

	Cents	Cents
Basic earnings per share	(0.444)	(0.536)
Diluted earnings per share	(0.444)	(0.536)
	Consolidated	
	2017	2016
	\$	\$
<i>Earnings per share for profit/(loss)</i>		
Profit/(loss) after income tax attributable to the owners of MHM Metals Limited	<u>(566,442)</u>	<u>4,178,571</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>136,228,616</u>	<u>135,618,462</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>136,228,616</u>	<u>135,618,462</u>
	Cents	Cents
Basic earnings per share	(0.416)	3.081
Diluted earnings per share	(0.416)	3.081

Accounting policy for 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.

MHM Metals Limited
Directors' declaration
30 June 2017

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 2017 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



Faldi Ismail
Non-executive Director

28 September 2017

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

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

Report on the audit of the financial report

Opinion

We have audited the financial report of MHM Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, 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, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- a Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

We have determined that there are no key audit matters to communicate in our report.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard

Responsibilities of the Directors' 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* and for 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.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 12 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of MHM Metals Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B L Taylor
Partner - Audit & Assurance

Melbourne, 28 September 2017

MHM Metals Limited
Shareholder information
30 June 2017

The shareholder information set out below was applicable as at 28 September 2017.

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	86
1,001 to 5,000	95
5,001 to 10,000	76
10,001 to 100,000	490
100,001 and over	212
	959
Holding less than a marketable parcel	286

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 % of total shares issued
Number held	
Cadmon Ventures Pty Ltd	16,978,955 12.46
Invia Custodian Pty Limited (NJ Family A/C/Share A/C)	14,592,325 10.71
Mr Anastasios Karafotias	4,985,000 3.66
Mrs Melinda J Coates	3,636,363 2.67
AH Super Pty Ltd	3,333,333 2.45
Marcus Dell Pty Ltd	1,878,787 1.38
MGL Corp Pty Ltd	1,818,181 1.33
Beltramin Investments Pty Ltd	1,666,667 1.22
Mr Peter A Vial & Mrs Amanda J Vial (Vial Super Fund A/C)	1,666,666 1.22
Cashmere Dell Pty Ltd	1,666,666 1.22
Waye-Harris Enterprises Pty Ltd	1,523,932 1.12
Mr Peter L Gebhardt & Mrs Carlen J Gebhardt (Petard S/F A/V)	1,169,720 0.86
Blujak Pty Limited	1,100,000 0.81
Dorran Pty Ltd	1,000,000 0.73
Mr Ross Brown	1,000,000 0.73
Mr Murray M Bailey & Mrs Patricia J Bailey (M & P S/F A/C)	1,000,000 0.73
Leuchter Enterprises Pty Ltd	918,000 0.67
Jonesy's Super Pty Ltd	909,090 0.67
Est Mr Trevor N Hay	850,068 0.62
M S Mellick Pty Ltd	833,333 0.61
	62,527,086 45.87

Unquoted equity securities

There are no unquoted equity securities.

MHM Metals Limited
Shareholder information
30 June 2017

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Cadmon Ventures Pty Ltd	16,978,955	12.46
Invia Custodian Pty Limited (NJ Family A/C/Share A/C)	14,592,325	10.71

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.