

Annual Report June 2015



M E T A L S

(ABN 41 124 212 175)

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Corporate Information

Directors

Joseph van den Elsen
Christopher Goodman
Paul Kopejtko

Company Secretary

Justin Mouchacca

Share Register

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

Auditor

Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne VIC 3000

Solicitors

MST Lawyers
315 Ferntree Gully Road
Mount Waverley VIC 3149

Bankers

National Australia Bank
Geelong Business Banking Centre
49-51 Malop Street
Geelong VIC 3220

Stock Exchange Listings

MHM Metals Limited shares are listed on the Australian Securities Exchange

Ordinary Fully Paid Shares (ASX Code: MHM)

Registered Office in Australia

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Chairman's Letter

Dear Shareholders,

The past year has seen significant changes at MHM, including at the Board, Management and strategy level.

The Company, through its wholly owned subsidiary Alreco, received its last supply of material from Alcoa on the 31st of March 2015 and since that time has been focused on processing legacy stockpiles and the remediation of its Moolap plant. Further to that, the Company has removed all material from 3rd party owned sites.

Alreco's last remaining employees finish with the Company on September 30 at which time the Company will focus its efforts on cost effective and environmentally sensitive remediation of the remaining legacy stockpiles and subsequently the sale of the property and associated Plant & Equipment. The Company acknowledges the efforts and commitment of all employees during what has been a challenging time.

Simultaneously, the Company is actively seeking to sell the Property it owns in Russellville, Kentucky and the luxury vessel it now controls, courtesy of the Federal Court's dismissal of the last remaining avenue of appeal available to Mr Frank Rogers, the ex-Managing Director, against the Courts finding of his breach of Directors Duties and misappropriation of Company Funds.

The Company remains active in its pursuit of new business opportunities and to date has seriously considered various opportunities located across a number of jurisdictions, including Australia, USA, Colombia, Brazil, Mozambique and Peru. Whilst the majority of these opportunities lie in the Resources sector, the Company has also assessed a number of Industrial businesses.

The Company remains confident that once it has greater clarity on its underlying cash position it is well placed to execute a transaction which secures the future of the company, for the benefit of all shareholders.

All the Directors look forward to sharing further updates on the progress of our transformation plans.



Paul Kopejtka
Chairman

Directors' Report

Your Directors present their report on the consolidated entity (referred to hereinafter as the "Group") consisting of MHM Metals Limited ("the Company" or "MHM") and the entities it controlled at the end of, or during, the year ended 30 June 2015.

Directors

The following persons were Directors of MHM Metals Limited during the financial year ended 30 June 2015 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.

J van den Elsen. Managing Director (Appointed Non-Executive Director 10 December 2014) (Appointed Non-Executive Chairman 23 March 2015 until 1 July 2015) (Appointed Managing Director 1 July 2015)

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.

Special responsibilities

Managing Director
CEO

Interests in shares and options at the date of the report
6,511,668

C Goodman. Non-Executive Director (Appointed 5 May 2015)

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.

Interests in shares and options at the date of the report
Nil

P Kopejtka. Non-Executive Director – Chairman (Appointed Non-Executive Director 23 March 2015) (Appointed Non-Executive Chairman 1 July 2015)

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.

Directors' Report

Directors (cont'd)

More recently Murchison sold its 50% share in the Joint Venture to Mitsubishi Corporation. Mr Kopejtka currently serves as the Executive Chairman of Ascot Resources

Special responsibilities

Chairman

Interests in shares and options at the date of the report

Nil

M T M Keen B. Eng. (Hons) Managing Director (Resigned 31 July 2015)

Experience and expertise

Mr Keen, who holds an Electrical and Electronic Engineering degree, has 15 years' experience in both engineering and finance and in a variety of senior roles. He has worked in complex engineering, mining, construction and infrastructure projects both locally and internationally. Most recently he was the Managing Director of Queen Street Capital, a private corporate advisory business where he gained enormous experience across a range of projects and professional networks.

D B Menzies B.Comm., B.Eng. (Hons), PGDipMgt, MBA, PhD. Non-Executive Director (Resigned 28 February 2015)

Experience and expertise

Dr Menzies who has a PhD in Materials Engineering (Monash) and an MBA (Melbourne) has a background in strategy, finance, marketing and materials engineering. He started his professional career in product development consulting at Invetech before moving to Securrency International in a strategic planning followed by marketing role. He is currently the Managing Director of Platinum Road, a private corporate advisory business providing advice, corporate transaction and capital raising services to both private and listed companies. During the last 3 years he has not served as a Director of other listed companies.

I M C Kirkwood MA (Hons) Oxon, FCPA, CA, MAICD. Non-Executive Director – Chairman (Resigned 23 March 2015)

Experience and expertise

Mr Kirkwood joined the Board on 13 February 2013 and became Chairman on 5 August 2013. He is an experienced private consultant, investor and non-executive director. He has considerable practical and operational experience gained from a successful financial career spanning 35 years in a range of industries including auditing, resources, manufacturing and latterly healthcare in Australia, Britain and the USA. He started his career at Arthur Andersen & Co in London. He held a range of senior financial and general management positions in Woodside Petroleum Limited, Santos Limited, Pilkington plc, F.H. Faulding & Co Limited and Clinuvel Pharmaceuticals Limited. During the past 3 years he has also served as a Director of the following listed companies:

- Bluechiip Limited (ASX: BCT) – Chairman
- Avexa Limited (ASX: AVX) – Chairman
- Medical Developments International Ltd (ASX: MVP). Resigned 26 February 2013
- Vision Eye Institute Ltd (ASX: VEI)

MHM Metals Limited

Company Secretary

J Mouchacca (appointed 27 March 2015)

Experience and expertise

Justin Mouchacca holds a Bachelor of Business majoring in Accounting. He graduated from RMIT University in 2008, became a Chartered Accountant in 2011 and since July 2013 has been a principal of chartered accounting firm, Leydin Freyer Corp Pty Ltd.

The practice provides outsourced company secretarial and accounting services to public and private companies specialising in the Resources, technology, bioscience and biotechnology sectors.

Justin has over 8 years' experience in the accounting profession and has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations.

L D Mitchell (resigned 27 March 2015)

Principal activities

During the period the principal activities of the Group consisted of aluminium salt slag processing and production of Non Metallic Product (NMP) for sale to domestic and overseas customers.

Dividends

No dividends were paid to members during the financial year and the Directors do not recommend the payment of a dividend.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Results 2015 \$	Results 2014 \$
Revenue	3,324,258	7,191,006
Loss before income tax expense	(5,828,415)	(9,448,487)
Income tax benefit	2,722,815	2,556,253
Loss attributable to members of MHM Metals Limited	(3,105,600)	(6,892,234)

Review of Operations

Sales revenue from waste processing services decreased to \$3,324,258 (2014: \$7,191,006) principally as a result of closure of Alcoa's Yennora Plant.

Production costs decreased to \$4,494,253 (2014: \$5,853,078) due to the decreased volume of legacy stockpiles processed.

During the financial year, the Company disposed of all remaining Prescribed Industrial Waste from its Buckley Grove Property.

Directors' Report

Review of Operations (cont'd)

Subsequent to the financial year end, the Company also gave notice to its last remaining staff and is working towards a closure date of September 30, 2015 for its Moolap facility.

Post the operational closure of the Moolap facilities the clean-up operation currently underway will continue. The clean-up will require the removal, either by sale and/or disposal of the remaining partly processed material on the site at 80 Buckley Grove. The Company is focused on completing the clean-up in the most cost effective and environmentally sensitive manner.

Once the Moolap facility is remediated to an acceptable standard the Company will look to dispose of the property, plant and equipment.

Litigation

On 5 December 2013 the company initiated proceedings in the Federal Court, Victorian Registry, against its former Managing Director Mr. Frank Rogers in respect to alleged breaches of the Corporations Act, 2001. The claim alleged irregular asset purchase transactions with an approximate value of \$720,000, including in relation to a vessel on which the company spent over \$500,000. On 18 September 2014 in the Federal Court of Australia at Melbourne, Justice Davies ordered Mr Rogers and Rogers Southern Pty Ltd (a company controlled by Mr Rogers) to pay compensation to the Company amounting to \$548,581 (plus interest and costs) for breach of director duties and misappropriation of funds.

The compensation relates to the purchase and refit of a survey vessel by the Company for use in its erstwhile exploration activities in Tasmania in 2008. The survey vessel was subsequently revealed to be a pleasure yacht, the "Ocean Voyager", belonging to Mr Rogers' Family Trust.

On the 2nd of March 2015, the Full court of the Federal Court of Australia comprising of Judges Middleton, Gilmour and Gleeson heard the appeal by Mr Frank Rogers and Rogers Southern Pty Ltd against the 18 September 2014 judgment, which they subsequently dismissed on 25 May 2015.

In dismissing the appeal the Judges also made a further award of costs associated with defending the appeal in MHM's favour.

Prior to the appeal judgment, the court awarded MHM a Power Of Attorney over a luxury vessel owned by Rogers Southern which MHM is seeking to sell, in recovery of the value of the judgment.

Russellville Property, Kentucky, USA

As foreshadowed in the results of the Company's strategic review announced to the market on 30 September 2014, the Company has placed the Russellville property on the market. Whilst there can be no certainty as to the timing of the sale, nor the ultimate sale price, the Company is confident of ultimately realising at least US\$325,000 (A\$423,177).

Business Development

The Company continues to assess new business opportunities predominantly in the Resources sector, capable of becoming its primary undertaking.

Directors' Report

Review of Operations (cont'd)

To date the Board has considered a number of opportunities across various industries and jurisdictions, including Australia, USA, Colombia, Peru, Brazil and Mozambique.

Events Subsequent to the End of the Reporting Period

MHM Metals advised the market on 22 July 2015 that it had been served with a statement of Claim lodged by Ronai & Associates in the District court of New South Wales and scheduled for hearing on 7 May 2016.

The Statement of Claim totals \$367,886 arising from an alleged verbal agreement to assist MHM claim additional R&D Incentives for expenditure incurred in prior years. The Company considers the Claim to be without merit and will vigorously defend its position.

Subsequent to the financial year end, the Company gave notice to its last remaining staff and finalised the closure of its Moolap facility.

Post the operational closure of the Moolap facilities the clean-up operation currently underway will continue and will require the removal, either by sale and/or disposal of the remaining partly processed material on the site at 80 Buckley Grove. The Company is focused on completing the clean-up in the most cost effective and environmentally sensitive manner.

Once the Moolap facility is remediated to an acceptable standard the Company will look to dispose of the property, plant and equipment.

Likely developments and expected results of operations

Likely developments in the operations of the Group and the expected results of operations have been disclosed within other sections of the Directors' report and there are no other matters to be included here.

Environmental regulation

The Group is subject to the reporting requirements of the National Pollutant Inventory under the National Environmental Protection Measures legislation. This requires the Group to monitor, measure and report its annual emissions. The Group has implemented systems and processes for the collection and calculation of the data required.

Directors' Report

Meeting of Directors

The number of meetings of the group's board of Directors held during the period ended 30 June 2015, and the number of meetings attended by each Director were:

	Full meetings of Directors	
	Held	Attended
Joseph van den Elsen (appointed 10/12/2014)	4	4
Christopher Goodman (appointed 05/05/2015)	0	0
Matthew Keen (resigned 31/07/2015)	7	7
Ian Kirkwood (resigned 23/03/2015)	6	6
David Menzies (resigned 28/02/2015)	6	6
Paul Kopejtka (appointed 23/03/2015)	1	1

Directors' Report

Remuneration report (audited)

The remuneration report is set out under the following main headings:

- (a) Principles used to determine the nature and amount of remuneration
- (b) Details of remuneration
- (c) Service agreements
- (d) Key management personnel equity holdings and share options of MHM Metals Limited
- (e) Loans to directors and executives
- (f) Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001 (Cth).

(a) Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives, the creation of value for shareholders and conforms with market practice for delivery of reward. 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 Group has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- 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
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- 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.

The framework provides a mix of fixed and variable salaries.

The overall level of executive rewards is not dependent on the performance of the Group or satisfaction of a performance condition. The Group is involved in aluminium salt slag processing and did not derive a profit and therefore growth in earnings is not considered relevant. During the same period, average executive remuneration has been maintained in accordance with industry standards.

Directors' Report

Remuneration report (cont'd)

As at 30 June 2015 the Group had not formalised its short term or long term incentive policy for key management personnel and link to performance. The table below sets out summary information about the Group's consolidated earnings and share price movements for the five years to 30 June 2015.

	30 June 2015	30 June 2014	30 June 2013	30 June 2012	30 June 2011
Revenue	3,324,258	7,191,006	4,712,795	3,976,648	5,089,967
Net (loss) before tax	(5,828,415)	(9,448,487)	(7,017,641)	(7,066,521)	(1,411,086)
Net (loss) after tax	(3,105,600)	(6,892,234)	(7,017,641)	(6,152,728)	(1,270,657)
Basic gain/(loss) per share (cents)	(2.4)	(5.3)	(5.4)	(6.0)	(1.3)
Share price at start of the year (\$)	0.014	0.12	0.44	1.00	0.18
Share price at the end of the year (\$)	0.017	0.014	0.12	0.44	1.00
Dividends	-	-	-	-	-

Non-executive Directors

Fees and payments to non-executive Directors reflect the demands which are made on and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently to the fees of non-executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

Directors' fees

The current base remuneration was last reviewed with effect from 27 March 2015. Director's remuneration is inclusive of committee fees.

Non-executive Directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$200,000 per annum and was approved by shareholders at the annual general meeting on 29 November 2010.

Retirement allowances for Directors

There is no provision for retirement allowances for non-executive Directors. Superannuation contributions required under the Australian superannuation guarantee legislation continue to be made and are deducted from the Directors' overall fee entitlements.

Executive pay

The executive pay 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.

(i) Base pay

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.

Directors' Report

Remuneration report (cont'd)

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.

A performance based bonus may be paid at the discretion of the Board based on company performance with no fixed future entitlements. All cash bonuses must be assessed and approved by independent members of the Board.

(ii) Retirement benefits

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

Use of remuneration consultants

MHM Metals Limited did not employ the services of any remuneration consultants for the 2015 financial year (2014: Nil).

Voting and comments made at the company's 2014 Annual General Meeting

MHM Metals Limited received more than 96% of "yes" votes on its remuneration report for the 2014 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Directors' Report

Remuneration report (cont'd)

(b) Details of remuneration

The key management personnel of the Group are the Directors of MHM Metals Limited (see pages 5 to 6).

Details of the remuneration of the Directors and the key management personnel of the Group (as defined in AASB 124 Related Party Disclosures) are set out in the following tables:

2015 Name	Short-term employee benefits			Post-employment benefit	Share based payments	Total
	Cash salary and fees \$	Cash bonus \$	Non-Monetary \$	Super-annuation \$	Share based payments \$	
Non-executive Directors:						
C Goodman ⁽¹⁾	4,677	-	-	-	-	4,677
P Kopejtka ⁽²⁾	5,000	-	-	-	-	5,000
I M Kirkwood ⁽³⁾	61,400	-	-	5,856	-	67,256
D Menzies ⁽⁴⁾	45,142	-	-	2,191	-	47,333
J van den Elsen ⁽⁵⁾	58,892	-	-	-	-	58,892
Executive Directors:						
MTM Keen ⁽⁶⁾	250,000	100,000	-	28,500	25,000	403,500
Other key management personnel:						
J Thiele ⁽⁷⁾	40,931	-	-	3,888	-	44,819
Total compensation (Group)	466,042	100,000	-	40,435	25,000	631,477

(1) C Goodman appointed as director on 05/05/2015.

(2) P Kopejtka appointed as a director on 23/03/2015.

(3) I M Kirkwood resigned as director on 23/03/2015.

(4) D Menzies resigned as director on 28/02/2015.

(5) J van den Elsen appointed as a director on 10/12/2014 and as CEO and Managing Director on 01/07/2015.

(6) MTM Keen resigned as CEO and Managing Director on 31/07/2015.

(7) J Thiele resigned as CFO on 14/09/2014.

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

Directors' Report

Remuneration report (cont'd)

2014 Name	Short-term employee benefits			Post-employment benefit	Share based payments	Total \$
	Cash salary and fees \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Options \$	
Non-executive Directors:						
P A Thick ⁽¹⁾	18,349	-	-	1,651	-	20,000
F R Brazil ⁽²⁾	18,667	-	-	1,702	-	20,369
R McAlister ⁽³⁾	66,646	-	-	22,291	-	88,937
I M Kirkwood ⁽⁴⁾	53,437	-	-	4,905	-	58,342
D Menzies ⁽⁵⁾	19,684	-	-	1,821	-	21,505
Executive Directors:						
MTM Keen ⁽⁶⁾	201,923	-	-	18,678	-	220,601
Other key management personnel:						
J Thiele	140,000	-	-	12,950	-	152,950
Total compensation (Group)	518,706	-	-	63,998	-	582,704

- (1) P A Thick resigned as director on 18/12/2013.
- (2) F R Brazil resigned as a director on 6/06/2014.
- (3) R McAlister resigned as CEO on 13/09/2013.
- (4) I M Kirkwood was appointed as director on 13/02/2013. He was appointed chairman on 5/08/13.
- (5) D Menzies was appointed as director 19/12/2013.
- (6) MTM Keen was appointed as CEO on 13/09/2013, and Managing Director on 6/06/14.

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

Directors' Report

Remuneration report (cont'd)

The relative proportions of those elements of remuneration of key management personnel that are linked to performance:

	Fixed remuneration		Remuneration linked to performance	
	2015	2014	2015	2014
Non-executive directors				
C Goodman	100%	100%	-	-
P Kopejtko	100%	100%	-	-
I M Kirkwood	100%	100%	-	-
D Menzies	100%	100%	-	-
J van den Elsen	100%	100%	-	-
Executive Directors:				
MTM Keen	67%	100%	33% ⁽¹⁾	-
Other key management personnel:				
J Thiele	100%	100%	-	-

(c) Service agreements

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

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

Joseph van den Elsen, Management

- Term of agreement: For an initial term of two years with a notice period of three months;
- Base salary for the year ended 30 June 2015 of \$225,000 (including superannuation). Provision of four weeks annual leave; and
- Upon termination any payment required by legislation is payable by the company.

Details of remuneration: cash bonuses and shares

Name	Cash bonus and shares			
	Proportion Paid/Payable		Proportion Forfeited	
	2015 ⁽¹⁾	2014	2015	2014
MTM Keen	125,000	-	-	-

Matthew's bonus for the Financial Year Ended 30 June 2015 is \$75,000. The specifics of which are that \$25,000 will be issued in stock, subject to shareholder approval with the remaining \$50,000 to be cash settled. In the event shareholder approval is not forthcoming, the entire \$75,000 will be cash settled.

⁽¹⁾ Included in Mr Keen's remuneration for the financial year ending 30 June 2015 is an additional bonus amount of \$50,000, which whilst agreed to and thus expressed in the financial year ended 30 June 2015, related to the financial year ended 30 June 2014.

Directors' Report

Remuneration report (cont'd)

(d) Key Management personnel equity holdings and share options of MHM Metals Limited

	Number of options held at 30		Number of shares held at 30	
	June	June	June	June
	2015	2014	2015	2014
J van den Elsen (appointed 10/12/2014)	-	-	6,511,668	-
MTM Keen (resigned 31/07/2015)	-	-	320,000	320,000

(e) Loans to Directors and executives

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

(f) Additional information

MHM Metals Limited is involved in aluminium salt slag processing; remuneration of the persons referred to above is not dependent on the satisfaction of a performance condition.

This is the end of the audited remuneration report.

Directors' Report

Shares under option

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

Date options granted	Expiry date	Issue price of shares	Number under option
06 October 2010	06 October 2015	\$0.85	150,000
20 June 2011	20 June 2016	\$1.80	300,000
19 August 2011	30 June 2016	\$1.00	150,000
15 September 2011	23 August 2016	\$1.26	100,000
02 December 2011	29 November 2016	\$1.71	1,200,000
14 February 2012	14 February 2017	\$1.35	150,000
29 November 2012	18 July 2017	\$1.00	500,000
14 November 2012	13 November 2017	\$0.45	100,000
			2,650,000

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

Insurance of officers

During the financial year, the group paid a premium of \$20,961 to insure the Directors and officers of the company and its Australian-based controlled entities.

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 group, 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 group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Insurance of auditors

The group has not, during or since 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 group has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Directors' Report

Proceedings on behalf of the group

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

No proceedings have been brought or intervened in on behalf of the group with leave of the Court under section 237 of the Corporations Act 2001 (Cth)

Non-audit services

The group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group is important.

Details of the amounts paid or payable to the auditors for audit and non-audit services provided during the year are set out below.

The Board has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (Cth)

The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 (Cth) for the following reasons:

- all non-audit services have been reviewed by the Directors to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the period the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2015	2014
	\$	\$
Audit services		
Deloitte Touche Tohmatsu	80,340	103,000
BDO Audit (WA) Pty Ltd – audit and review of financial reports	-	12,590
Total remuneration for audit services	80,340	115,590
Non-audit services		
Total remuneration for non-audit services	-	-
Total remuneration	80,340	115,590

Directors' Report

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 (Cth) is set out on page 21.

Auditor

Deloitte Touche Tohmatsu has been appointed in accordance with section 327 of the Corporations Act 2001.

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



Paul Kopejtka
Chairman

Geelong, Victoria
30 September 2015

30 September 2015

The Board of Directors
MHM Metals Limited
Level 4, 100 Albert Road
South Melbourne VIC 3205

Dear Board Members,


MHM Metals Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of MHM Metals Limited.

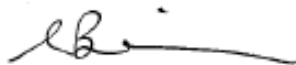
As lead audit partner for the audit of the financial statements of MHM Metals Limited for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,



DELOITTE TOUCHE TOHMATSU



Chris Biermann
Partner
Chartered Accountants

Financial Reports – 30 June 2015

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MHM Metals Limited is a for-profit listed public company limited by shares incorporated and domiciled in Australia. The addresses of its registered office and principal place of business are as follows:

Registered office

Level 4, 100 Albert Road
South Melbourne VIC 3205
Phone: +61 3 9692 7222

Principle place of business

80 Buckley Grove
MOOLAP VIC 3221
Phone: +61 2 5248 2002

A description of the nature of the Group's operations and its principal activities is included in the review of operations and activities in the Directors' report.

The financial report was authorised for issue by the Directors on 30 September 2015. The Group has the power to amend and reissue the financial report.

Through the use of the Group's website, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Group. All press releases, financial reports and other information are available at the Shareholders' Centre on the website: www.mhmmetals.com.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2015

	Notes	Consolidated	
		2015 \$	2014 \$
Sales revenue	8	3,324,258	7,191,006
Production expenses		(4,494,253)	(5,853,078)
Depreciation	9	(1,952,917)	(1,947,798)
Gross (loss)		(3,122,912)	(609,870)
Interest revenue	8	36,224	59,977
Other income – legal settlement	8,16	493,520	-
Administrative expenses		(161,045)	(212,259)
Consultancy fees		(72,210)	(41,593)
Impairment expenses	7,9	(839,098)	(5,838,656)
Employee benefit expenses	9	(1,158,605)	(757,787)
Employee entitlement expenses		(27,040)	(14,637)
Insurance expenses		(167,449)	(174,690)
Office accommodation expenses		(98,178)	(100,380)
Professional fees		(238,549)	(220,917)
Legal fees		(332,047)	(261,620)
Remediation expenses		(262,944)	(688,300)
Write-off of Intangible Assets	9	-	(471,982)
Foreign exchange gain/(loss)		185,212	(56,442)
Other expenses		(63,294)	(59,331)
Loss before income tax		(5,828,415)	(9,448,487)
Income tax benefit	10	2,722,815	2,556,253
Loss after income tax		(3,105,600)	(6,892,234)
Other comprehensive income		-	-
Total comprehensive loss for the year attributable to owners of MHM Metals Ltd		(3,105,600)	(6,892,234)

		Cents	Cents
Loss per share for loss attributable to the ordinary equity holders of the company:			
Basic and diluted gain/(loss) per share	29	(2.4)	(5.3)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2015

		Consolidated	
	Notes	30 June 2015	30 June 2014
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	11	1,357,966	2,403,479
Trade and other receivables	12	1,860,264	2,379,141
Other assets	13	40,219	81,793
Assets held for sale	14	423,177	-
Total current assets		3,681,626	4,864,413
Non-current assets			
Intangibles	15	-	-
Property, plant and equipment	16	1,734,195	4,257,976
Total non-current assets		1,734,195	4,257,976
Total assets		5,415,821	9,122,389
Liabilities			
Current liabilities			
Trade and other payables	17	267,645	847,560
Provisions	18	850,173	892,568
Total current liabilities		1,117,818	1,740,128
Non-current liabilities			
Provisions		-	3,658
Total non-current liabilities		-	3,658
Total liabilities		1,117,818	1,743,786
Net assets		4,298,003	7,378,603
Equity			
Issued capital	19	29,846,015	29,846,015
Share based payments reserve	20.1	2,328,074	2,303,074
Accumulated losses	20.2	(27,876,086)	(24,770,486)
Total equity		4,298,003	7,378,603

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

Notes	Issued Capital \$	Accumulated Losses \$	Share Based Payments Reserve \$	Total \$
2014				
Balance 1 July 2013	29,846,015	(17,878,252)	2,303,074	14,270,837
Loss for the year	-	(6,892,234)	-	(6,892,234)
Total comprehensive loss for the year	-	(6,892,234)	-	(6,892,234)
Balance 30 June 2014	29,846,015	(24,770,486)	2,303,074	7,378,603
2015				
Balance 1 July 2014	29,846,015	(24,770,486)	2,303,074	7,378,603
Loss for the year	-	(3,105,600)	-	(3,105,600)
Total comprehensive loss for the year	-	(3,105,600)	-	(3,105,600)
Recognition of share based payments	-	-	25,000	25,000
Balance 30 June 2015	29,846,015	(27,876,086)	2,328,074	4,298,003

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2015

		Consolidated	
	Notes	2015	2014
		\$	\$
Cash flows from operating activities			
Receipts from customers		4,452,720	7,411,952
Payments to suppliers and employees		(7,685,153)	(7,412,527)
Interest received		36,224	59,977
R&D tax offset received		2,152,079	1,387,802
Net cash inflow/(outflow) from operating activities	28	(1,044,130)	1,447,204
Cash flows from investing activities			
Payments for property, plant and equipment		-	(1,446,274)
Net cash outflow from investing activities		-	(1,446,274)
Cash flows from financing activities			
Net cash inflow from financing activities		-	-
Net decrease in cash and cash equivalents held		(1,044,130)	930
Cash and cash equivalents at the beginning of the financial year		2,403,479	2,401,883
Effects of exchange rate changes on cash and cash equivalents		(1,383)	666
Cash and cash equivalents at the end of the financial year	11	1,357,966	2,403,479

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

1. General information

MHM Metals Limited (the Company) is a listed public company incorporated in Australia. The addresses of its registered office and principal place of business are as follows:

Registered office	Principal place of business
Level 4, 100 Albert Road	80 Buckley Grove
South Melbourne VIC 3205	MOOLAP VIC 3221
Phone: +61 3 9692 7222	Phone: +61 2 5248 2002

The principal activities of the Group consist of aluminium salt slag processing and production of Non Metallic Product (NMP) for sale to domestic and overseas customers.

2. Application of new and revised Accounting Standards

2.1 Amendments to AASBs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operation and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in any material changes to the company's accounting policies or application of those policies.

2.2 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not yet effective are listed below.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2017	30 June 2018
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-6 'Amendments to Australian Accounting Standards – Agriculture: Bearer Plants'	1 January 2016	30 June 2017

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

2. Application of new and revised Accounting Standards (cont'd)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 January 2015	30 June 2016

At the date of publication, there have been no IASB Standards or IFRIC Interpretations that are issued but not yet effective.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies

3.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 30 September 2015.

3.2 Basis of preparation

3.2.1 Historical cost convention

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

3.2.2 Critical accounting judgment and estimates

The preparation of financial statements in conformity with the Group's accounting policies requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group'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 5.

3.2.3 Going concern

The financial report has been prepared on a going concern basis which contemplates the continuity of business activities and the realisation of assets and the payment of liabilities in the normal course of business.

For the year ended 30 June 2015, the Group incurred a net loss of \$3,105,600, and used net cash outflows in operations of \$1,044,130. As at 30 June 2015 the Group had a surplus of current assets over current liabilities of \$2,563,808, of which \$1,357,966 consisted of cash.

In October 2014, the Directors announced that the Group would be closing its aluminium by-product treatment operations in Moolap. With operations ceased in the second quarter of the calendar year 2015, clean-up activities will continue until the end of the 3rd quarter of calendar year 2015.

Accordingly, the Group no longer has any income generating activities.

The Group's plans during 2016 include:

- Safe and efficient clean-up of Alreco's plant at Moolap;
- Explore the potential sale of the Moolap plant and equipment;
- Minimise costs and maximise cash from sale of all assets including freehold land at Moolap and Russellville, KY, USA;

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies (cont'd)

- Explore business opportunities that have the potential to rebuild MHM Metals' shareholder value.

Cash flow forecasts prepared by management demonstrate that the Group has sufficient funds to meet its commitments over the next twelve months. For that reason the financial statements have been prepared on the basis that the Group is a going concern.

3.2.4 Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Parent entity information is disclosed at note 32.

3.2.5 Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of MHM Metals Limited ("company" or "parent entity") as at 30 June 2015 and the results of all subsidiaries for the year then ended. MHM Metals Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and

any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies (cont'd)

Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies (cont'd)

Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

3.5 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (see 3.4 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies (cont'd)

3.6 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales for such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with AASB 139 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3.7 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies (cont'd)

3.7.1 Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

3.7.2 Tolling income

The group operates a toll-fee structure with Alcoa and Sims for recycling of salt slag, non-salt slag and dross. Revenue from tolls is recognised in the accounting period in which the salt slag and dross are received by the group.

3.7.3 Sale of goods

The group records revenue in relation to the sale of returned aluminium and non-metallic products when the significant risks and rewards of ownership have transferred to the buyer, the group retains no continuing involvement nor control over the goods, the amount can be measured reliably, and it is probable that the economic benefits will flow to the group.

3.8 Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars ('\$'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Nonmonetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies (cont'd)

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.10 Employee benefits

3.10.1 Short-term and long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies (cont'd)

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

3.10.2 Retirement benefits costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

3.10.3 Termination benefit

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

3.11 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.11.1 Current tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

Deferred tax liabilities and assets are not recognised for temporary differences between carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies (cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax asset and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, respectively.

If the group recognises acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the group's net profit after tax.

Research and Development tax offsets are recognised as an income tax benefit when it is probable that the future economic benefits will flow to the group and the value can be measured reliably.

3.12 Property, plant and equipment

Plant and equipment is stated at historical cost less depreciation and impairment. Historical costs include expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. General repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Plant & equipment 4 - 10 years
- Motor vehicles 8 - 12 years
- Buildings 40 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 3.13).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss in the period the asset is disposed of.

3.13 Impairment of assets

Goodwill and 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 assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies (cont'd)

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that have been impaired are reviewed for possible reversal of the impairment at each reporting date.

3.14 Cash and cash equivalents

For statement of cash flow presentation purposes, 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

3.15 Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Settlement terms for trade receivables vary between 30 and 90 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses.

3.16 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

3.17 Provisions

AASB137 Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies (cont'd)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.17.1 Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

3.17.2 Restructurings

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

3.17.3 Remediation Provision

The Group has recognised a remediation provision for the estimated cost of disposing of any remaining stockpiles of aluminium by-product upon completion of operations and for other expected costs of remediation of its operations. In assessing the remediation provision, one of the key assumptions, and hence uncertainties, is the extent and cost of remediation activities.

3.17.4 Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less cumulative amortisation recognised in accordance with AASB 118 'Revenue'.

3.18 Earnings per share

3.18.1 Basic earnings per share

Basic earnings per share is calculated by dividing the result attributable to equity holders of the group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

3. Significant accounting policies (cont'd)

3.18.2 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.

3.19 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

4. Financial risk management

4.1 Overview

The Group has exposure to the following risks from the use of financial instruments:

- credit risk;
- liquidity risk;
- market risk; and
- capital management

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the group through regular reviews of the risks.

4.1.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

i. Trade and other receivables

Management does not expect any counterparty to fail to meet its obligations.

Presently, the Group undertakes aluminium salt slag processing activities exclusively in Australia. At reporting date there were no significant concentrations of credit risk.

4.1.1.1 Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Consolidated	
	2015	2014
	\$	\$
Financial assets		
Cash and cash equivalents	1,357,966	2,403,479
Trade and other receivables	1,860,264	2,379,141
	3,218,230	4,782,620

Trade receivables as at 30 June 2015 have terms between 30 and 90 days. The customers have not previously breached or defaulted on payment on any occasion.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

4. Financial risk management (cont'd)

The credit quality of cash assets can be assessed by reference to external credit ratings as supplied by Standard & Poor's (S&P):

	Consolidated	
	2015	2014
	\$	\$
Cash at bank and short-term bank deposits		
AA-	1,332,270	2,375,956
A	-	-
BBB+	25,696	27,523
	1,357,966	2,403,479

4.1.1.2 Guarantees

MHM has provided a guarantee to Alcoa in connection with an operating lease. The guarantees on issue at 30 June 2015 are \$350,000 (2014: Nil).

4.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

The Group does not anticipate a need to raise additional capital in the next 12 months to meet forecasted operational activities. The decision on how the Group will raise future capital will depend on market conditions existing at that time.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Consolidated 2015	Carrying Amount \$	Contractual Cash Flows \$	6 months or less \$	6 to 12 months \$	1 to 2 years \$	Over 2 years \$
Trade and other payables	267,645	267,645	267,645	-	-	-
	267,645	267,645	267,645	-	-	-

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

4. Financial risk management (cont'd)

Consolidated 2014	Carrying Amount \$	Contractual Cash Flows \$	6 months or less \$	6 to 12 months \$	1 to 2 years \$	Over 2 years \$
Credit cards	2,342	2,342	2,342	-	-	-
Trade and other payables	845,218	845,218	845,218	-	-	-
	847,560	847,560	847,560	-	-	-

4.3 Market Risk

4.3.1 Foreign exchange risk

The Group operations are limited to domestic activities within Australia. The Group has an investment in the United States of America which it currently has held for sale and is exposed to foreign exchange risk arising from exposure to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Group's functional currency. The Group's exposure to this risk is minimised through the use of offshore bank accounts.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	2015 AUD \$	2014 AUD \$
Consolidated		
Cash and cash equivalents	25,696	21,585
Property, plant and equipment	-	1,064,385
Assets held for sale	423,177	-

4.3.2 Group sensitivity

The Group's results would not be materially different due to changes in exchange rates.

4.3.2.1 Price risk

The Group is not exposed to equity securities price risk as it holds no investments in securities classified on the statement of financial position as either available-for-sale or at fair value through the profit or loss. The Group is not exposed directly to commodity price risk.

4.3.2.2 Interest rate risk

The Group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets is set out below:

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

4. Financial risk management (cont'd)

Consolidated	2015		2014	
	Weighted average interest rate	Balance AUD \$	Weighted average interest rate	Balance AUD \$
<i>Variable interest rate:</i>				
Cash and cash equivalents	0.28%	1,007,966	0.28%	353,479
<i>Fixed interest rate</i>				
Cash and cash equivalents	4.22%	350,000	4.22%	2,050,000
		1,357,966		2,403,479

The Group has interest-bearing assets; a change in interest rates would not have a material impact on the results.

At 30 June 2015, if interest rates had changed by +/- 80 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been \$10,864 lower/higher (2014: \$19,221 lower/higher), mainly as a result of higher/lower interest income from cash and cash equivalents. Equity would have been \$10,864 lower/higher mainly as a result of higher/lower interest income from cash and cash equivalents.

4.3.3 Fair values

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

4.3.3.1 Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2015		2014	
	Carrying Amount \$	Fair Value \$	Carrying Amount \$	Fair Value \$
Consolidated				
Cash and cash equivalents	1,357,966	1,357,966	2,403,479	2,403,479
Trade and other receivables	1,860,264	1,860,264	2,379,141	2,379,141
	3,218,230	3,218,230	4,782,620	4,782,620
Trade and other payables	267,645	267,645	847,560	847,560
	267,645	267,645	847,460	847,560

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to the short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

4. Financial risk management (cont'd)

4.4 Capital Management

The Group's policy is to maintain an adequate capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

5. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5.1 Critical judgements in applying accounting policies

The following are the critical judgements that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

5.1.1 Impairment of assets

The Group reviews assets 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. In assessing Alreco's Moolap assets for impairment, one of the key assumptions was in relation to estimated re-sale values of the land, buildings, plant and equipment, with the uncertainty being around the eventual sale value achieved and timing.

5.1.2 Remediation provision

The Group has recognised a Remediation provision for the estimated cost of disposing of any remaining stockpiles of aluminium by-product upon completion of operations and for other expected costs of remediation of its operations. In assessing the Remediation provision, one of the key assumptions, and hence uncertainties, is the extent and cost of Remediation activities.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

5. Critical accounting judgments and key sources of estimation uncertainty (cont'd)

5.1.3 Value of asset's in legal settlement

The Group has recognised the estimated fair value of the survey vessel held in the legal dealings with Frank Rogers to be the carrying value, as recognised in Property, Plant & Equipment. The fair value was determined through an independent valuation undertaken by the company

5.2 Key sources of estimation uncertainty

5.2.1 Estimation of useful lives of assets

The Group 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 down or off. In the current year, the useful lives of the Plant & Equipment at Moolap and their residual value were revised to align with the cessation of the Moolap operation and anticipated scrap value. This resulted in an additional depreciation charge in the current year of \$748,197.

6. Segment information

Management has determined the operating segments based on reports reviewed by the strategic steering committee, the chief operating decision maker.

The Group has one only reporting segment, aluminium salt slag processing. Although the Group owns property in Kentucky, USA, at present the Group operates only in Australia.

7. Impairment expense

As outlined in note 5.1.1, the Group reviews assets 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.

An impairment assessment was performed as at 30 June 2015 for the Moolap property, plant and equipment. The recoverable amount of the relevant assets has been determined on the basis of their fair value less costs of disposal. No impairment was required as at 30 June 2015.

The current period impairment of \$839,098 relates to the write down of the property, plant and equipment owned in Russellville, KY, USA. The impairment charge is to reduce the carrying amount of the assets held for sale to their expected recoverable amount. Refer note 14.

In the prior year, the directors' identified that the carrying amount of the Moolap Property, Plant and Equipment exceeded the recoverable amount and was required to be written down by \$5,838,656. The recoverable amount of the relevant assets was determined on the basis of their value in use and a discount rate of 12% per annum.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

7. Impairment expense (cont'd)

	Consolidated	
	2015 \$	2014 \$
Impairment of property, plant and equipment	-	5,838,656
Impairment of assets classified as available for sale	839,098	-
	<u>839,098</u>	<u>5,838,656</u>

8. Revenue and other income

	Consolidated	
	2015 \$	2014 \$
Sales revenue		
Revenue from rendering of services	2,596,482	7,028,145
Revenue from sale of goods	727,776	162,861
	<u>3,324,258</u>	<u>7,191,006</u>
Interest received	36,224	59,977
Other income – legal settlement	493,520	-
	<u>3,854,002</u>	<u>7,250,983</u>

9. Expenses

	Consolidated	
	2015 \$	2014 \$
Loss before income tax includes the following expenses:		
Depreciation and impairment		
Depreciation of land and buildings	5,452	10,513
Depreciation of plant and equipment	1,940,525	1,865,615
Depreciation of motor vehicles	6,940	14,401
Amortisation of intangibles	-	57,269
Impairment of intangible assets	-	471,982
Impairment of production assets	-	5,838,656
Impairment of assets held for sale	839,098	-
	<u>2,792,015</u>	<u>8,258,436</u>
Employee benefit expense		
Defined contribution superannuation expense	198,636	244,486
Salaries, fees and other benefits	2,812,246	3,055,939
Share based payments	25,000	-
	<u>3,035,882</u>	<u>3,300,425</u>
Amount classified as production expense	(1,877,277)	(2,542,638)
	<u>1,158,605</u>	<u>757,787</u>

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

10. Income tax benefit/(expense)

10.1 Income tax benefit/(expense)

	Consolidated	
	2015	2014
	\$	\$
Current tax benefit/(expense)	2,722,815	2,556,253

10.2 Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated	
	2015	2014
	\$	\$
Loss before income tax	(5,828,415)	(9,448,487)
Prima facie income tax at 30%	(1,748,524)	(2,834,546)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	111	141
Timing differences and tax losses not recognised	1,748,413	2,834,405
Current tax benefit due to R&D tax offset	1,739,187	1,168,451
Prior year under/over due to R&D tax offset	983,628	1,387,802
Income tax expense/(benefit)	2,722,815	2,556,253

10.3 Tax losses

	Consolidated	
	2015	2014
	\$	\$
Unused Australian tax losses for which no deferred tax asset has been recognised	8,658,431	9,956,409
Potential tax benefit at 30%	2,597,529	2,986,923

A deferred tax asset has not been recognised in respect of the unused Australian tax losses because it is not probable that future taxable profit will be available against which the group can utilise the benefits.

Additionally, these losses are subject to further review by the Group to determine if they satisfy the necessary legislative requirements under the income tax legislation for the carry forward and recoupment of tax losses.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

10. Income tax benefit/(expense) (cont'd)

10.4 Foreign tax losses

	Consolidated	
	2015	2014
	\$	\$
Unused foreign tax losses for which no deferred tax asset has been recognised	1,018,171	1,148,868
Potential tax benefit at 39% (US Federal & State Taxes)	397,087	448,059

11. Cash and cash equivalents

	Consolidated	
	2015	2014
	\$	\$
Cash at bank and on hand	1,357,966	2,403,479

11.1 Interest rate risk exposure

The Group's exposure to interest rate risk is discussed in note 4.

11.2 Undrawn cash facilities

The Group has no undrawn borrowing facility at 30 June 2015 (2014: Nil).

11.3 Restricted cash

The group holds restricted cash of \$350,000 connected with its lease of 91 Hays Rd, Moolap from Alcoa.

12. Trade and other receivables

	Consolidated	
	2015	2014
	\$	\$
Trade receivables	39,098	1,162,561
R&D tax offset refund	1,739,187	1,168,451
Other receivables	81,979	48,129
	1,860,264	2,379,141

12.1 Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where the terms or repayment exceed six months. Collateral is not normally obtained.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

12. Trade and other receivables (cont'd)

12.2 Interest rate risk

Information about the Group's exposure to interest rate risk in relation to trade and other receivables is provided in note 4.

12.3 Impaired receivables and receivables past due

None of the current receivables are impaired or past due but not impaired.

12.4 Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 4 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

13. Other assets

	Consolidated	
	2015	2014
	\$	\$
Prepaid insurance expenses	40,219	81,793
	40,219	81,793

14. Assets held for sale

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

The Assets classified as available for sale comprise:

	Consolidated
	2015
	\$
Amounts transferred from property, plant & equipment	1,262,275
Impairment recognised on transfer from property, plant & equipment	(286,903)
	975,372
Impairment recognised while classified as available for sale	(552,195)
Assets classified as available for sale - property, plant & equipment	423,177

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

15. Intangibles

	Consolidated	
	2015	2014
	\$	\$
Intangibles		
Engineering and design – costs less accumulated depreciation	-	-
	-	-
Reconciliation		
At the beginning of the period	-	529,251
Amortisation	-	(57,269)
Engineering and design written off	-	(471,982)
	-	-

The Board determined that the Engineering and Design plans were not expected to be recovered through use or sale and has wrote off the full amount at 30 June 2014.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

16. Property, plant and equipment

	Consolidated	
	2015	2014
	\$	\$
Land and buildings		
Land and buildings – at cost	1,218,253	2,283,539
Less: accumulated depreciation	(23,943)	(27,933)
	1,194,310	2,255,606
Reconciliation		
At the beginning of the year	2,255,606	2,422,869
Exchange differences	206,431	-
Additions	-	-
Depreciation (note 9)	(5,452)	(10,513)
Transfer to assets held for sale	(1,262,275)	(156,750)
Closing net book value	1,194,310	2,255,606
Plant improvements		
Plant improvements – at cost	-	-
Reconciliation		
At the beginning of the year	-	1,633,946
Exchange differences	-	(39,803)
Transfers	-	(1,594,143)
Closing net book value	-	-
Plant and equipment		
Plant and equipment – at cost	6,999,405	9,484,721
Less: accumulated depreciation and impairment	(6,465,977)	(7,495,748)
	533,428	1,988,973
Reconciliation		
At the beginning of the year	1,988,973	6,546,464
Exchange differences	(8,540)	-
Additions ⁽¹⁾	493,520	1,446,274
Transfers	-	1,700,506
Depreciation (note 9)	(1,940,525)	(1,865,615)
Impairment (note 9)	-	(5,838,656)
Closing net book value	533,428	1,988,973

⁽¹⁾ At the half year, the Group 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. Whilst the luxury vessel did not meet the requirements as at 30 June 2015 to be recognised as held for sale, it is the intention of management to dispose of the asset in an orderly fashion.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

16. Property, plant and equipment (cont'd)

	Consolidated	
	2015	2014
	\$	\$
Motor vehicles		
Motor vehicles – at cost	72,506	72,506
Less: accumulated depreciation	(66,049)	(59,109)
	6,457	13,397
Reconciliation		
At the beginning of the year	13,397	27,798
Depreciation (note 9)	(6,940)	(14,401)
Closing net book value	6,457	13,397
Land & buildings	1,194,310	2,255,606
Plant & equipment	533,428	1,988,973
Motor vehicles	6,457	13,397
	1,734,195	4,257,976

17. Trade and other payables

	Consolidated	
	2015	2014
	\$	\$
Trade and other payables	267,645	833,051
GST payables	-	14,509
	267,645	847,560

Trade and other payables are non-interest bearing liabilities stated at cost and settled within 30 days. Amounts not expected to be settled within 12 months: \$Nil.

18. Provisions

	Consolidated	
	2015	2014
	\$	\$
Employee benefits – current	60,633	204,268
Remediation – current	670,504	688,300
Redundancy – current	119,036	-
	850,173	892,568

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

19. Issued capital

19.1 Issued capital

	30 June 2015 Number	30 June 2014 Number	30 June 2015 \$	30 June 2014 \$
Ordinary shares – fully paid	130,218,145	130,218,145	29,816,015	29,816,015
Options – unlisted	2,650,000	4,990,000	30,000	30,000
			<u>29,846,015</u>	<u>29,846,015</u>

19.2 Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

During the year ended 30 June 2015 no fully paid ordinary shares were issued.

19.3 Options

At the end of the year, options over ordinary shares on issue are as shown below:

- 150,000 unlisted options exercisable at 85 cents and expiring 6 October 2015;
- 300,000 unlisted options exercisable at 180 cents and expiring 20 June 2016;
- 150,000 unlisted options exercisable at 100 cents and expiring 30 June 2016;
- 100,000 unlisted options exercisable at 126 cents and expiring 23 August 2016;
- 1,200,000 unlisted options exercisable at 171 cents and expiring 30 November 2016;
- 150,000 unlisted options exercisable at 135 cents and expiring 14 February 2017;
- 500,000 unlisted options exercisable at 100 cents and expiring 18 July 2017; and
- 100,000 unlisted options exercisable at 45 cents and expiring 13 November 2017.

Date	Details	Number of options	Issue price \$	\$
At the beginning of the period		4,990,000	-	30,000
Expired		(2,340,000)	-	-
30 June 2015		<u>2,650,000</u>	-	<u>30,000</u>

19.4 Movement in ordinary share capital

30 June 2015				
Date	Details	Number of shares	Issue price \$	\$
At the beginning of the period		130,218,145	-	29,816,015
30 June 2015	Balance	<u>130,218,145</u>	-	<u>29,816,015</u>

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

19. Issued capital (cont'd)

30 June 2014

Date	Details	Number of shares	Issue price \$	\$
At the beginning of the period		130,218,145	-	29,816,015
30 June 2014	Balance	130,218,145	-	29,816,015

20. Reserves and accumulated losses

20.1 Share based payments Reserve

	Consolidated	
	2015	2014
	\$	\$
Balance 1 July	2,303,074	2,303,074
Additions	25,000	-
Balance 30 June	2,328,074	2,303,074

20.2 Accumulated losses

Movements in accumulated losses were as follows:

	Consolidated	
	2015	2014
	\$	\$
Balance 1 July	(24,770,486)	(17,878,252)
Net profit/(loss) for the year	(3,105,600)	(6,892,234)
Balance 30 June	(27,876,086)	(24,770,486)

20.3 Nature and purpose of reserves

20.3.1 Share based payments reserve

The share based payments reserve is used to recognise the fair value of options issued to employees.

21. Key management personnel disclosures

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

	Consolidated	
	2015	2014
	\$	\$
Short-term employee benefits	591,042	518,706
Post-employment benefits	40,435	63,998
	631,477	582,704

For further detail, refer to the audited remuneration report in the Directors' Report.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

22. Remuneration of auditors

During the period the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2015 \$	2014 \$
Audit services		
Deloitte Touche Tohmatsu	80,340	103,000
BDO Audit (WA) Pty Ltd – audit and review of financial reports	-	12,590
Total remuneration for audit services	80,340	115,590
Non-audit services		
Total remuneration for non-audit services	-	-
Total remuneration	80,340	115,590

23. Contingencies

23.1 Contingent assets

The Group has submitted amended claims for R&D incentives relating to the years 2011/12, 2012/13 and 2013/14 totalling. \$4,433,329. These claims are subject to ATO review and potentially audit and as there can be no certainty as to the ultimate outcome of the claims the Group is disclosing them as a contingent asset.

23.2 Contingent liabilities

The Group holds restricted cash of \$350,000 connected to its lease of 91 Hays Rd, Moolap from Alcoa.

As disclosed to the ASX on July 22, 2015, The Group has been served with a Statement of Claim totalling \$367,886 in the District Court of New South Wales scheduled for hearing on 7 May 2016.

The Company considers the Statement of Claim to be without basis and will vigorously defend its position.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

24. Commitments

24.1 Lease commitments: Group as lessee

The Group leases the premises located at Hays Road under an operating lease. Various items of equipment used in the production process are also leased under operating leases. The leases have varying terms, clauses and renewal rights. The lease terms are renegotiated on renewal.

	Consolidated	
	2015	2014
	\$	\$
Commitments for minimum lease payments are as follows:		
Within one year	239,156	255,578
Later than one year but within five years	-	511,156
Later than five years	-	-
	239,156	766,734

24.2 Capital commitments

The group had no commitments for property, plant and equipment for the Financial Year ended 30 June 2015 (2014: Nil)

25. Related party transactions

25.1 Parent entities

The parent entity within the Group is MHM Metals Limited.

25.2 Subsidiaries

Interests in subsidiaries are set out in note 26.

25.3 Key management personnel

Disclosures relating to key management personnel are set out in note 21.

25.4 Transactions with related parties

	2015	2014
	\$	\$
Remuneration paid to key management personnel	631,477	582,704

25.5 Outstanding balances arising from purchases and sales of goods and services

No outstanding balances arising from purchases of sales of goods and services were recorded at 30 June 2015 (2014: nil).

25.6 Terms and conditions

All other transactions were made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

26. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results for the following subsidiaries in accordance with the accounting policy described in note 3.3:

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2015 %	2014 %
Goldstock Mining Pty Limited	Australia	Ordinary	100	100
Alreco Pty Limited	Australia	Ordinary	100	100
Goldstock East Africa Limited	Tanzania	Ordinary	100	100
MHM Metals Corporation	USA	Ordinary	100	100

27. Events occurring after reporting date

Events occurring subsequent to the Financial Year ended 30 June 2015 were the following:

MHM Metals advised the market on 22 July 2015 that it had been served with a statement of Claim lodged by Ronai & Associates in the District court of New South Wales and scheduled for hearing on 7 May 2016.

The Statement of Claim totals \$367,886 arising from an alleged verbal agreement to assist MHM claim additional R&D incentives for expenditure incurred in prior years. The Company considers the Claim to be without merit and will vigorously defend its position.

Subsequent to the financial year end, the Company gave notice to its last remaining staff and finalised the closure of its Moolap facility.

Post the operational closure of the Moolap facilities the clean-up operation currently underway will continue and will require the removal, either by sale and/or disposal of the remaining partly processed material on the site at 80 Buckley Grove. The Company is focused on completing the clean-up in the most cost effective and environmentally sensitive manner.

Once the Moolap facility is remediated to an acceptable standard the Company will look to dispose of the property, plant and equipment.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

28. Reconciliation of loss after income tax to net cash (outflow)/inflow from operating activities

	Consolidated	
	2015	2014
	\$	\$
Net (loss) after income tax	(3,105,600)	(6,892,234)
Exchange (Gain)/Loss	(185,212)	49,334
Depreciation and impairment	2,792,015	7,786,454
Other income – legal settlement	(493,520)	-
Share based payment expense	25,000	-
Exploration expenses written off	-	40,190
Engineering and Design plans written off	-	471,982
Decrease /(Increase) in trade and other receivables	518,877	(988,929)
Decrease /(Increase) in other assets	41,574	119
Decrease /(Increase) in trade and other payables	(579,915)	57,277
Decrease /(Increase) in provisions	(57,349)	756,232
Decrease /(Increase) in other liabilities	-	166,779
Net cash (outflow)/inflow from operating activities	(1,044,130)	1,447,204

29. Earnings per share

29.1 Basic gain/(loss) per share (cents)

	Consolidated	
	2015	2014
	Cents	Cents
Basic (loss) per share attributable to the ordinary equity holders of the company	(2.4)	(5.3)

29.2 Reconciliation of loss used in calculating (loss) per share

	Consolidated	
	2015	2014
	\$	\$
Profit/(loss) attributable to the ordinary equity holders of the company	(3,105,600)	(6,892,234)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

29. Earnings per share (cont'd)

29.3 Weighted average number of shares used as the denominator

	Consolidated	
	2015	2014
	\$	\$
Weighted average number of ordinary shares	130,218,145	130,218,145

29.4 Effect of dilutive options

As at 30 June 2015, the company has unissued capital (refer to note 19). As the exercise of these options would decrease the basic loss per share, these options are not considered dilutive.

30. Share based payments

30.1 Employee option plan

The MHM Metals Limited employee share option plan was established on 7 December 2007. Under the plan, the board may issue options to participants (or to a nominee as the participant directs) having regard, in each case, to:

- a. the contribution to the Company which has been made by the participant;
- b. the period of employment of the participant with the company, including (but not limited to) the years of service by that participant;
- c. the potential contribution of the participant to the company; and
- d. any other matters which the board considers in its absolute discretion, to be relevant.

When exercisable, each option is convertible into one ordinary share.

The exercise price of options is the exercise price determined by the board on or before the issue date provided that in no event shall the exercise price be less than the weighted average sale price of shares sold on ASX during the five business days prior to the issue date or such other period as determined by the board.

There were no options issued during the 2015 financial year.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

30. Share based payments (cont'd)

Set out below are summaries of options granted under the plan:

Grant date	Expiry date	Exercise price	Balance at the start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited or Expired during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Consolidated and parent entity – 2015								
09 Oct 09	09 Oct 14	\$0.25	40,000	-	-	(40,000)	-	-
17 Dec 09	30 Nov 14	\$0.28	1,900,000	-	-	(1,900,000)	-	-
05 Jan 10	04 Jan 15	\$0.28	100,000	-	-	(100,000)	-	-
06 Oct 10	06 Oct 15	\$0.85	150,000	-	-	-	150,000	150,000
20 Jun 11	20 Jun 16	\$1.80	300,000	-	-	-	300,000	300,000
19 Aug 11	30 Jun 16	\$1.00	150,000	-	-	-	150,000	150,000
4 Nov 11	15 Nov 14	\$1.00	300,000	-	-	(300,000)	-	-
15 Sep 11	23 Aug 16	\$1.26	100,000	-	-	-	100,000	100,000
02 Dec 11	29 Nov 16	\$1.71	1,200,000	-	-	-	1,200,000	1,200,000
13 Feb 12	14 Feb 17	\$1.35	150,000	-	-	-	150,000	150,000
14 Nov 12	13 Nov 17	\$0.45	100,000	-	-	-	100,000	100,000
29 Nov 12	18 Jul 17	\$1.00	500,000	-	-	-	500,000	500,000
Total			4,990,000	-	-	(2,340,000)	2,650,000	2,650,000
Weighted average exercise price			\$0.92	\$-	\$-	\$0.37	\$1.41	\$1.41

Grant date	Expiry date	Exercise price	Balance at the start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited or Expired during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Consolidated and parent entity – 2014								
12 Dec 08	28 Nov 13	\$0.20	1,000,000	-	-	(1,000,000)	-	-
18 Dec 08	14 Dec 13	\$0.20	1,000,000	-	-	(1,000,000)	-	-
09 Oct 09	09 Oct 14	\$0.25	40,000	-	-	-	40,000	40,000
17 Dec 09	30 Nov 14	\$0.28	1,900,000	-	-	-	1,900,000	1,900,000
05 Jan 10	04 Jan 15	\$0.28	100,000	-	-	-	100,000	100,000
06 Oct 10	06 Oct 15	\$0.85	150,000	-	-	-	150,000	150,000
20 Jun 11	20 Jun 16	\$1.80	300,000	-	-	-	300,000	300,000
19 Aug 11	30 Jun 16	\$1.00	150,000	-	-	-	150,000	150,000
4 Nov 11	15 Nov 14	\$1.00	300,000	-	-	-	300,000	300,000
15 Sep 11	23 Aug 16	\$1.26	100,000	-	-	-	100,000	100,000
02 Dec 11	29 Nov 16	\$1.71	1,200,000	-	-	-	1,200,000	1,200,000
13 Feb 12	14 Feb 17	\$1.35	150,000	-	-	-	150,000	150,000
14 Nov 12	13 Nov 17	\$0.45	100,000	-	-	-	100,000	100,000
29 Nov 12	18 Jul 17	\$1.00	500,000	-	-	-	500,000	500,000
Total			6,990,000	-	-	(2,000,000)	4,990,000	4,990,000
Weighted average exercise price			\$0.92	\$-	\$-	\$0.20	\$0.92	\$0.92

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

32. Parent entity information

32.1 Summary financial information

The following details information related to the parent entity, MHM Metals Limited, at 30 June 2015. The information presented here has been prepared using consistent accounting policies as presented in Note 3.

	2015	2014
	\$	\$
Current assets	3,021,443	2,952,044
Non-current assets	514,965	5,464,390
Total assets	3,536,408	8,416,434
Current liabilities	153,226	204,325
Non-current liabilities	-	56,899
Total liabilities	153,226	261,224
Contributed equity	29,846,015	29,846,015
Share based payments reserve	2,328,074	2,303,074
Accumulated losses	(28,790,907)	(23,993,879)
Total equity	3,383,182	8,155,210
(Loss) for the year	(4,797,028)	(6,568,838)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(4,797,028)	(6,568,838)

33. Additional disclosures

33.1 Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2015 and 30 June 2014.

33.2 Contingent liabilities

The Group holds restricted cash of \$350,000 connected to its lease of 91 Hays Rd, Moolap from Alcoa.

33.3 Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2015 and 30 June 2014.

33.4 Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 3, except for the following:

- Investments in subsidiaries 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.

Directors' Declaration
For the year ended 30 June 2015

In the opinion of the Directors:

- (a) The consolidated financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001; and
 - (i) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (ii) give a true and fair view of the consolidated entity's financial position as at 30 June 2015 and the performance for the year ended on that date.
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) The Consolidated Financial Statements and notes comply with International Financial Reporting Standards as disclosed in note 3.1.
- (d) The remuneration disclosures set out on pages 11 to 17 of the Directors' Report (as part of the audited Remuneration Report) comply with section 300A of the Corporations Act 2001; and
- (e) The Directors have been given the declaration by the Chief Executive Officer as required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2015.

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

On behalf of the directors,



Paul Kopejtka
Chairman

Geelong, Victoria
30 September 2015

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

Report on the Financial Report

We have audited the accompanying financial report of MHM Metals Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the year or from time to time during the year as set out on pages 22 to 63.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of MHM Metals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of MHM Metals Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 3.

Report on the Remuneration Report

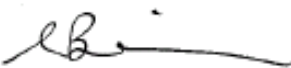
We have audited the Remuneration Report included in pages 11 to 17 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of MHM Metals Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Chris Biermann
Partner
Chartered Accountants
Melbourne, 30 September 2015

Additional Information

Distribution of Shareholders and their holdings as at 31 August 2015

Spread of Holdings	Holders	Number of Shares
1 – 1,000	289	124,868
1,001 – 5,000	492	1,533,634
5,001 – 10,000	352	2,918,908
10,001 – 100,000	742	24,239,254
100,001 and over	190	101,401,481
	2,065	130,218,145

Number of holders with less than a marketable parcel **1,658**

Twenty Largest Shareholders – Ordinary Shares as at 31 August 2015

Shareholder	Number Held	%
1 UBS Wealth Management	18,384,901	14.31
2 Brazil Farming Pty Ltd	10,811,717	8.30
3 Guacamaya Holdings Inc	6,511,688	5.00
4 Anastasios Karafotias	3,358,000	2.50
5 Netwealth Inv Ltd	2,126,500	1.63
6 Joseph Psereckis	1,642,876	1.26
7 Waye-Harris Entps PL <DANOZ A/C>	1,523,932	1.17
8 Adrienne van den Elsen	1,500,000	1.08
9 P & R SANDERS FAM PL	1,056,133	0.81
10 BONOS PL	1,020,000	0.78
11 Murray M Bailey & Patricia J Bailey	1,000,000	0.77
12 Dupuy Oliver R & J E	1,000,000	0.77
13 GEBHARDT PETER L + CJ	925,000	0.71
14 PETARD PL	867,175	0.67
15 Leuchter Entps Pty Ltd	828,000	0.64
16 SPORTPIX PL	776,263	0.60
17 Margaret Kempinski	764,300	0.59
18 Ross Brown	750,000	0.58
19 DAI LA FU PL	750,000	0.58
20 Wirkus Dieter M + SA <WIRKUS S/F A/C>	750,000	0.58

Restricted Securities

The Group has no restricted securities (in accordance with ASX Listing Rules).

Substantial Shareholders

The substantial shareholders as at 31 August 2015 were:

Shareholder	Number Held	%
1 UBS Wealth Management	18,384,901	14.12
2 Brazil Farming Pty Ltd	10,811,717	8.30
3 Guacamaya Holdings Inc	6,511,688	5.00

Additional Information

Voting Rights

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Options have no voting rights until such options are exercised as fully paid ordinary shares.

ASX Listing Rule 4.10.19

In accordance with ASX Listing Rule 4.10.19, the Group states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business objective is primarily aluminium salt slag processing and mineral exploration.

Company Secretary

The company secretary is Justin Mouchacca.

Statement of Unquoted Securities

Number of Options	Number of Holders	Exercise Price	Date of Expiry
150,000	1	\$0.85	06/10/2015
300,000	2	\$1.80	20/06/2016
150,000	1	\$1.00	30/06/2016
100,000	1	\$1.26	23/08/2016
1,200,000	6	\$1.71	29/11/2016
150,000	1	\$1.35	14/02/2017
500,000	1	\$1.00	18/07/2017
100,000	1	\$0.45	13/11/2017

Options expiring 6 October 2015

Option Holder	Number Held	%
Mark Rogers	150,000	100.00

Options expiring 20 June 2016

Option Holder	Number Held	%
Ben Smith	150,000	50.00
Richard Lindsay	150,000	50.00

Options expiring 30 June 2016

Option Holder	Number Held	%
John Pugh	150,000	100.00

Options expiring 23 August 2016

Option Holder	Number Held	%
Ana Cuison	100,000	100.00

Options expiring 14 February 2017

Option Holder	Number Held	%
Annabelle Brooks	150,000	100.00

Additional Information

Options expiring 18 July 2017

Option Holder	Number Held	%
Phillip Thick	500,000	100.00

Options expiring 13 November 2017

Option Holder	Number Held	%
Mark Rogers	100,000	100.00