



MHM METALS LIMITED
ABN 41 124 212 175

HALF YEAR FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

MHM Metals Limited
Corporate directory
31 December 2016

| | |
|------------------------|---|
| Directors | Mr Faldi Ismail (Non-Executive Chairman) Mr Bryn Hardcastle (Non-Executive Director) Mr Nicholas Young (Non-Executive Director) |
| Company secretary | Mr Justin Mouchacca |
| Registered office | Level 4, 100 Albert Road South Melbourne, VIC, 3025 Tel: +61 3 9692 7222 Fax: +61 3 9077 9233 |
| Share register | Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross WA 6153 Tel: +61 8 9315 2333 Fax: +61 8 9315 2233 |
| Auditor | Grant Thornton Audit Pty Ltd The Rialto Level 30, 525 Collins Street MELBOURNE VIC 3000 |
| Stock exchange listing | MHM Metals Limited shares are listed on the Australian Securities Exchange (ASX code: MHM) |
| Website | www.mhmmetals.com |

MHM Metals Limited

Contents

31 December 2016

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MHM Metals Limited
Directors' report
31 December 2016

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of MHM Metals Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

The following persons were directors of MHM Metals Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

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

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of the review of new opportunities which will provide overall increase to shareholder value.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$831,289 (31 December 2015: profit of \$5,234,741).

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

Working capital, being current assets less current liabilities, was \$6,659,977 (30 June 2016: \$7,316,356). The consolidated entity had negative cash flows from operating activities for the period amounting to \$1,305,795 (2015: positive cash flows from operating activities of \$3,625,836),

Significant changes in the state of affairs

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

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

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

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

MHM Metals Limited
Directors' report
31 December 2016

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

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

Matters subsequent to the end of the financial half-year

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

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

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

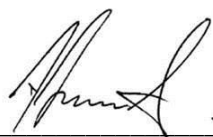
No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Faldi Ismail
Non-executive Chairman

16 March 2017

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

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

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of MHM Metals Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Brad Taylor
Partner - Audit & Assurance

Melbourne, 16 March 2017

Grant Thornton Audit Pty Ltd ACN 130 913 594
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MHM Metals Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016

| | | Consolidated | |
|--|-------------|-------------------------|-------------------------|
| | Note | 31 December 2016 | 31 December 2015 |
| | | \$ | \$ |
| Revenue | | | |
| Income | | 40,579 | 265,109 |
| Other income | 3 | 414,490 | 5,698,414 |
| Expenses | | | |
| Administration expenses | | (77,006) | (41,915) |
| Corporate expenses | | (282,915) | (168,861) |
| Employee benefits expense | | (133,800) | (233,243) |
| Impairment of assets | | (16,324) | 311,117 |
| Insurance expenses | | (34,733) | (19,694) |
| Legal fees | | (139,555) | (98,615) |
| Other expenses | | (30,997) | (60,489) |
| Profit/(loss) before income tax expense from continuing operations | | (260,261) | 5,651,823 |
| Income tax expense | | - | - |
| Profit/(loss) after income tax expense from continuing operations | | (260,261) | 5,651,823 |
| Loss after income tax expense from discontinued operations | 4 | (571,028) | (417,082) |
| Profit/(loss) after income tax expense for the half-year attributable to the owners of MHM Metals Limited | | (831,289) | 5,234,741 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Loss on the revaluation of available-for-sale financial assets, net of tax | | (326,841) | - |
| Foreign currency translation | | (62,453) | - |
| Realised gain on sale of available-for-sale financial assets, net of tax | | (59,854) | - |
| Other comprehensive income for the half-year, net of tax | | (449,148) | - |
| Total comprehensive income for the half-year attributable to the owners of MHM Metals Limited | | <u>(1,280,437)</u> | <u>5,234,741</u> |
| Total comprehensive income for the half-year is attributable to: | | | |
| Continuing operations | | (709,409) | 5,651,823 |
| Discontinued operations | | (571,028) | (417,082) |
| | | <u>(1,280,437)</u> | <u>5,234,741</u> |

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

MHM Metals Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016

| | | Consolidated | |
|--|-------------|-------------------------|-------------------------|
| | Note | 31 December 2016 | 31 December 2015 |
| | | \$ | \$ |
| | | Cents | Cents |
| Earnings per share for loss from discontinued operations attributable to the owners of MHM Metals Limited | | | |
| Basic earnings per share | 15 | (0.42) | (0.31) |
| Diluted earnings per share | 15 | (0.42) | (0.31) |
| Earnings per share for profit/(loss) attributable to the owners of MHM Metals Limited | | | |
| Basic earnings per share | 15 | (0.61) | 3.95 |
| Diluted earnings per share | 15 | (0.61) | 3.95 |

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

MHM Metals Limited
Statement of financial position
As at 31 December 2016

| | | Consolidated | |
|--|-------------|---------------------|---------------------|
| | Note | 31 December | 30 June 2016 |
| | | 2016 | 2016 |
| | | \$ | \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | 5,361,060 | 7,123,253 |
| Trade and other receivables | 6 | 34,451 | 40,270 |
| Assets classified as held for sale | 7 | 506,566 | - |
| Available-for-sale financial assets | | 950,796 | 445,728 |
| Other | 8 | 45,577 | 41,728 |
| | | <u>6,898,450</u> | <u>7,650,979</u> |
| Assets of disposal groups classified as held for sale | | 619 | 883,137 |
| Total current assets | | <u>6,899,069</u> | <u>8,534,116</u> |
| Non-current assets | | | |
| Property, plant and equipment | 9 | - | 624,058 |
| Total non-current assets | | <u>-</u> | <u>624,058</u> |
| Total assets | | <u>6,899,069</u> | <u>9,158,174</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 156,864 | 178,127 |
| Provisions | 10 | 36,531 | 31,142 |
| | | <u>193,395</u> | <u>209,269</u> |
| Liabilities directly associated with assets of disposal groups classified as held for sale | | 45,697 | 1,008,491 |
| Total current liabilities | | <u>239,092</u> | <u>1,217,760</u> |
| Total liabilities | | <u>239,092</u> | <u>1,217,760</u> |
| Net assets | | <u>6,659,977</u> | <u>7,940,414</u> |
| Equity | | | |
| Issued capital | 11 | 29,912,298 | 29,912,298 |
| Reserves | 12 | 2,116,483 | 2,565,631 |
| Accumulated losses | | <u>(25,368,804)</u> | <u>(24,537,515)</u> |
| Total equity | | <u>6,659,977</u> | <u>7,940,414</u> |

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

MHM Metals Limited
Statement of changes in equity
For the half-year ended 31 December 2016

| Consolidated | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total equity \$ |
|--|------------------------------------|------------------------------|--|----------------------------------|
| Balance at 1 July 2015 | 29,846,015 | 2,328,074 | (27,876,086) | 4,298,003 |
| Adjustment for correction of error | - | - | (840,000) | (840,000) |
| Balance at 1 July 2015 - restated | 29,846,015 | 2,328,074 | (28,716,086) | 3,458,003 |
| Profit after income tax expense for the half-year | - | - | 5,234,741 | 5,234,741 |
| Other comprehensive income for the half-year, net of tax | - | - | - | - |
| Total comprehensive income for the half-year | - | - | 5,234,741 | 5,234,741 |
| Foreign exchange reserve | - | 57,184 | - | 57,184 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs | 227,671 | (25,000) | - | 202,671 |
| Balance at 31 December 2015 | <u>30,073,686</u> | <u>2,360,258</u> | <u>(23,481,345)</u> | <u>8,952,599</u> |
| Consolidated | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total equity \$ |
| Balance at 1 July 2016 | 29,912,298 | 2,565,631 | (24,537,515) | 7,940,414 |
| Loss after income tax expense for the half-year | - | - | (831,289) | (831,289) |
| Other comprehensive income for the half-year, net of tax | - | (449,148) | - | (449,148) |
| Total comprehensive income for the half-year | - | (449,148) | (831,289) | (1,280,437) |
| Balance at 31 December 2016 | <u>29,912,298</u> | <u>2,116,483</u> | <u>(25,368,804)</u> | <u>6,659,977</u> |

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

MHM Metals Limited
Statement of cash flows
For the half-year ended 31 December 2016

| | Consolidated | |
|---|---------------------|--------------------|
| | 31 December | 31 December |
| Note | 2016 | 2015 |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Receipts from customers (inclusive of GST) | 75,000 | 214,596 |
| Payments to suppliers and employees (inclusive of GST) | (1,733,708) | (1,308,506) |
| Interest received | 73,277 | 286,417 |
| R&D Tax Offset Received | 279,636 | 4,433,329 |
| | <u>(1,305,795)</u> | <u>3,625,836</u> |
| Cash flows from investing activities | | |
| Payments for equity investments | (1,065,719) | - |
| Proceeds from sale of equity investments | 233,418 | - |
| Proceeds from disposal of property, plant and equipment | 1 | 25,456 |
| | <u>(832,300)</u> | <u>25,456</u> |
| Cash flows from financing activities | | |
| Proceeds from borrowings | - | 200,000 |
| | <u>-</u> | <u>200,000</u> |
| Net cash from/(used in) operating activities | | |
| Net cash from/(used in) investing activities | | |
| Net cash from financing activities | | |
| Net increase/(decrease) in cash and cash equivalents | (2,138,095) | 3,851,292 |
| Cash and cash equivalents at the beginning of the financial half-year | 5 7,499,774 | 1,357,966 |
| Cash and cash equivalents at the end of the financial half-year | 5 <u>5,361,679</u> | <u>5,209,258</u> |

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

MHM Metals Limited
Notes to the financial statements
31 December 2016

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

Note 2. Operating segments

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

Note 3. Other income

| | Consolidated | |
|---------------------------------------|---------------------|--------------------|
| | 31 December | 31 December |
| | 2016 | 2015 |
| | \$ | \$ |
| Net gain on sale of KIN mining shares | 59,854 | 20,680 |
| R&D tax incentive refunds | 279,636 | 5,677,734 |
| Sundry income | 75,000 | - |
| | <hr/> | <hr/> |
| Other income | 414,490 | 5,698,414 |
| | <hr/> <hr/> | <hr/> <hr/> |

Note 4. Discontinued operations

Description

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

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

On 23 December 2016, the Company settled the sale of the property, plant and equipment at 80 Buckley Grove, Moolap for \$1. The property, plant and equipment at 80 Buckley Grove had been accounted for in the Company's 2016 financial statements in the amount of \$500,000. The sale was effected on a 'walk in, walk out' bases, without representations and warranties on the part of the seller and the buyer assuming the responsibility for all potential liabilities connected to the property, including the legacy stockpiles. The settlement of the property at 80 Buckley Grove finalizes the Company's interests in the Moolap region and in the aluminium recycling industry.

MHM Metals Limited
Notes to the financial statements
31 December 2016

Note 4. Discontinued operations (continued)

Financial performance information

| | 31 December 2016 | 31 December 2015 |
|--|-----------------------------|-----------------------------|
| | \$ | \$ |
| Income | 2,175 | 215,225 |
| Production expenses | (14,945) | (419,589) |
| Total revenue | <u>(12,770)</u> | <u>(204,364)</u> |
| Corporate expenses | (38,024) | (52,036) |
| Employee benefit expense | (88) | (61,284) |
| Administration expense | (20,147) | (50,672) |
| Depreciation expense | - | (24,714) |
| Rehabilitation expense | - | 670,504 |
| Impairment of asset | - | (694,516) |
| Loss on sale of property, plant and equipment | (499,999) | - |
| Total expenses | <u>(558,258)</u> | <u>(212,718)</u> |
| Loss before income tax expense | (571,028) | (417,082) |
| Income tax expense | - | - |
| Loss after income tax expense from discontinued operations | <u>(571,028)</u> | <u>(417,082)</u> |

Cash flow information

| | 31 December 2016 | 31 December 2015 |
|--|-----------------------------|-----------------------------|
| | \$ | \$ |
| Net cash used in operating activities | (1,043,879) | (773,823) |
| Net cash from investing activities | 667,977 | 25,456 |
| Net decrease in cash and cash equivalents from discontinued operations | <u>(375,902)</u> | <u>(748,367)</u> |

Carrying amounts of assets and liabilities disposed

| | 31 December 2016 | 30 June 2016 |
|-------------------------------|-----------------------------|---------------------|
| | \$ | \$ |
| Cash and cash equivalents | 619 | 376,521 |
| Trade and other receivables | - | 6,077 |
| Prepayments | - | 540 |
| Property, plant and equipment | - | 500,000 |
| Total assets | <u>619</u> | <u>883,138</u> |
| Trade and other payables | 45,697 | 8,167 |
| Provisions | - | 1,000,000 |
| Other liabilities | - | 324 |
| Total liabilities | <u>45,697</u> | <u>1,008,491</u> |
| Net liabilities | <u>(45,078)</u> | <u>(125,353)</u> |

MHM Metals Limited
Notes to the financial statements
31 December 2016

Note 5. Current assets - cash and cash equivalents

| | Consolidated | |
|-----------------|---------------------|---------------------|
| | 31 December | |
| | 2016 | 30 June 2016 |
| | \$ | \$ |
| Cash at bank | 5,361,060 | 2,068,204 |
| Cash on deposit | - | 5,055,049 |
| | <u>5,361,060</u> | <u>7,123,253</u> |

Reconciliation to cash and cash equivalents at the end of the financial year

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

| | | |
|--|------------------|------------------|
| Balances as above | 5,361,060 | 7,123,253 |
| Cash and cash equivalents - classified as held for sale (note 4) | 619 | 376,521 |
| | <u>5,361,679</u> | <u>7,499,774</u> |

Note 6. Current assets - trade and other receivables

| | Consolidated | |
|----------------------|---------------------|---------------------|
| | 31 December | |
| | 2016 | 30 June 2016 |
| | \$ | \$ |
| Interest receivables | - | 27,354 |
| GST receivables | 34,451 | 12,916 |
| | <u>34,451</u> | <u>40,270</u> |

Note 7. Current assets - assets classified as held for sale

| | Consolidated | |
|------------------------------------|---------------------|---------------------|
| | 31 December | |
| | 2016 | 30 June 2016 |
| | \$ | \$ |
| Assets classified as held for sale | <u>506,566</u> | <u>-</u> |

Reconciliation

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

| | | |
|---|----------------|----------|
| Opening fair value | - | - |
| Transfer from property, plant and equipment | 506,566 | - |
| | <u>506,566</u> | <u>-</u> |

Refer to Note 9 for additional information on the sale of the Executive 73 Vessel.

MHM Metals Limited
Notes to the financial statements
31 December 2016

Note 8. Current assets - other

| | Consolidated | |
|-------------|---------------------|---------------------|
| | 31 December | |
| | 2016 | 30 June 2016 |
| | \$ | \$ |
| Prepayments | 45,577 | 41,728 |

Note 9. Non-current assets - property, plant and equipment

| | Consolidated | |
|--------------------------------|---------------------|---------------------|
| | 31 December | |
| | 2016 | 30 June 2016 |
| | \$ | \$ |
| Plant and equipment - at cost | - | 675,386 |
| Less: Accumulated depreciation | - | (51,328) |
| | - | 624,058 |

Reconciliations

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

| Consolidated | Plant & Equipment \$ | Total \$ |
|---------------------------------------|---|---------------------|
| Balance at 1 July 2016 | 624,058 | 624,058 |
| Foreign exchange gain | 7,397 | 7,397 |
| Impairment of assets | (124,889) | (124,889) |
| Transfers out to assets held for sale | (506,566) | (506,566) |
| Balance at 31 December 2016 | - | - |

On 12 January 2017 the consolidated entity announced that it has settled the sale of the Executive 73 Vessel for net consideration of approximately USD \$380,000 (AUD \$506,566). The carrying amount of the Vessel as at 31 December 2016 has been adjusted to take into consideration any foreign exchange movements and other costs to sell the Vessel.

Note 10. Current liabilities - provisions

| | Consolidated | |
|--------------------|---------------------|---------------------|
| | 31 December | |
| | 2016 | 30 June 2016 |
| | \$ | \$ |
| Annual leave | 11,919 | 6,530 |
| Long service leave | 1,614 | 1,614 |
| Employee benefits | 22,998 | 22,998 |
| | 36,531 | 31,142 |

MHM Metals Limited
Notes to the financial statements
31 December 2016

Note 11. Equity - issued capital

| | Consolidated | | | |
|------------------------------|---------------------|---------------------|--------------------|---------------------|
| | 31 December | 30 June 2016 | 31 December | 30 June 2016 |
| | 2016 | | 2016 | |
| | Shares | Shares | \$ | \$ |
| Ordinary shares - fully paid | 136,228,616 | 136,228,616 | 29,882,298 | 29,882,298 |
| Options - unlisted | 750,000 | 2,650,000 | 30,000 | 30,000 |
| | <u>136,978,616</u> | <u>138,878,616</u> | <u>29,912,298</u> | <u>29,912,298</u> |

Ordinary shares

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

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

Share buy-back

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

Note 12. Equity - reserves

| | Consolidated | |
|------------------------------|---------------------|---------------------|
| | 31 December | 30 June 2016 |
| | 2016 | 2016 |
| | \$ | \$ |
| Available-for-sale reserve | (273,916) | 113,171 |
| Foreign currency reserve | 87,325 | 149,386 |
| Share-based payments reserve | 2,303,074 | 2,303,074 |
| | <u>2,116,483</u> | <u>2,565,631</u> |

Note 13. Contingent liabilities

There are no other contingent liabilities as at 31 December 2016.

Note 14. Events after the reporting period

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

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

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

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

MHM Metals Limited
Notes to the financial statements
31 December 2016

Note 15. Earnings per share

| | Consolidated | |
|---|-------------------------|-------------------------|
| | 31 December 2016 | 31 December 2015 |
| | \$ | \$ |
| <i>Earnings per share for profit/(loss) from continuing operations</i> | | |
| Profit/(loss) after income tax attributable to the owners of MHM Metals Limited | <u>(260,261)</u> | <u>5,651,823</u> |
| | | |
| | Consolidated | |
| | 31 December 2016 | 31 December 2015 |
| | \$ | \$ |
| <i>Earnings per share for loss from discontinued operations</i> | | |
| Loss after income tax attributable to the owners of MHM Metals Limited | <u>(571,028)</u> | <u>(417,082)</u> |
| | | |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>136,228,616</u> | <u>132,410,196</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>136,228,616</u> | <u>132,410,196</u> |
| | | |
| | Cents | Cents |
| Basic earnings per share | (0.42) | (0.31) |
| Diluted earnings per share | (0.42) | (0.31) |
| | | |
| | Consolidated | |
| | 31 December 2016 | 31 December 2015 |
| | \$ | \$ |
| <i>Earnings per share for profit/(loss)</i> | | |
| Profit/(loss) after income tax attributable to the owners of MHM Metals Limited | <u>(831,289)</u> | <u>5,234,741</u> |
| | | |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>136,228,616</u> | <u>132,410,196</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>136,228,616</u> | <u>132,410,196</u> |
| | | |
| | Cents | Cents |
| Basic earnings per share | (0.61) | 3.95 |
| Diluted earnings per share | (0.61) | 3.95 |

MHM Metals Limited
Directors' declaration
31 December 2016

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Faldi Ismail
Non-executive Chairman

16 March 2017

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

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

Independent Auditor's Review Report To The Members of MHM Metals Limited

Report on the Financial Report

We have reviewed the accompanying financial report of MHM Metals Limited (the Company), which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the MHM Metals Limited consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of MHM Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year report involves making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MHM Metals Limited is not in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Brad Taylor
Partner - Audit & Assurance

Melbourne, 16 March 2016