

MHM Metals Limited

ABN 41 124 212 175

Half-Year Financial Report - 31 December 2015

MHM Metals Limited
Corporate directory
31 December 2015

Directors	Paul Kopejtka (Non-Executive Chairman) Joseph van den Elsen (Managing Director) Christopher Goodman (Non-Executive Director)
Company secretary	Justin Mouchacca
Registered office	Level 4, 100 Albert Road South Melbourne, VIC, 3025
Share register	Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross WA 6153
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
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31 December 2015

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MHM Metals Limited
Directors' report
31 December 2015

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 2015.

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:

Joseph van den Elsen (Appointed Non-executive Director on 10 December 2014) (Appointed Non-Executive Chairman 23 March 2015 until 1 July 2015) (Appointed Managing Director on 1 July 2015)
Paul Kopejtka (Appointed Non-executive Director on 23 March 2015) (Appointed Non-Executive Chairman on 1 July 2015)
Christopher Goodman (Non-Executive Director) (appointed 5 May 2015)

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- The wind down of its aluminium salt slag processing and production of Non Metallic Product (NMP) for sale to domestic and overseas customers.
- Review of new opportunities which will provide overall increase to shareholder value.

Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$5,234,741 (31 December 2014: loss of \$2,828,442).

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

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

Significant changes in the state of affairs

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

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

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

MHM Metals Limited
Directors' report
31 December 2015

Matters subsequent to the end of the financial half-year

On 11 January 2016, the Company entered into a Binding Heads of Agreement (the Agreement) with Stone Resources Australia Limited (SHK) to develop the Brightstar Gold project located in the Laverton region of Western Australia.

The project will be managed and operated by MHM Metals Limited, who will earn an initial 50% interest through spending \$7.5 million development capital on the Brightstar Star Project, with an option to increase their interest up to 80% through spending up to an additional \$10.5 million.

On 25 January 2016, the consolidated entity announced that it had received its R&D incentive claim for the 2015/2016 financial year amounting to \$2.983 million.

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.

No other matter or circumstance has arisen since 31 December 2015 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



Paul Kopejtka
Non-executive Chairman

15 March 2016

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of MHM Metals Limited for the half-year ended 31 December 2015, 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B. L. Taylor
Partner - Audit & Assurance

Melbourne, 15 March 2016

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MHM Metals Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2015

		Consolidated	
		31 December	
	Note	31 December 2015	2014
		\$	\$
Revenue			
Income		265,109	30,597
Other income	3	5,698,414	1,483,628
Expenses			
Administration Expenses		(41,915)	(63,442)
Corporate Expenses		(168,861)	(76,995)
Employee benefits expense		(233,243)	(337,710)
Impairment of assets	7	311,117	(286,903)
Insurance Expense		(19,694)	(102,067)
Legal Fees		(98,615)	(136,592)
Other expenses		(60,489)	(35,560)
Foreign exchange gain		-	224,434
		<u>5,651,823</u>	<u>699,390</u>
Profit before income tax expense from continuing operations			
Income tax expense		-	-
		<u>5,651,823</u>	<u>699,390</u>
Profit after income tax expense from continuing operations		5,651,823	699,390
Loss after income tax expense from discontinued operations	4	(417,082)	(3,527,832)
		<u>5,234,741</u>	<u>(2,828,442)</u>
Profit/(loss) after income tax expense for the half-year attributable to the owners of MHM Metals Limited			
Other comprehensive income for the half-year, net of tax		-	-
		<u>5,234,741</u>	<u>(2,828,442)</u>
Total comprehensive income/(loss) for the half-year attributable to the owners of MHM Metals Limited			
		<u>5,234,741</u>	<u>(2,828,442)</u>
Total comprehensive income/(loss) for the half-year is attributable to:			
Continuing operations		5,651,823	699,390
Discontinued operations		(417,082)	(3,527,832)
		<u>5,234,741</u>	<u>(2,828,442)</u>
		Cents	Cents
Earnings per share for loss from discontinued operations attributable to the owners of MHM Metals Limited			
Basic earnings per share	13	(0.31)	(2.71)
Diluted earnings per share	13	(0.31)	(2.71)
Earnings per share for profit/(loss) attributable to the owners of MHM Metals Limited			
Basic earnings per share	13	3.95	(2.17)
Diluted earnings per share	13	3.95	(2.17)

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 2015

		Consolidated	
		31 December	30 June 2015
	Note	2015	
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	5	4,823,697	1,357,966
Trade and other receivables	6	3,023,024	1,860,264
Other current assets		94,741	40,219
Assets of disposal groups classified as held for sale	4	892,511	-
Non-current assets classified as held for sale	7	752,805	423,177
Total current assets		<u>9,586,778</u>	<u>3,681,626</u>
Non-current assets			
Property, plant and equipment	8	516,922	1,734,195
Total non-current assets		<u>516,922</u>	<u>1,734,195</u>
Total assets		<u>10,103,700</u>	<u>5,415,821</u>
Liabilities			
Current liabilities			
Trade and other payables		242,622	267,645
Provisions	9	30,256	1,690,173
Liabilities directly associated with assets of disposal groups classified as held for sale	4	878,223	-
Total current liabilities		<u>1,151,101</u>	<u>1,957,818</u>
Total liabilities		<u>1,151,101</u>	<u>1,957,818</u>
Net assets		<u>8,952,599</u>	<u>3,458,003</u>
Equity			
Issued capital	10	30,073,686	29,846,015
Reserves		2,360,259	2,328,074
Accumulated losses		(23,481,346)	(28,716,086)
Total equity		<u>8,952,599</u>	<u>3,458,003</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 2015

	Issued capital \$	Reserves \$	Accumulated Losses \$	Total equity \$
Consolidated				
Balance at 1 July 2014	29,846,015	2,303,074	(24,770,486)	7,378,603
Loss after income tax expense for the half-year	-	-	(2,828,442)	(2,828,442)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(2,828,442)	(2,828,442)
Balance at 31 December 2014	<u>29,846,015</u>	<u>2,303,074</u>	<u>(27,598,928)</u>	<u>4,550,161</u>
	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Consolidated				
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 (note 10)	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>

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 2015

	Consolidated	
	31 December	31 December
Note	2015	2014
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	214,596	3,110,136
Payments to suppliers and employees (inclusive of GST)	(1,308,506)	(4,307,214)
Interest received	286,417	22,703
R&D Tax Offset Received	4,433,329	2,152,079
	<u>3,625,836</u>	<u>977,704</u>
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	25,456	-
	<u>25,456</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from borrowings	200,000	-
	<u>200,000</u>	<u>-</u>
Net increase in cash and cash equivalents	3,851,292	977,704
Cash and cash equivalents at the beginning of the financial half-year	1,357,966	2,403,479
Effects of exchange rate changes on cash and cash equivalents	-	(11,692)
	<u>5,209,258</u>	<u>3,369,491</u>
Cash and cash equivalents at the end of the financial half-year	5	5

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 2015

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 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 2015 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, except for the policies stated below.

Additional accounting policy for Interim Report

Other Income - Government subsidies

Subsidies from the government including R&D tax incentive income, have been recognised as other income at their fair value where there is reasonable assurance that the grant will be received, the Company will comply with attached conditions and the R&D incentive is readily measureable. The consolidated entity had previously accounted for its R&D tax incentive income as an income tax benefit and has now recognised these amounts as other income.

The consolidated entity has adopted this change in accounting policy for the current period.

New, revised or amending Accounting Standards and Interpretations adopted

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

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

Note 2. Operating segments

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.

Note 3. Other income

	Consolidated	
	31 December 2015	31 December 2014
	\$	\$
Net gain on disposal of property, plant and equipment	20,680	-
R&D tax incentive refunds	5,677,734	1,483,628
Other income	<u>5,698,414</u>	<u>1,483,628</u>

MHM Metals Limited
Notes to the financial statements
31 December 2015

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.

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

Financial performance information

	Consolidated	
	31 December 2015	31 December 2014
	\$	\$
Income	215,225	2,036,970
Production expenses	(419,589)	(2,808,478)
Gross loss	<u>(204,364)</u>	<u>(771,508)</u>
Corporate expenses	(52,036)	(42,164)
Employee benefit expense	(61,284)	(433,335)
Administration expense	(50,672)	(48,151)
Depreciation and impairments	(24,714)	(936,071)
Rehabilitation expense	670,504	(1,296,603)
Impairment of asset	(694,516)	-
Total expenses	<u>(212,718)</u>	<u>(2,756,324)</u>
Loss before income tax expense	(417,082)	(3,527,832)
Income tax expense	-	-
Loss after income tax expense from discontinued operations	<u>(417,082)</u>	<u>(3,527,832)</u>

Cash flow information

	Consolidated	
	31 December 2015	31 December 2014
	\$	\$
Net cash used in operating activities	(773,823)	(1,034,094)
Net cash from investing activities	<u>25,456</u>	<u>-</u>
Net decrease in cash and cash equivalents from discontinued operations	<u>(748,367)</u>	<u>(1,034,094)</u>

MHM Metals Limited
Notes to the financial statements
31 December 2015

Note 4. Discontinued operations (continued)

Carrying amounts of assets and liabilities disposed

	31 December 2015 \$
Cash and cash equivalents	385,561
Trade and other receivables	3,450
Other current assets	3,500
Property, plant and equipment	500,000
Total assets	<u>892,511</u>
Trade and other payables	38,223
Provisions	840,000
Total liabilities	<u>878,223</u>
Net assets	<u><u>14,288</u></u>

Note 5. Current assets - cash and cash equivalents

	Consolidated	
	31 December 2015 \$	30 June 2015 \$
Cash at bank	4,823,697	1,357,966
Cash at bank – as disclosed in discontinued operations	385,561	-
	<u>5,209,258</u>	<u>1,357,966</u>

Note 6. Current assets - trade and other receivables

	Consolidated	
	31 December 2015 \$	30 June 2015 \$
Trade receivables	39,432	39,098
Other receivables	-	81,979
R&D tax incentive refund	2,983,592	1,739,187
	<u>3,023,024</u>	<u>1,860,264</u>

MHM Metals Limited
Notes to the financial statements
31 December 2015

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

	Consolidated	
	31 December	
	2015	30 June 2015
	\$	\$
Assets Held for Sale	<u>752,805</u>	<u>423,177</u>
<i>Reconciliation</i>		
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	423,177	-
Additions	-	1,262,275
Impairment recognised on transfer from property, plant & equipment	-	(286,903)
Impairment recognised while classified as available for sale	-	(552,195)
Reversal of prior impairment of assets	311,117	-
Foreign exchange movements	18,511	-
Closing fair value	<u>752,805</u>	<u>423,177</u>

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

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

Note 8. Non-current assets - property, plant and equipment

	Consolidated	
	31 December	
	2015	30 June 2015
	\$	\$
Land and buildings - at cost	-	1,218,253
Less: Accumulated depreciation	-	(23,943)
	<u>-</u>	<u>1,194,310</u>
Plant and equipment - at cost	566,821	6,999,405
Less: Accumulated depreciation	(49,899)	(6,465,977)
	<u>516,922</u>	<u>533,428</u>
Motor vehicles - at cost	-	72,506
Less: Accumulated depreciation	-	(66,049)
	<u>-</u>	<u>6,457</u>
	<u>516,922</u>	<u>1,734,195</u>

MHM Metals Limited
Notes to the financial statements
31 December 2015

Note 8. Non-current assets - property, plant and equipment (continued)

Reconciliations

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

	Land & Building	Plant & Equipment	Motor Vehicle	Total
	\$	\$	\$	\$
Consolidated				
Balance at 1 July 2015	1,194,310	533,428	6,457	1,734,195
Disposals	-	-	(4,775)	(4,775)
Exchange differences	-	13,590	-	13,590
Impairment of assets	(688,858)	-	-	(690,540)
Depreciation expense	(5,452)	(5,176)	(1,682)	(10,628)
Transfers out to assets held for sale	(500,000)	(24,920)	-	(524,920)
Balance at 31 December 2015	-	516,922	-	516,922

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 31 December 2015 to be recognised as held for sale, it is the intention of management to dispose of the asset in an orderly fashion.

Note 9. Current liabilities - provisions

	Consolidated	
	31 December	30 June 2015
	2015	2015
	\$	\$
Employee benefits	30,256	60,633
Redundancy	-	119,036
Remediation	-	1,510,504
	<u>30,256</u>	<u>1,690,173</u>

Environment Rehabilitation Provision

During previous financial years the consolidated entity accounted for an environment rehabilitation provision in relation to its Moolap operations, in particular its Buckley grove property, which at 30 June 2015 was \$670,504. Subsequent to 31 December 2015, the consolidated entity has received a Notice of Revocation in relation to the Pollution Abatement Notice which had previously been in place over the property. As such, no further provision is required in relation to environmental rehabilitation as at 31 December 2015 and this remediation provision has been reversed in the current period.

The consolidated entity has also accounted for a prior period error (refer to Note 14) in relation to a rehabilitation provision on its Hays Road Lease, located in Moolap. During the previous financial years, the consolidated entity could not quantify the remediation costs of the property and a bank guarantee is in place, amounting to approximately \$368,000, in order to cover a portion of these costs. An additional amount of \$840,000 has been accounted for in the prior period in relation to this remediation provision and has been accounted for in the liabilities of the discontinued operation (refer to Note 4).

MHM Metals Limited
Notes to the financial statements
31 December 2015

Note 10. Equity - issued capital

	31 December 2015 Shares	30 June 2015 Shares	Consolidated 31 December 2015 \$	30 June 2015 \$
Ordinary shares - fully paid	141,119,156	130,218,145	30,043,686	29,816,015
Options – unlisted	<u>2,650,000</u>	<u>2,650,000</u>	<u>30,000</u>	<u>30,000</u>
			<u>30,073,686</u>	<u>29,846,015</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2015	130,218,145		29,846,015
Issue of Shares to satisfy outstanding loans	24 November 2015	9,651,011	\$0.021	202,671
Issue of Shares to satisfy bonus payments	24 November 2015	<u>1,250,000</u>	\$0.020	<u>25,000</u>
Balance	31 December 2015	<u><u>141,119,156</u></u>		<u><u>30,073,686</u></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 11. Contingent liabilities

The Group holds restricted cash of \$368,000 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.

There are no other contingent liabilities as at 31 December 2015.

MHM Metals Limited
Notes to the financial statements
31 December 2015

Note 12. Events after the reporting period

On 11 January 2016, the Company entered into a Binding Heads of Agreement (the Agreement) with Stone Resources Australia Limited (SHK) to develop the Brightstar Gold project located in the Laverton region of Western Australia.

The project will be managed and operated by MHM Metals Limited, who will earn an initial 50% interest through spending \$7.5 million development capital on the Brightstar Star Project, with an option to increase their interest up to 80% through spending up to an additional \$10.5 million.

On 25 January 2016, the consolidated entity announced that it had received its R&D incentive claim for the 2015/2016 financial year amounting to \$2.983 million.

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.

No other matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 13. Earnings per share

	Consolidated	Consolidated
	31 December	31 December
	2015	2014
	\$	\$
<i>Earnings per share for profit from continuing operations</i>		
Profit after income tax attributable to the owners of MHM Metals Limited	<u>5,651,823</u>	<u>699,390</u>
	Consolidated	Consolidated
	31 December	31 December
	2015	2014
	\$	\$
<i>Earnings per share for loss from discontinued operations</i>		
Loss after income tax attributable to the owners of MHM Metals Limited	<u>(417,082)</u>	<u>(3,527,832)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>132,410,196</u>	<u>130,218,145</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>132,410,196</u>	<u>130,218,145</u>
Earnings per share for loss from discontinued operations attributable to the owners of MHM Metals Limited	Cents	Cents
Basic earnings per share	(0.31)	(2.71)
Diluted earnings per share	(0.31)	(2.71)
Earnings per share for profit/(loss) attributable to the owners of MHM Metals Limited	Cents	Cents
Basic earnings per share	3.95	(2.17)
Diluted earnings per share	3.95	(2.17)

MHM Metals Limited
Notes to the financial statements
31 December 2015

Note 14. Correction of prior period error

The company advises that it is a party to a Lease Agreement with Alcoa over an industrial property in Moolap, Victoria which is due to expire in November 2016. The lease agreement includes a make good provision which has been forecast at a cost of \$840,000. Whilst the company currently holds a bank guarantee in Alcoa's favour, in the amount of \$368,000, as partial security against the make good provision, it is noted that no previous liability has been accounted for in the Company's financial statements. A restatement is therefore required to be made to prior periods however due to the inability to properly quantify the timing of when the liability for remediation has accrued, an adjustment has been made to the immediate prior period.

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

Statement of Financial Position as at 30 June 2015 (Extract):	Previous Amount \$	Adjustment \$	Restated Amount \$
Total assets	5,415,821	-	5,415,821
Liabilities			
Trade and other payables	267,645	-	267,645
Provisions	850,173	840,000	1,690,173
Total current liabilities	1,151,101	-	1,957,818
Net assets	4,298,003	(840,000)	3,458,003
Equity			
Issued capital	29,846,015	-	29,846,015
Share based premium reserve	2,328,074	-	2,328,074
Accumulated losses	(27,876,086)	(840,000)	(28,716,086)
Total equity	4,298,003	-	3,458,003
Statement of profit or loss and other comprehensive income as at 31 December 2014 (Extract):	Previous Amount \$	Adjustment \$	Restated Amount \$
Revenue	30,597	-	30,597
Other Income	1,483,628		1,483,628
Profit after income tax expense from continuing operations	699,390	-	699,390
Loss after income tax expense from discontinued operations	(2,687,832)	(840,000)	(3,527,832)
Loss after income tax expense for the half-year attributable to the owners of MHM Metals Limited	(1,988,442)	(840,000)	(2,828,442)

MHM Metals Limited
Directors' declaration
31 December 2015

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 2015 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



Paul Kopejtka
Non-executive Chairman

15 March 2016

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

We have reviewed the accompanying half-year financial report of MHM Metals Limited (“Company”), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors’ declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year’s end or from time to time during the half-year.

Directors’ responsibility for the half-year financial report

The directors of MHM Metals Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express a conclusion 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 financial report consists of 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 audit opinion.

Independence

In conducting our review, we 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



B. L. Taylor
Partner - Audit & Assurance

Melbourne, 15 March 2016