



## Chairman's Report



Metro is now set to become a significant force within the internationally acclaimed Weipa Bauxite region.

My fellow shareholders,

It is my absolute pleasure to introduce this Annual Report, in a year where there has been so much activity and growth for your company.

From the 1 July 2016 to 30 June 2017 your Board met on 31 occasions. This gives you a good indication of the determination and focus we have devoted to consolidating and strengthening your company and, in doing so, delivering value to shareholders as we advance the Bauxite Hills Mine.

It is also indicative of the considerable effort of the relatively small, professional and dedicated executive team responsible for positioning Metro where it is today. Metro is now set to become a significant force within the internationally acclaimed Weipa Bauxite region.

Over the 12-month reporting period, Metro has evolved from a company working through permitting and feasibility, to one poised for development and production. We plan to be in production in the next calendar year – an achievement of which we can all be proud! Metro's ASX Announcements show that evolution and how we delivered on our stated aims.

This year the Board was required to implement and oversee vital fund-raising and ongoing corporate development agendas. We achieved this without ever losing sight of our responsibility to all shareholders.

In September 2016, we announced an increase in our ownership of Gulf Alumina Ltd to 39%.

In October 2016, your company executed a binding offtake agreement with Xinfa Group. This positive step established a solid foundation for our feasibility study and ongoing product marketing campaign. We later signed a non-binding Letter-of-Intent with Shandong Aluminium Company Ltd (Lubei) for supply of 0.5 to 1 Mtpa of bauxite for a minimum of 3 years from start of mining operations. Negotiations to formalise a binding agreement are in progress.

In February 2017, we announced completion of the Gulf acquisition.

The successful takeover of Gulf was transformational for Metro. We almost doubled our Reserve and Resource, gained vital infrastructure and benefited from a significantly increased presence in the market.

In March, we announced completion of the Bankable Feasibility Study (BFS) for the Bauxite Hills Mine. This confirmed strong financial returns and demonstrated the benefits of the Gulf acquisition. The Bauxite Hills Mine Resource increased to 144.8Mt and the Reserve increased to 92.2Mt. This Reserve is the basis for a globally significant bauxite mining operation.

#### Key Financial Results of Metro's BFS were:

- Initial capital cost of A\$35.8M (incl 10% contingency);
- Average annual EBITDA of A\$145M;
- After tax NPV<sub>10</sub> of A\$601M;
- After tax IRR of 81%:
- Life of mine revenue of A\$5.7 Billion and life of mine EBITDA of A\$2.5 Billion.

The BFS was based on a 17-year initial mine life with production to commence April 2018 at an initial rate of 2Mtpa, ramping up to a steady state 6Mtpa over the first four years.

2017 also saw completion of a number of additional and necessary key financing initiatives. We re-financed the debt facility used to acquire Gulf via a \$52.4M capital raising and also secured debt finance facilities of ~A\$40M for the development of Bauxite Hills. Furthermore, after the end of 2017 financial year Metro completed a \$38M capital raising which was the last step to being fully financed through to first production.

It is an exciting time for your company. Mine construction is underway and we are heading towards production.

Metro has relied heavily on the support of existing shareholders and attracted the support of new, private and institutional investors. On behalf of the Board I particularly acknowledge the steadfast support of cornerstone investors Balanced Property Trust and Greenstone.

Under the stewardship of Simon Finnis we have achieved outstanding results on the path to developing the Bauxite Hills Mine. Simon was invited to join the Board as Managing Director in January and I congratulate him on his appointment and the manner in which he has headed the company. Simon has been well supported by senior management, staff, advisors and consultants who collectively make up the close-knit Metro team.

I thank all shareholders for their ongoing support through a year of substantial growth. Many complex matters were addressed this year and I thank all Board members for their dedication, professionalism and support.

Sincerely,

Stephen Everett | Chairman

## Managing Director's Report



.....globally significant, generating significant revenues and profits for shareholders and delivering bauxite into the rapidly growing Aluminium industry in China.

## Construction is well underway at the Bauxite Hills Mine!

The sense of professional achievement engulfing the Metro team in Brisbane and on-site is understandable and well deserved. Accordingly, I would like to start by acknowledging the outstanding efforts of Metro's small team, including consultants and contractors, who have remained totally focused during the past year and have delivered on our promises. I would also like to acknowledge the support and contribution of the traditional owners towards development of the Bauxite Hills Mine.

This year we have successfully worked through our schedule and continue to do so with construction commencement. We are increasingly confident in delivering the project on time, on budget and of achieving production and bauxite shipments in April 2018.

Acquiring Gulf Alumina, and including its project within a renamed Bauxite Hills Mine, was a game-changer for Metro. Apart from the obvious addition of bauxite Resources and Reserves, and access to existing infrastructure, it allowed us to increase production over an extended mine life giving us significant advantages over our peers and added appeal to Chinese customers who are increasingly looking for long term, secure supplies of bauxite. This latter point was proven when we executed a long-term binding offtake agreement with Xinfa Aluminium Group (Xinfa) and a non-binding Letter-of-Intent (LoI) with Lubei.

By combining the projects we significantly reduced the social and environmental impacts leading to Federal and State Government environmental approvals being received in June – another significant team achievement. It should not be understated how difficult it is to permit mining projects in Australia and the perseverance and technical skill shown by our team through this process was exemplary.

The Bankable Feasibility Study released in March 2017 confirmed and enhanced our earlier studies, returning a Net Present Value (at a 10% discount rate) of A\$601M and an Internal Rate of Return of 81%. Over a 17 year mine life we expect the project to deliver A\$5.6Billion in revenues; all from an up-front capital requirement of just under A\$35.8M and expansion capital after year 2 of A\$36M.

Once operational the Bauxite Hills Mine will be globally significant, generating significant revenues and profits for our shareholders and delivering bauxite into the rapidly growing Aluminium industry in China.

Progress during the year has not been without challenges. Finalising environmental approvals, mine construction planning, native title and landowner access agreements, contractor and equipment supply negotiations, recruitment of much needed human resources and ongoing marketing and geological work have been some of the tasks completed. There has also been an ever-increasing requirement for policy and system development to keep pace with the evolution of your company – particularly involving our safety, environment, accounting and administrative functions.

Hong Kong based Marketing Manager Norman Ting, has been relentless in his efforts to introduce Metro bauxite to the burgeoning Chinese market. Having announced a MoU prior to the last Annual Report we secured a 4 year 7Mt binding offtake agreement with Xinfa in October 2016. In May 2017 we executed a Lol with Lubei for supply of 0.5 – 1Mtpa of bauxite for a minimum of 3 years from start of mining operations. As the Chairman has reported, negotiations are in progress to formalise a binding agreement.

We have devoted considerable time to promoting your company and the Bauxite Hills Mine to potential investors locally and internationally. We completed two equity raisings for a total of A\$60.9M to invest in Bauxite Hills development and repay the debt used to acquire Gulf Alumina. The Chair has acknowledged our cornerstone investors Balanced Property Trust and Greenstone who have been most supportive throughout the year. I too thank them for their enduring support.

We also announced a combined debt package totalling ~A\$40M from Sprott Resource Lending and Ingatatus AG Pty Ltd, the latter being a related party of Balanced Property.

The market support for our funding initiatives show how far the project has come in a year – from feasibility to construction. We now look forward to delivering the project and achieving bauxite production.

We have completed a year of extraordinary activity and growth. I thank all shareholders, those who have been with Metro for some time for their ongoing confidence, and gratefully welcome those who have recently joined us.

The next year is sure to be just as exciting and fulfilling as we become a producer, and revenue earning company

Simon Finnis | Managing Director & CEO

# **Stephen Everett**Independent Non-Executive Chairman

Stephen Everett has more than 40 years Board and management experience in resources in Australia and overseas. Former Chair of Agrimin Ltd, IronRidge Resources Ltd, Australian Solomons Gold Ltd, BeMaX Resources NL and JMS Civil & Mining Pty Ltd.



## **Simon Finnis**Managing Director

Simon Finnis is a mining executive with +30 years experience. Former CEO of Grande Côte Minerals Sands operations in Senegal and responsible for \$650M greenfield project development. Simon joined Metro as CEO in early 2015 and became Managing Director in January 2017.



## Mark Sawyer Non-Executive Director

Mark Sawyer is Senior Partner and co-founder of Greenstone Capital LP. He is Director of Greenstone Management Ltd and a member and co-Chair of the Investment Committee. Formerly he was Xstrata plc co-head of group business development. Mark joined the Metro Board July 2016.



## **Jijun Liu**Non-Executive Director

Jijun Liu is the Managing
Director of China Xinfa
Group Corporation Ltd
one of China's largest
alumina-aluminium
enterprises . Mr Liu is also a
member of various Chinese
Government committees.



## **Dongping Wang** Non-Executive Director

Dongping Wang is Chair of DADI Engineering Development Group, China's largest coal industry engineering group. He is a highly renowned coal processing expert and a prominent figure in the Chinese coal industry.



## Philip Hennessy Independent Non-Executive Director

Phil Hennessy has 30+ years corporate experience and was KPMG Chair Qld for 13yrs before retiring in 2013. His knowledge and experience assists the Company in driving good governance, its financial responsibilities and communications with shareholders & stakeholders.



## **Lindsay Ward** Independent Non-Executive Director

Lindsay Ward has 30+ years in a wide range of industries including mining, exploration mineral processing, ports, and logistics at CEO, MD, Director and Chair level. Currently CEO of Palisade Asset Management and previously MD of Dart Mining NL a Victorian exploration company.



## **George Lloyd** Independent Non-Executive Director

George Lloyd has over 30 years resource industry experience including senior executive and board member roles of listed and unlisted companies with interests in minerals, energy, industry services and corporate finance. He is Chairman of Ausenco Ltd.



## Corporate News | Financial Commentary

Metro has strengthened its balance sheet and expanded its share register through welcoming a number of high quality domestic and international institutional investors as shareholders of the company.

### 2017 was a watershed year for Metro Mining.

Several milestone financing initiatives were completed which enabled Metro to consolidate the tenements around Bauxite Hills and to secure the necessary funding to commence project development.

The acquisition of Gulf Alumina was also completed during the year. The acquisition was funded by two short term loan facilities provided by Metro's two largest shareholders – Greenstone Resources (\$40.0M) and an associated entity of Balanced Property (\$8.5M).

As a result of these strategic and financial initiatives Metro consolidated the tenements in the project area and subsequently upgraded Bauxite Hills to a significantly larger mine with a longer life.

Following completion of a \$52.4 Million share placement and entitlement issue both short term loan facilities were repaid.

The \$52 Million raising was also used to provide funding to continue progressing Bauxite Hills including completion of the Bankable Feasibility Study and commitment to long lead-time items.

After completion of the Bankable Feasibility Study, Metro undertook a strongly contested global tender process to provide debt funding to further develop the project.

This resulted in Metro entering into finance facilities, totalling approximately A\$40.0 Million, with Sprott Private Resource Lending and Ingatatus AG Pty Ltd (a related party of Balanced Property). The facilities were agreed on highly competitive terms with low overall cost, limited covenants, low shareholder dilution and flexibility in relation to early repayment.

At the end of the financial year, Metro also completed a successful \$38.0 Million share placement. These funds provided sufficient financial capacity to bring Bauxite Hills Mine into production.

Through these initiatives, Metro has strengthened its balance sheet and expanded its share register through welcoming a number of high quality domestic and international institutional investors as shareholders of the company.

## Bankable Feasibility Study Highlights\*

- Completed by MEC Mining in March 2017
- Contract mining and transhipment
- 5 month construction period

- 6Mtpa steady state (initial 2Mtpa)
- 8 months per year dry season operation (April to Nov)

Key Results and Assumptions <sup>1</sup>					
Description	Result	Assumption	Result		
NPV (10% DR, Real, after tax)	A\$601M	Annual Production rate (Steady State)	6.0Mt**		
IRR	81%	LOM Production	92.2Mt		
Payback Period of Initial Capital	1.7 years	Mine Life	17 years		
LOM Revenue	A\$5.6B	Bauxite Price (CIF) Range	US\$36.36 - 53.88/t		
LOM EBITDA	A\$2.5B	Exchange Rate (AUD/USD)	0.75		
LOM Average Annual EBITDA	A\$145M	Discount Rate	10%		
LOM on-site Average OPEX	A\$16.42/t	Initial Capital Expenditure	A\$35.8M <sup>1</sup>		
LOM Average OPEX including Royalty	A\$23.00/t	LOM Average Operating Margin	A\$26.69/t		

\*Refer ASX Release 15 March 2017 | Metro confirms all material assumptions underpinning production target & corresponding financial information continue to apply & have not materially changed | 1. Note this Capex & analysis excludes the purchase of Haul Trucks



## Bauxite Hills Mine

Construction of Metro Mining's Bauxite Hills Mine is well underway. Mining operations are due to commence in Q2, 2018.

The Bauxite Hills Mine, located 95 kilometres north of Weipa, is set to become one of the largest independent operations within the internationally acclaimed Weipa Bauxite Region. Metro Mining holds a total tenement package covering approximately 1,800 square kilometres.

Based on the Bankable Feasibility Study, released in March 2017, the Bauxite Hills Mine has a 92.2Mt estimated Ore Reserve and a Mineral Resource of 144.8Mt.

The Queensland Government has granted all Mining Leases required for the Bauxite Hills Mine. Federal and State Governments have issued final environmental approvals.

Metro has amalgamated the Bauxite Hills Project and Skardon River Bauxite Project Native Title and Land Access Agreements with agreement reached jointly with the Ankamuthi People, Traditional Owners and Old Mapoon Aboriginal Corporation (OMAC), the Trustee owner of the land.

Infrastructure including airstrip, light vehicle roads, temporary camp and port location were secured with the acquisition of Gulf Alumina Ltd.

The commencement of Bauxite Hills Mine construction has seen the installation of cyclone moorings in the Skardon River and delivery of components for the imminent construction of the barge loading facility and wharf. Construction of the new camp is scheduled for November with materials already on site.

SAB Mining has been appointed to undertake mine construction civil works.

Simple mining operation facilitates a quick start up following the regions wet season next year.

The bauxite will be mined from open cut pits and trucked via haul road to a barge loading facility. After loading, tugs will tow the barges down the Skardon River to an anchorage point at sea where the bauxite will be loaded onto bulk carriers.

## Bauxite Hills Mine

Key Statistics <sup>1</sup>					
Metro (100%	%)		,		
Cape York,	Qld				
Bauxite	Bauxite				
Direct Shipping Ore					
Surface mir	ning				
Reserves	92.2Mt1	Resources	144.8Mt1		
EA Grantec	l, MLs Gro	ınted			
ew					
H2 2017					
April 2018					
~2Mtpa²					
~6Mtpa (year 4) <sup>2</sup>					
~\$35.8m <sup>3</sup>					
	Metro (1009) Cape York, Bauxite Direct Shipp Surface mir Reserves EA Grantect W H2 2017 April 2018 ~2Mtpa² ~6Mtpa (ye	Metro (100%)  Cape York, Qld  Bauxite  Direct Shipping Ore  Surface mining  Reserves 92.2Mt <sup>1</sup> EA Granted, MLs Granted  H2 2017  April 2018  ~2Mtpa <sup>2</sup> ~6Mtpa (year 4) <sup>2</sup>	Metro (100%)  Cape York, Qld  Bauxite  Direct Shipping Ore  Surface mining  Reserves 92.2Mt1 Resources  EA Granted, MLs Granted  W  H2 2017  April 2018  ~2Mtpa²  ~6Mtpa (year 4)²		

1.ASX Release 15 Mar 2017 | 2. Metro confirms all material assumptions underpinning production target & corresponding financial information continue to apply & have not materially changed 3. This Capex & analysis excludes purchase of Haul Trucks

~185 personnel

~\$36.7m

Onsite

17 years

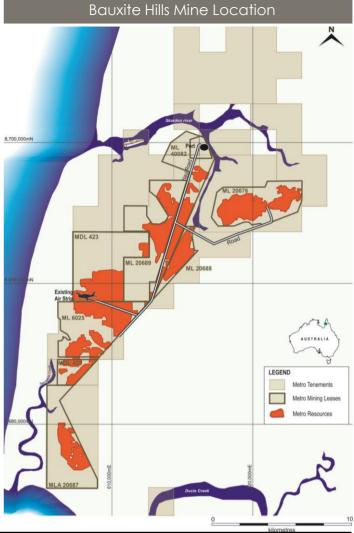
**Expansion Capex** 

Costs (LOM Avg)

Mine Life

**Operations** 

Workforce



## Bauxite Hills Mine – DSO Mineral & Ore Reserve Estimates (incl Gulf Alumina Resources & Reserves)

\$23.0/†

Incl

Royalty

\$16.4/†

Contract mining & transhipment

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Category <sup>1</sup>	DSO <sup>2</sup> Tonnes (Mt)1	DSO Bauxite Qualities (Dry Basis)		
	DSC Toffiles (Mil)1	Total Al <sub>2</sub> O <sub>3</sub> (%)	Total SiO <sub>2</sub> (%)	
Measured Resource (Dry In-situ)	54.7	50.0	11.9	
Indicated Resource (Dry In-situ)	66.4	49.2	14.5	
Inferred Resource (Dry In-situ)	23.7	47.4	16.0	
Total Resources <sup>5</sup>	144.8	49.2	13.9	
Proved Reserve <sup>3</sup> (ROM @ 10% Moisture)	48.3	49.8	12.0	
Probable Reserve <sup>4</sup> (ROM @ 10% Moisture)	43.9	49.0	14.6	
Total Marketable Ore Reserves	92.2	49.4	13.2	

<sup>1</sup> For BH1 and BH6 the tonnages are calculated using the following default bulk densities determined from a program of sonic drilling; 1.6g/cm3 for BH1, 1.92 g/cm3 for BH2and 2g/cm3 for BH6. Actual values are used where measurements have been taken | <sup>2</sup> DSO or "Direct shipping ore" is defined as bauxite that can be exported directly with minimal processing and beneficiation. | <sup>3</sup> Proved Reserve - the proved reserve is included in the BH1 & BH6 Measured resource | <sup>4</sup> Probable Reserve - the probable reserve is included in the BH1 & BH6 Indicated resource | <sup>5</sup>. Refer ASX Release



## Bauxite Hills Mine

Metro plans to commence mining at 2Mt increasing to 6Mtpa over the first four years. Environmental approvals allow production of up to 10Mtpa.

Metro has negotiated an initial 4 year, 7Mt Binding Offtake Agreement with Xinfa Group. Xinfa is one of the largest integrated aluminium companies in China. An offtake Letter-of-Intent has also been signed with, China's fifth largest bauxite importer, Lubei Chemicals. The Lubei Letter-of-Intent is for an initial 0.5 to 1.0Mtpa for 3 years commencing 2018 with a binding offtake agreement currently under negotiation.

~60% of the production from the Bauxite Hills Mine is subject to firm offtake agreement and Letter of Intent.





## Construction at Bauxite Hills Mine









## Bauxite Hills Mine | Community & Traditional Owners

Mining at Bauxite Hills will provide benefits to a broad cross-section of the community from royalty payments and local employment and business development over the 17 year mine life.

The foundation was set in May when Metro, the Ankamuthi People, the Traditional Owners, and Old Mapoon Aboriginal Corporation (OMAC), the Trustee owner of the land, re-signed the life-of-mine Native Title and Land Access Agreement for the Bauxite Hills tenements. The new Agreement incorporates the recently acquired Skardon River tenements into a single Ancillary Agreement and Land Access Agreement.

The Ancillary Agreement includes commitments to employment and training opportunities for Traditional Owners and development and contracting opportunities for Ankamuthi businesses.

Metro has already commenced training and employment opportunities for Traditional Owners.

Initial Traditional Owner employment is currently 32% of the construction workforce which is well in excess of the target contained in the Ancillary Agreement.

Community engagement meetings and skills-audit workshops targeted for employment opportunities were held in July and September across local communities including Injinoo, New Mapoon, Hopevale, Mapoon and Cairns.

Development of Ankamuthi businesses and contracting opportunities will become more opportune in the long-term, operational phase of the Mine.

The Ancillary Agreement also includes a Cultural Heritage Management Agreement for the project area.

The Cultural Heritage Management Agreement ensures management and preservation of identified Aboriginal Cultural Heritage – including a detailed rehabilitation plan with ongoing monitoring

Cultural heritage surveys and clearances, in accordance with the Agreement have been undertaken across an initial 900ha of the mining leases. Preservation of cultural heritage finds have focused predominantly on the select felling, collection and storage of culturally modified trees (scar trees).

Communication and cooperation continues through the establishment of a Liaison Committee comprising representatives of all parties. The Liaison Committee, has met three times and a fourth meeting is currently being planned for end of 2017.

Metro is looking forward to growing its already strong relationships with stakeholders to deliver long term benefits to all concerned.







## Bauxite Hills Mine | Environmental Approvals

## Final environmental approvals from State and Federal Government were received in 2017.

Receipt of the Bauxite Hills Environmental Authority from the State Department of Environment and Heritage Protection (EHP) was announced 22 June. Approval from the Commonwealth Department of Environment and Energy (DotEE) was announced 26 June.

With the commencement of construction works in July, focus turned to development and implementation of Environmental Management Plans (EMPs) to ensure compliance with all approval conditions. EMPs for the mine are written to incorporate approval requirements across Skardon River and Bauxite Hills tenements. These EMPs will form the operational basis for the Metro Environmental Management System (MMI EMS) being developed for implementation in 2018.

An annual Plan of Operations (POPs) and Financial Assurance (FA) for the Skardon River tenements was submitted and accepted by EHP in April. An updated POPs and FA has been submitted and will be confirmed in October. Increased site activity also resulted in the appointment of a Site Environmental Officer, who commenced 26 June.

After acquiring Gulf Alumina at the end of 2016 Metro identified and self-reported a number of historic, potential non-compliances on the Skardon River tenements. In June EHP undertook an audit resulting in a warning notice being issued for several minor breaches. All breaches have now been closed out without penalty and Metro continue to work with EHP to ensure several identified areas of concern are appropriately managed to maintain compliance.

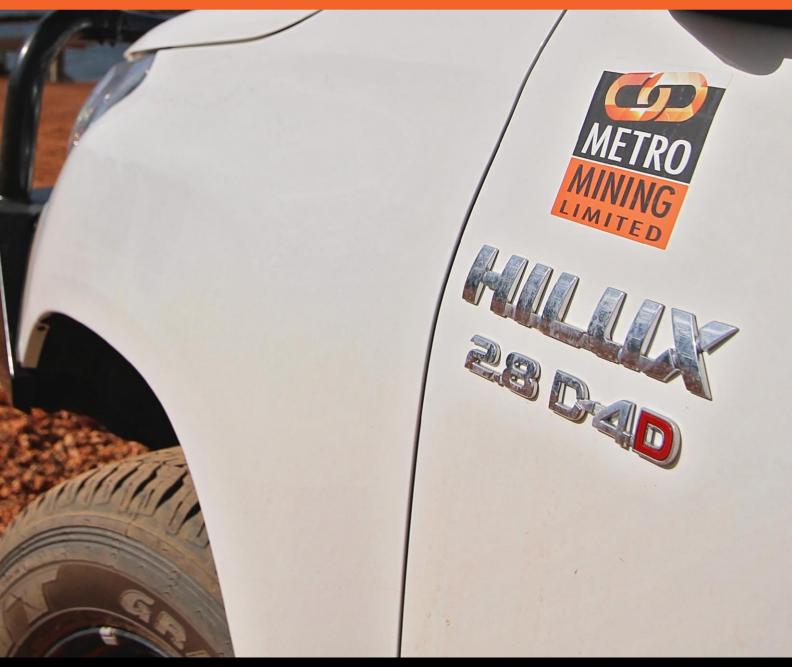








# Other Exploration Activities



## Western Cape York

Metro Mining controls approximately 1,800sq kilometres of bauxite exploration tenements in western Cape York, a region world-renowned for high-quality, export-grade bauxite.

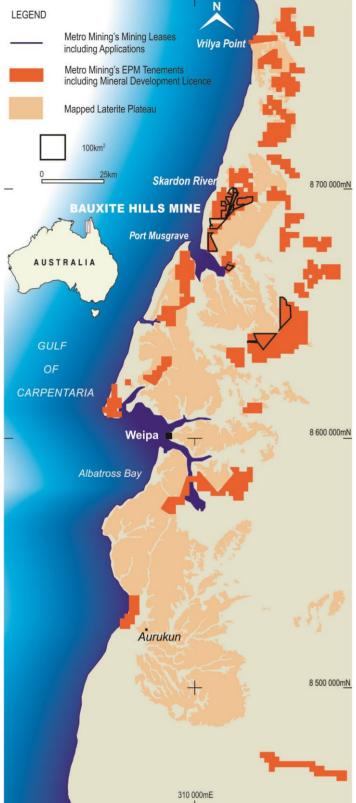
The tenements cover remnants of the Weipa Bauxite Plateau, an extensive area of aluminous laterite development that hosts the world-class Weipa bauxite deposits as well as Metro Mining's Bauxite Hills mine development at Skardon River.

Over the past ten years, Metro has undertaken systematic exploration programs over a number of bauxite plateaus. This work led to the discovery of export-grade Direct Shipping Ore (DSO) bauxite at Bauxite Hills as well as the delineation of large resources of bauxite at Pisolite Hills much of which have been sterilised by the gazetting of a nature reserve.

Within the area of its tenements Metro has identified a number of lateritic plateaus that have the potential to host bauxite. A number of these plateau areas have been the subject of drill programs and reconnaissance exploration. Some have been upgraded to resources, such as at Bauxite Hills, Pisolite Hills and Port Musgrave. Others have demonstrated bauxite and require further work while some plateaus require first-pass exploration.

Within these areas Metro Mining is planning initial reconnaissance-style exploration programs that will be followed up with future drilling programs where justified by initial results.





#### Other Resources in Western Cape York\*

Area	Category	ry		Beneficiated bauxit	e qualities3
7.1100	ourogo.,	In-situ1 dry tonnes (Mt)	Dry Beneficiated2 tonnes (Mt)1	Total Al2O3	Total SiO2
Musgrave	Indicated	2.2	1.6	52.8	11.2
BH4	Inferred	2	1.1	49	11.3
BH5	Inferred	1.8	0.9	50	10.7

1The tonnages are calculated using a bulk density of 1.8 | 2 Beneficiated tonnes are determined from the % recovery of material greater than 1.2mm based on laboratory screening of each sample | 3 Beneficiated bauxite qualities are based on analyses of samples with material greater than 1.2mm \*Refer ASX Announcement 15 March 2017 "Bauxite Hills Ore Reserve Doubles to 92.2Mt"

# Western Cape York

## Bauxite – Exploration & Mining Tenement Schedule

Tenement	Project Name	Holder/ Applicant	Status (Expiry date)	Area Ha (MLAs) No Sub Block (EPM)	Commodity Targeted
ML 6025	Skardon River No 1	Gulf Alumina P/L	Renewal lodged (29/2/2016)	1867	Bauxite-Kaolin
ML 40069	Skardon Pipeline	Gulf Alumina P/L	Renewal lodged (29/2/2016)	234.2	Bauxite-Kaolin
ML 40082	Skardon Buffer	Gulf Alumina P/L	Renewal lodged (29/2/2016)	1300	Bauxite-Kaolin
ML 20676	Bauxite Hills 1	Aldoga Minerals P/L Cape Alumina P/L	Granted (31/8/42)	1629	Bauxite
ML 20689	Bauxite Hills 6 West	Aldoga Minerals P/L Cape Alumina P/L	Granted (31/8/42)	1838	Bauxite
ML 20688	Bauxite Hills 6 East	Aldoga Minerals P/L Cape Alumina P/L	Granted (31/8/42)	461.8	Bauxite
MLA 20573	Pisolite Hills 2	Cape Alumina P/L	Application	3207.8	Bauxite-Kaolin
MLA 20574	Pisolite Hills 3	Cape Alumina P/L	Application	3885.5	Bauxite-Kaolin
MLA 20612	Port Musgrave	Cape Alumina P/L	Application	1050.3	Bauxite
MLA 20687	Bauxite Hills 2	Aldoga Minerals P/L Cape Alumina P/L	Application	1647	Bauxite
MDL 423	Skardon North	Gulf Alumina P/L ACC Ecominerals Ltd	Granted (30/9/2021)	2162.5	Bauxite
MDL 425	Skardon South	Gulf Alumina P/L ACC Ecominerals Ltd	Granted (30/9/2021)	363.3	Bauxite
EPM 4068	Skardon	Gulf Alumina P/L Minerals Corporation Ltd	Granted (11/8/2018)	9	Bauxite
EPM 14547	Pisolite Hills	Cape Alumina P/L	Granted (19/4/2021)	48	Bauxite
EPM 14633	Merapah West	Gulf Alumina P/L	Granted (8/11/2021)	23	Bauxite
EPM 14634	Merapah East	Gulf Alumina P/L	Granted (8/11/2021)	6	Bauxite
EPM 15278	Pisolite Hills North	Cape Alumina P/L	Granted (29/9/2019)	53	Bauxite
EPM 15376	Ducie River	Cape Alumina P/L	Granted (29/9/2019)	29	Bauxite
EPM 15984	Port Musgrave	Cape Alumina P/L	Granted (23/2/2019)	4	Bauxite
EPM 15985	Penefather	Cape Alumina P/L	Granted (23/7/2022)	45	Bauxite
EPM 16753	Jackson River	Gulf Alumina P/L	Granted (24/10/17)	59	Bauxite
EPM 16755	Skardon River North	Gulf Alumina P/L	Granted (16/9/2018)	12	Bauxite
EPM 16899	Skardon River	Cape Alumina P/L	Granted (16/12/2019)	14	Bauxite
EPM 17499	Eucid	Cape Alumina P/L	Granted (30/10/2017)	3	Bauxite
EPM 18242	Skardon River Gap	Gulf Alumina P/L ACC Ecominerals Ltd	Granted (16/12/2017)	2	Bauxite
EPM 18384	Skardon Channel	Gulf Alumina P/L	Granted (16/12/2019)	10	Bauxite
EPM 18457	Branwell	Gulf Alumina P/L	Granted (29/5/2021)	43	Bauxite
EPM 25877	Central Cape York	Cape Alumina P/L	Granted (12/07/2021)	50	Bauxite
EPM 25878	Northern Cape York	Cape Alumina P/L	Granted (12/07/2021)	86	Bauxite
EPM 25879	Southern Cape York	Cape Alumina P/L	Granted (12/07/2021)	82	Bauxite
EPM 26144	Skardon West	Cape Alumina P/L	Granted (29/1/2022)	8	Bauxite
EPM 26198	Skardon Gap West	Gulf Alumina P/L	Granted (5/12/2021)	1	Bauxite



## Coal

### Coal strategy

Over the past few years, during the coal market downturn, Metro Mining's strategy regarding its coal assets has been to minimise expenditure whilst keeping the tenements in good stead for future development when the thermal coal market recovers and when coal seam gas activity subsides. With the recent improvement in thermal coal prices Metro is now reviewing this strategy and seeking opportunities to exploit the coal assets.

### Bundi Project (EPC 1164, 1251 & 1609)

The Bundi Project is located near the town of Wandoan, Queensland and immediately south of Glencore's proposed Wandoan open cut mine development and New Hope Coal's proposed Elimatta Mine.

The proposed Bundi Project mining area is in the northern part of EPC1164, including several sub-blocks from the adjoining EPC1251 & EPC1609. It is focused on the down-dip extensions of the Kogan and Macalister seams where coal thickness and quality meets mineability criteria and export quality specifications.

Initial assessment of the different working sections indicates it may be possible to produce an export quality coal without the need for a wash plant. Following Metro's decision to minimise expenditure on the coal assets all field work has been suspended and staff numbers reduced.

## Columboola Joint Venture (EPC 1165)

The Columboola Project is a joint Venture (JV) between SinoCoal Resources P/L (51%) and Metro Mining Ltd (49%) and is located near Miles.

The JV is targeting the down-dip extensions of the Macalister coal seams, currently being mined by Yancoal, at the neighbouring Cameby Downs thermal coal deposit.

Following the previous years' work MDL 3003 was successfully granted for the Columboola JV.

All coal tenements are in good standing and limited work on enhancements to the geological model is planned for 2018. There is no exploration or field work planned for the remainder of 2017.

## Myanmar

On 8 December 2016, Metro announced an agreement to farm-out its interest in the Mahar San exploration project in Myanmar to PanAust Limited ('PanAust').

The agreement was reached to enable Metro to remain focused on the development of its Australian bauxite resource. The farm-out agreement provides for PanAust to progressively earn an interest in Metro's Myanmar subsidiary, which holds 80% of the Mahar San Joint venture, by phased funding of exploration.

During 2017, PanAust undertook exploration on the Mahar San tenements in Myanmar including drilling, analysis and geo-chemical sampling activities.

PanAust is still assessing the results of this work and, in accordance with the terms of the farm-out agreement, will communicate the results to Metro by December 2017.

Project	Metro Mining	Resources (Mt)			Reserves	JORC
riojeci	Ownership	Indicated	Inferred	Total	(Mt)	JORC
Bundi (incl Juandah)	100%	296	1705.6	2001.6		2012
Columboola	49%	242.6	1515.0	1757.6		2012
Goombi	49%	4.9	13.8	18.7	26.2	2004
TOTAL		543.5	3234.4	4047.9	26.2	

MTE ASX Announcement 24 October 2013 – Bundi Project Update

MTE ASX Announcement 19 July 2012 – Bundi Resource Upgrade and Project Update

MTE ASX Announcement 6 September 2012 – Maiden Indicated Resource for Columboola JV plus 26% increase in Inferred Resource

MTE ASX Announcement 19 December 2012 – Goombi Maiden Reserve Announced

Tenement	Project Name	Holder/ Applicant	Status (Expiry date)	Area Ha (MLAs) No. Sub Block (EPC)	Commodity Target
MDL 3003	Columboola	SinoCoal Resources 51% Metro Mining Ltd 49%	Granted (31/8/22)	8047Ha (Contained within EPC 1165)	Coal
EPC 1164	Wandoan West	Bundi Coal Project P/L	Granted (12/11/17)	129	Coal
EPC 1251	Wandoan West 2	Bundi Coal Project P/L	Granted (16/09/21)	19	Coal
EPC 1609	Wandoan West 3	Bundi Coal Project P/L	Granted (29/01/22)	5	Coal
EPC 1165	Columboola	SinoCoal Resources 51% Metro Mining Ltd 49%	Renewal Lodged (09/12/17)	153	Coal

## Disclaimer

Forward-Looking Statement: Statements and material contained in this Report, particularly those regarding possible or assumed future performance, production levels or rates, commodity prices, resources or potential growth of Metro Mining Limited, industry growth or other trend projections are, or may be, forward looking statements. Such statements relate to future events and expectations and, as such, involve known and unknown risks and uncertainties. Graphs used in the presentation (including data used in the graphs) are sourced from third parties and Metro Mining has not independently verified the information. Metro Mining is at an early development stage and while it does not currently have a operating bauxite mine it is taking early and preliminary steps (such as but not limited to Prefeasibility studies etc.) that are intended to ultimately result in the building and construction of an operating mine at its project areas. Although reasonable care has been taken to ensure that the facts stated in this Presentation are accurate and or that the opinions expressed are fair and reasonable, no reliance can be placed for any purpose whatsoever on the information contained in this document or on its completeness. Actual results and developments may differ materially from those expressed or implied by these forward looking statements depending on a variety of factors. Nothing in this Report should be construed as either an offer to sell or a solicitation of an offer to buy or sell shares in any jurisdiction.

Competent Person's Statement: Technical information about the Bauxite Hills Mine and information in this report that relates to Exploration Results is based on information compiled by Neil McLean who is a consultant to Metro Mining and a Fellow of the Australian Institute of Mining and Metallurgy (F.AusIMM). Mr McLean has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr McLean consents to the inclusion in the report of the matters based on information in the form and context in which it appears.

Competent Person's Statement: The information in this report that relates to the Bauxite Hills Mine Mineral Resource is based on information compiled by Ed Radley who is a consultant to Metro Mining and a Member of the Austral Institute of Mining and Metallurgy (MAusIMM)). Mr Ed Radley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Ed Radley has consented in writing for inclusion in this announcement the matters based on the information in the form and context it appears.

Competent Person's Statement: The information in this report that relates to Gulf Alumina Limited's Mineral Resources is based on information compiled by Jeff Randall of Geos Mining, a consultancy group contracted by Metro Mining Limited. Mr Randell is a Member of the Australian Institute of Geoscientists (MAIG), a Registered Professional Geoscientist (Rage) and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code). Mr Randell consents to the inclusion in this presentation of the matters based on information in the form and context in which it appears.

Competent Person's Statement: The information in this report that relates to Bauxite Hills Mine Mining and Reserves is based on information compiled by MEC Mining and reviewed by Edward Bolton, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. The information in this report to which this statement is attached that relates to the "Metro Mining – Bauxite Hills" Reserve Estimate based on information compiled by Edward Bolton, a consultant to Metro Mining and a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. Edward Bolton is full-time employee of MEC Mining Pty Ltd. Edward Bolton has sufficient experience that is relevant to the style of mineralization, type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Edward Bolton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Competent Person's Statement: The information in this report that relates to Gulf Alumina Limited's Ore Reserves is based on information compiled by John Wyche of Australian Mine Design & Development (AMDAD), a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. John Wyche is a full-time employee of AMDAD. John Wyche has sufficient experience that is relevant to the style of mineralization, type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the JORC Code. John Wyche consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears

Competent Person's Statement: With reference to Resources in Metro Mining's Thermal Coal Resource in the Surat Basin, information in this Report relates to the Compilation of existing data and Exploration Results is based on information compiled by Mr Ed Radley who is a Member of the Australian Institute of Mining and Metallurgy (MAusIMM) (Membership No 300512). Mr Ed Radley is an independent Geological Resource Consultant retained by Metro Mining Limited. Mr Ed Radley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Radley has consented in writing for inclusion in this announcement the matters based on the information in the form and context it appears. The JORC Code 2004 Information has not been updated to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.



Financial Statements for the Year Ended 30 June 2017



Directors Mr Stephen Everett – Independent Chairman

Mr Simon Finnis – Executive Managing Director (appointed 6 Jan 2017)

Mr Philip Hennessy - Independent Non-Executive Director Mr George Lloyd - Independent Non-Executive Director Mr Lindsay Ward – Independent Non-Executive Director

Mr Dongping Wang – Non-Executive Director

Mr Jijun Liu – Non-Executive Director

Mr Mark Sawyer – Non-Executive Director (appointed 28 Jul 2016) Mr Xiaoming Yuan - Alternate Director for Dongping Wang

Mr Ken Xiao - Alternate Director for Jijun Liu

Mr Michael Haworth - Alternate Director for Mark Sawyer (appointed 1 Sep 2016)

Company secretary Mr S Waddell

Assistant company

secretary

Ms A Treble

Notice of AGM

The annual general meeting of Metro Mining Limited will be held at the office of:

McCullough Robertson Lawyers Level 11, 66 Eagle Street, Brisbane, Queensland 4000

Date: Tuesday, 21 November 2017

Time: 11 am.

Registered office Level 2, 247 Adelaide Street

Brisbane, Queensland 4000

T +61 7 3009 8000 F +61 7 3221 4811

Principal place of

business

Level 2, 247 Adelaide Street Brisbane, Queensland 4000

Share register Link Market Services Limited

Level 15, 324 Queen Street Brisbane, Queensland 4000

Auditor BDO Audit Pty Ltd

Level 10, 12 Creek Street Brisbane, Queensland 4000

Stock exchange listing Metro Mining Limited shares are listed on the Australian Securities Exchange

(ASX code: MMI)

Website address www.metromining.com.au



The directors present their report on the consolidated entity (referred to herein as the 'consolidated entity' or the 'Group') consisting of Metro Mining Limited (the 'Company' or 'parent entity') and its controlled entities for the financial year ended 30 June 2017.

#### **Directors**

The following persons were directors of Metro Mining Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr S. Everett Mr M. Sawyer (Appointed 28 July 2016)
Mr P. Hennessy Mr S. Finnis (Appointed 6 Jan 2017)
Mr G. Lloyd Mr X. Yuan (Alternate for Mr D Wang)
Mr L. Ward Mr K. Xiao (Alternate for Mr J Liu)

Mr D. Wang Mr M. Howarth (Alternate for Mr M Sawyer

Mr J. Liu – Appointed 1 Sep 2016)

### **Review of operations**

The Company's focus in the 2017 financial year has been the advancement of the Bauxite Hills Mine development which is located 95 kilometres north of Weipa on western Cape York Peninsular. Key milestones achieved during the financial year include the acquisition of Gulf Alumina Limited ('Gulf Alumina'), completion of the Bankable Feasibility Study for the Bauxite Hills Mine and obtaining all environmental approvals to develop the Bauxite Hills Mine. The Company also completed two equity raisings for a total of \$60.9 million.

#### **Acquisition of Gulf Alumina Limited**

On 20 December 2016, the Company announced that it had received sufficient acceptances of its offer to Gulf Alumina shareholders for the Company to acquire 100% of Gulf Alumina. The acquisition of Gulf Alumina shares on this date resulted in a business combination. For further details refer to note 6 to the financial statements.

The acquisition of Gulf Alumina delivered a number of significant benefits and synergies to the Company including:

- Combining Gulf Alumina's Skardon River Bauxite Project with the Group's Bauxite Hills project to create a long life, low capital cost and high margin Australian bauxite project. The project has been renamed Bauxite Hills Mine.
- The doubling of the Group's Reserve of direct shipping ore ('DSO') bauxite from 48 million to 92.2 million tonnes, (refer ASX Release 15 March 2017), creating one of the largest independent projects within the internationally acclaimed Weipa bauxite producing region.
- Obtaining control of infrastructure that is now foundational to the Bauxite Hills Mine, including the airstrip, port infrastructure, accommodation camp, water bores, haul roads and various other sheds and infrastructure.
- Significantly reducing the social and environmental impacts and optimising the economic returns from the two projects.

The Company's final offer to Gulf Alumina was fully funded via a debt funding arrangement with the Company's cornerstone shareholder, Greenstone Resources. This arrangement was refinanced in the \$52 million equity raising completed in April 2017.

## Bauxite Hills Mine development (now incorporating Gulf Alumina's Skardon River Mine)

- The Bauxite Hills Mine (the 'Project') continued to be the primary focus for the Group's activities in the current financial year. A number of significant milestones in the development of the Project were achieved:
- On 15 March 2017, the Group announced its Bankable Feasibility Study ('BFS'), which confirmed the Bauxite Hills Mine will become one of the largest independent operations in the Weipa Bauxite Region.

Key BFS results included:

- Initial capital cost A\$35.8 million (including 10% contingency);
- LOM OPEX including Royalty A\$23.00/t;
- Expansion capital \$36.7 million;

- Average annual Earnings Before Interest Tax Depreciation & Amortisation (EBITDA) A\$145 million;
- After-tax Net Present Value (NPV10) A\$601 million;
- After-tax Internal Rate of Return (IRR) 81%; and
- Life of mine revenue of A\$5.7 billion and life of mine EBITDA of A\$2.5 billion.

The BFS was completed for steady state production of 6Mtpa from year four of operations onwards. However, environmental approvals allow production of up to 10Mtpa. The Company will continue to evaluate the benefits of increasing production through the development and operational phases.

- On 13 October 2016, the Group announced that it had signed a binding bauxite off-take agreement with the Xinfa Group, one of China's largest integrated aluminium companies with operations in Shandong, Shanxi, Guangxi and Xinjiang Provinces. The agreement with Xinfa includes 1 million tonnes in the first year and two million tonnes per annum for the following three years.
- On 30 May 2017, the Group announced that it had signed a non-binding Letter-of-Intent with Shandong Aluminium Company Ltd ('Lubei') for the supply of 0.5 to 1 Mtpa of bauxite for a 3-year minimum from the start of mining operations. Lubei is a division of Shandong Lubei Enterprise Group General Company, a diversified chemicals business producing fertilisers, industrial chemicals and alumina for Chinese domestic and international markets. Lubei, the fifth largest importer of bauxite in China, produces approximately 1 Mtpa of alumina at its refinery located near Wudi, Shandong Province and currently purchases approximately 2.5Mtpa of imported bauxite.
- On 8 May 2017, the Group announced that, following the acquisition of Gulf Alumina, the existing Bauxite Hills and Skardon River Native Title Agreements had been amalgamated. The new agreement, jointly reached with the Ankamuthi People, Traditional Owners, and OMAC, the Trustee owner of the land, replaces separate agreements for the Bauxite Hills Project and Skardon River Project and covers the entire project area. Combining the agreements demonstrates the continuing strong community support for the Bauxite Hills Mine and further enhances the positive, long term relationships. The combined agreement is designed to simplify implementation and administration of native title obligations.

#### Bauxite Hills Mine pre-construction activities

Pre-construction works have commenced at the Bauxite Hills Mine including the following:

- Commitment to long lead items and to various other precommitments necessary for construction at the Bauxite Hills Mine to commence on schedule in the third quarter of 2017;
- Appointment of a Site Project Manager;
- Completion of acquisition of site infrastructure and buildings;
- Completion of partial refurbishment of the existing camp and the ordering of new camp accommodation (installation planned for November 2017);
- Completion of fabrication of piles for the Barge Loading Facility ('BLF') with arrival scheduled for August 2017;
- Finalisation of the BLF conveyor design with fabrication to commence in late July 2017;
- Selection of the preferred civils contractor with the contract including construction of additional haul roads;
- Completion of a contract for the BLF electrical installation;
- Delivery of light vehicles to site; and
- Commissioning of a construction communications system.

### Final environmental approvals received for the Bauxite Hills Mine

On 26 June 2017, the Group announced that final environmental approvals for the Bauxite Hills Mine had been secured with the Commonwealth Government granting its approval for the Project. The Commonwealth approvals followed State Government environmental approvals that were received on 22 June 2017. The environmental approvals allow production of up to 10Mtpa from the Bauxite Hills Mine.

Completion of the approvals process within a two-year timeframe was a testament to the Company's permitting expertise and credentials. The Project received strong support from local stakeholders, Federal, State and Local Governments.

## Project finance activities for the development of the Bauxite Hills Mine

On 19 April 2017, the Group drew down \$15 million in debt under a \$40 million loan facility provided by Namrog Investments Pty Ltd, a related party of Company shareholder, Balanced Property Pty Ltd. Balanced Property Pty Ltd owned 19.99% of the Company as at 30 June 2017. The Namrog Investments facility was negotiated on a commercial arm's length basis. The Namrog Investments facility has subsequently been refinanced (refer to Note 32 for more information).

On 22 June 2017, the Group announced that Sprott Private Resource Lending ('Sprott') and Ingatatus AG Pty Ltd ('Ingatatus'), had been selected to provide debt finance facilities of approximately A\$40 million for the development of the Bauxite Hills Mine. Binding terms were agreed following a strongly contested and rigorous global tender process. All parties undertook an extensive technical due diligence process providing strong validation of the technical aspects of the Bauxite Hills Mine. Sprott Private Resources is the senior secured lender and Ingatatus has second ranking security. A US\$5 million drawdown occurred on execution and the remaining US\$10 million is contingent on permitting being completed on or before 31 March 2018.

The selection of Sprott and Ingatatus, a related party of the Company's strategic cornerstone shareholder, Balanced Property Pty Ltd, delivers a debt financing package with low overall cost, limited covenants, low shareholder dilution and flexibility in relation to early repayment. The new debt facilities replace the Company's existing A\$15 million short term debt facility with Namrog Investments Pty Ltd, also a related party of Balanced Property Pty Ltd.

Key terms of the debt funding include:

- Tenor of approximately 3 years;
- US\$15 million with no principal amortisation before January 2019 and the balance of A\$20 million payable at end of loan.
- No commitment fees and no hedging requirements;
- Low level of cash reserving and no mandatory cash sweep;
- An establishment fee that included a low number of Company options with strike price to reflect a 25% premium to the Company's share price.

#### Capital raisings and issues of shares and options

During the financial year, the following equity issues were completed:

- \$8.9 million share placement
   On 11 July 2016, the Group announced a \$8.9 million share
   placement issuing 105,000,000 shares at 8.5 cents per share
   to Greenstone Resources, a specialist mining and metals
   private equity fund based in the Channel Islands. Greenstone
   Resources, holding a 19.98% interest in the Company,
   appointed a nominee director, Mark Sawyer, to the board of
   directors.
- Exercise of options issued under service contracts and under the Metro Mining Employee Incentive Plan In December 2016 and January 2017, a total of 10,750,000 share options, with exercise price of 5.8 cents, were exercised by key management personnel and other personnel. The Group received a total of \$623,500 as consideration for the shares issued.

 Shares issued as consideration for the acquisition of Gulf Alumina Limited

On 4 January 2017, 50,000 shares were issued to accepting Gulf Alumina shareholders as partial consideration for their Gulf Alumina shares

On 20 January 2017, the Group issued a further 11,219,925 shares to former Gulf Alumina shareholders as part of a price adjustment clause contained within the sale and purchase agreement for their shares. The issue price of the shares was a 5-day VWAP price of \$0.1517.

On 20 January 2017, the Company issued 9,409,501 shares to Greenstone Resources II LP as part of Greenstones Resources' anti-dilution rights. The issue price of the shares was a 60-day VWAP price of \$0.1325 and consideration payable by Greenstone Resources was offset against the balance of the bridging loan facility with Greenstone Resources.

On 20 January 2017, the Company issued 4,000,000 eight (8) cent options to a corporate finance advisor as a success fee following the acquisition of Gulf Alumina Limited.

The Company completed the compulsory acquisition of the remaining 75,000 shares in Gulf Alumina Limited on 3 February 2017, transferring to trust the \$46,500 consideration payable. A total of \$38,750 remains in trust at 30 June 2017.

Refer to note 6 to the financial statements for further information on the acquisition of Gulf Alumina Limited.

- \$52 million equity raising
  On 24 February 2017, the Group announced a \$52.4 million
  equity raising involving the issue of approximately 419.4
  million fully paid ordinary shares ('New Shares') at an issue
  price of \$0.125 per New Share. The equity raising comprised:
  - a placement of approximately 126.9 million New Shares to institutional and sophisticated investors to raise up to \$15.9 million; and
  - a one for two pro-rata non-renounceable entitlement offer of approximately 292.3 million New Shares to raise approximately \$36.5 million.
- Issue of options and performance rights under the Metro Mining Employee Incentive Plan

On 5 June 2017, the Company announced the issue of:

- 545,000 options to the Managing Director exercisable at \$0.137 per option and expiring on 7 April 2019; and
- 3,575,863 performance rights to the Managing Director and employees of the Group under the Group's Employee Incentive Scheme. The performance rights are capable of being converted into fully paid ordinary shares on the satisfaction of various milestones.

### Other corporate activities

A number of other key milestones were achieved during the financial year:

- Mr Charles Easton was appointed General Manager Bauxite
  Hills Mine to commence work on preparing for operations.
   An experienced mining professional with a focus on value
  creation across many commodities, Charles is responsible
  for the construction, start-up planning and operation of the
  Bauxite Hills mine.
- Mr Duane Woodbury commenced as Business Development Manager. Duane has over 20 years' experience in corporate finance, accounting and treasury, business evaluation, and project feasibility primarily in the mining and resources sector. He has worked with a wide range of companies including Macquarie Bank and Kingsgate Consolidated. Throughout his career, Duane has held roles within the corporate sector and as financial advisor for a wide variety of companies. He has worked in Sydney, New York, London and Singapore.
- Green Coast Resources Pty Limited shipped DSO bauxite from its Hey Point tenements in the last quarter of 2016.
   The Group has received the royalty revenue due on these shipments.

#### Coal Assets

As the Group continues to focus its attention on the development of the Bauxite Hills Mine, the coal tenements have remained on a care and maintenance program. The board of directors (the 'Board') has again reviewed the fair value of these tenements by reference to current, relevant, market data and the enterprise value of similar resources. Based on this review, the Board believes that the Bundi project still has a fair value of \$5 million and thus no change to the value of this asset has been recorded.

Other than the expenditure required to maintain the Bundi coal tenements, the Group incurred limited expenditure on its coal interests during the financial year. It is unlikely that a further significant investment in the Group's coal interests will be made until the market for coal improves.

#### Myanmar

On 8 December 2016, the Group announced an agreement to farm out its interest in the Mahar San exploration project in Myanmar to PanAust Limited ('PanAust'). The agreement was reached to enable the Group to remain focused on the development of its Australian bauxite resource. The farm-out agreement provides for PanAust to progressively earn an interest in the Group's Myanmar subsidiary, which holds 80% of the Mahar San Joint venture, by phased funding of exploration.

During 2017, PanAust undertook exploration on the Mahar San tenements in Myanmar including drilling, analysis and geochemical sampling activities. PanAust is still assessing the results of this work and will communicate the results back to the Group by December 2017 as per the terms of the farm-out agreement signed by the parties.

#### Review of financial condition

The loss for the Group after providing for income tax was \$2,372,236 (30 June 2016: \$6,833,798) including impairment of \$8,479 (30 June 2016: \$4,503,540) in relation to the Group's exploration and evaluation expenditures.

As at 30 June 2017, the Group had cash and cash equivalents and term deposits of \$15.3 million (2016: \$2.68 million), total current liabilities of approximately \$20.1 million (2016: \$1.2 million) and net assets of \$80.8 million (2016: \$16.4 million).

As noted in the review of matters subsequent to the end of the financial year, the Group's debt facility with Namrog Investments Pty Ltd was repaid and refinanced on 2 August 2017 utilising a new debt facility with Ingatatus AG Pty Ltd. The facility with Ingatatus AG Pty Ltd has a term of 3 years from the date of final drawdown. \$15 million of this facility is drawn down as at the date of this report. This transaction converted \$15 million in debt from a current liability to a non-current liability.

The Group used \$4.3 million (2016: \$3.8 million) in its exploration activities during the year, and \$4.4 million in development activities (2016: \$nil).

### Significant changes in the state of affairs

During the financial year, the Group acquired all remaining shares in Gulf Alumina Limited that were not already owned by the Group. Gulf Alumina Limited was integrated into the Group as a subsidiary company and the Group's Bauxite Hills project and Gulf Alumina's Skardon River project were integrated into the Bauxite Hills Mine.

## Matters subsequent to the end of the financial year

#### Share placement

On 19 July 2017, the Group announced a successful share placement to raise funds for the construction of the Bauxite Hills Mine. A total of \$38 million, before costs, was raised through the issue of two tranches of new ordinary shares to institutional and sophisticated investors. A total of 251,005,544 (Tranche 1) shares were issued on 27 July 2017 and 8 August 2017 under the Company's existing placement capacity. Shareholders approved the issue of a further 30,475,937 ordinary shares at an extraordinary general meeting of the Company held on 21 August 2017.

#### Final investment decision

On 20 July 2017, following the successful capital raising noted above, the Board resolved to proceed with the construction of the Bauxite Hills Mine, subject to the final debt agreements being signed

#### Signing of debt agreements and refinancing

On 1 August 2017, the Group announced that it had executed final loan agreements for the previously announced A\$40 million¹ Project debt facility with lenders Sprott Private Resource Lending and Ingatatus AG Pty Ltd. Ingatatus AG Pty Ltd is a related party of Balanced Property Pty Ltd, a significant shareholder in the Company. Sprott Private Resources is the senior secured lender and Ingatatus has second ranking security. A US\$5 million drawdown occurred on execution and the remaining US\$10 million is contingent on permitting being completed on or before 31 March 2018.

On 2 August 2017, the existing facility with Namrog Investments Pty Ltd was repaid and refinanced with the Ingatatus AG Pty Ltd facility. The term of the Ingatatus facility is 3 years from the date of final drawdown. \$15 million is drawn down as at the date of this report.

### Further developments, prospects and business strategies

The primary area of strategic focus for the Group is the development of the Bauxite Hills project. The Group will also continue to assess new opportunities for exploration in Myanmar. It is unlikely that a further significant investment in the Group's coal interests will be made until such time as the market for coal improves. However, the Group will continue to maintain its coal assets in good stead.

#### **Environmental regulation**

The Group is subject to environmental regulations under the laws of Queensland where it holds mining tenements. The directors have put in place strategies and procedures to ensure that the Group manages its compliance with environmental regulations. The Group acquired historical environmental liabilities from its acquisition of Gulf Alumina Ltd ('Gulf') during the year. Upon review of Gulf's Environmental Authority ('EA') conditions, the Company identified several potential non-compliances and selfreported these to the Department of Environment and Heritage Protection ('DEHP'). A recent audit by DEHP of Gulf's compliance with these EA conditions resulted in notification of several minor breaches, which have been closed out with no penalties. The Company continues to work closely with DEHP to also address several areas of concern that were identified and to bring these into compliance over the short-term. There have been no other breaches of environmental regulations during the year.

## Dividends paid or recommended

There were no dividends paid or returns of capital by the Company during the financial year ended 30 June 2017. The directors do not recommend the payment of a dividend and no amount has been declared or paid by way of a dividend since 30 June 2017 and to the date of this report.

<sup>&</sup>lt;sup>1</sup> Based on 0.75 AUD/USD. Half of the debt is denominated in USD

#### **Additional information**

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

	2017	2016	2015	2014	2013
	\$	\$	\$	\$	\$
Income	9,033,064	1,114,509	473,518	712,711	1,052,206
Net loss after tax	(2,372,236)	(6,833,798)	(2,773,292)	(15,694,963)	(735,086)

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

	2017	2016	2015	2014	2013
	\$	\$	\$	\$	\$
Share price at financial year end (A\$)	0.145	0.07	0.06	0.03	0.05
Basic loss per share (cents per share)	(0.33)	(1.83)	(1.07)	(7.45)	(0.35)

#### Shares under option or subject to performance rights

At the date of this report, the unissued ordinary shares of the Company under option or subject to performance rights are as follows:

Grant Date	Expiry Date	Exercise Price	# of Options / Performance Rights
Options granted 15/12/2015	14/12/2017	\$0.15	2,500,000
Options granted 05/05/2016	05/05/2018	\$0.03	1,047,493
Options granted 04/01/2017	23/12/2019	\$0.08	4,000,000
Options granted 07/04/2017	07/04/2019	\$0.137	545,000
Performance rights granted 02/06/2017	31/07/2018	\$0.0	3,575,863
Total shares under option or subject to performance rights			11,668,356

Holders of options and performance rights do not have any rights to participate in any issues of shares or other interests of the Company or any other entity.

There have been no options or performance rights granted over unissued shares or interests in any controlled entity within the Group since the end of the reporting period.

For details of options and performance rights issued to directors and executives as remuneration, refer to the Remuneration Report. During the year ended 30 June 2017, the following ordinary shares of the Company were issued on exercise of options granted. No further shares relating to the exercise of options have been issued since year end. No amounts are unpaid on any shares.

Description	Grant Date	Exercise	Number of
		Price	Shares Issued
Employee Incentive Plan	12 Jan 2015	\$0.058	5,250,000
Service Contracts	12 Jan 2015	\$0.058	5,500,000
			10,750,000

#### Indemnity and insurance of officers

Each of the directors and the secretary of the Company have entered into a Deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company to those directors and secretary. The Company has insured all of the directors and officers of Metro Mining Limited. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act 2001 does not require disclosure of the information in these circumstances.

## Indemnity and insurance of auditor

Other than the standard indemnities, the Company has not otherwise, 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 Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

## Proceedings on behalf of the Company

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

### Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 23 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor, or by another

person or firm on the auditor's behalf, is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 23 to the financial statements do not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity 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 issued by the
  Accounting Professional and Ethical Standards Board,
  including reviewing or auditing the auditor's own work,
  acting in a management or decision-making capacity for
  the Company, acting as advocate for the Company or
  jointly sharing economic risks and rewards.

## Officers of the Company who are former audit partners of BDO Audit Pty Ltd

There are no officers of the Company who are former audit partners of BDO Audit Pty Ltd.

### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17 of the financial report.

#### Information on directors

#### Stephen Everett

Title: Independent non-executive chairman

Qualifications: Bachelor of Engineering

(Chem Eng. Honours), MAICD

**Experience and expertise:** Mr Everett has forty years management and board experience in the resources and construction industries and has held chairman and non-executive director positions on government development boards and private, ASX listed and TSX listed companies.

Mr Everett has also held senior executive positions included managing director and chief executive officer of private and publicly listed companies.

Other current directorships: None.

Former directorships (in the last 3 years):

- Chairman of Agrimin Limited (formerly Global Resources Corporation Limited) Appointed April 2009, Resigned April 2016;
- Chairman of Cape Alumina Limited. Appointed May 2014, Resigned February 2015.

**Special responsibilities:** Member of the Audit, Risk and Remuneration Committee.

Interests in shares: 4,191,078 ordinary shares.

Interests in options: 500,000 options.

**Simon Finnis** 

Title: Executive managing director

Qualifications: Masters of Business and Technology

**Experience and expertise:** Mr Finnis has over 30 years' experience in underground and open cut mining operations nationally and internationally. Before joining the Company in January 2015, Mr Finnis was chief executive officer of Grand Cote Operations in Senegal. He previously served as managing director of Global Resources Corporation Limited and was general manager for the Pooncarie Mineral Sands project in the Murray Basin, NSW, where he oversaw development from feasibility through to operations.

At Metro Mining Limited Mr Finnis has successfully overseen capital raisings, government permitting, product marketing, traditional owner agreements and, most recently, the commencement of construction at the Bauxite Hills Mine.

Other current directorships: None.

Former directorships (in the last 3 years): None.

**Special responsibilities:** Managing Director and Chief Executive

Officer.

Interests in shares: 2,799,143 ordinary shares Interests in options: 1,592,493 options

Interests in performance rights: 814,348 performance rights

**Philip Hennessy** 

Title: Independent non-executive director

**Qualifications:** Bachelor of Business

Experience and expertise: Mr Hennessy has over 30 years corporate experience, is a Chartered Accountant and holds a Bachelor of Business degree. Mr Hennessy has been involved with all aspects of corporate finance and company reconstruction across a variety of industries including construction, manufacturing, mining, professional services, agriculture and financial services. Mr Hennessy was chairman of KPMG Queensland for 13 years prior to retiring in 2013.

Mr Hennessy's knowledge and experience assists the Company in driving good governance, its financial responsibilities, cohesive and effective collaboration, effective processes and communications with shareholders and stakeholders.

## Other current directorships:

- Collection House Limited. Appointed 28 August 2013; and
- Blue Sky Alternative Investments Limited. Appointed February 2017.

Former directorships (in the last 3 years):

 Blue Sky Alternatives Access Fund Limited. Appointed 15 April 2014. Resigned May 2017.

**Special responsibilities:** Chairman of the Audit, Risk and

Remuneration Committee.

Interests in shares: 2,678,573 ordinary shares.

Interests in options: 500,000 options.

**George Lloyd** 

Title: Independent non-executive director

Qualifications: Bachelor of Engineering Science (Industrial

Engineering), Master of Business Administration

**Experience and expertise:** Mr Lloyd has over 30 years of resource industry experience including senior executive and board member roles of listed and unlisted companies with interests in minerals, energy, industry services and corporate finance.

Mr Lloyd holds a Bachelor of Engineering Science (Industrial Engineering) and a Master of Business Administration, both from the University of NSW. He is also a graduate of the Stanford Executive Program. Mr Lloyd is a Fellow of the Australian Institute of Company Directors (AICD) and a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM).

#### Other current directorships:

• Ausenco Limited (Chairman). Appointed 13 May 2005.

#### Former directorships (in the last 3 years):

- Cape Alumina Limited. Resigned December 2014.
- Pryme Energy Limited. Resigned December 2015.

**Special responsibilities:** None.

Interests in shares: 1,306,437 ordinary shares.

Interests in options: 500,000 options.

**Lindsay Ward** 

Title: Independent non-executive director

Qualifications: Graduate Diploma of Business Management, Bachelor of Applied Science (Geology), Diploma of Mining, Graduate Member of the Australian Institute of Company Directors.

**Experience and expertise:** Mr Ward is an experienced senior executive having worked for over 30 years in a broad range of industries including mining, exploration, ports, mineral processing, rail haulage, electricity generation, gas transmission, alternative waste treatment, transport and logistics at general manager, chief executive officer, managing director, non-executive director and chairman level.

Mr Ward is currently chief executive officer of Palisade Asset Management with responsibility for a range of infrastructure assets including gas transmission pipelines, wind farms, rural livestock exchanges, alternative waste treatment plants and a power station. Prior to this, Mr Ward was managing director of Dart Mining NL (ASX: DTM), a Victorian based exploration and development company.

Other current directorships: None.

#### Former directorships (in the last 3 years):

 Cape Alumina Limited. Appointed May 2014. Resigned February 2015.

**Special responsibilities:** Member of Audit, Risk and Remuneration Committee.

Interests in shares: 830,358 ordinary shares.

Interests in options: 500,000 options.

**Dongping Wang** 

Title: Non-executive director

Qualifications: Bachelor of Coal Preparation

Experience and expertise: Mr Wang graduated from the China University of Mining and Technology (CMUT) in 1981 with a bachelor degree in coal processing technology. For many years Mr Wang was process plant manager, and later director of operations, at Pingshuo Antaibao coal mine; a World Bank

funded USA – China joint venture project. Mr Wang then became general manager of Long-Airdox (Tianjin) where from 1997 he was instrumental in introducing modern coal process technology from Australia to China. Mr Wang became general manager of Schenck (Tianjin) and worked there from 2001 until 2007.

Mr Wang then helped establish the Dadi Engineering Development Group, now China's largest engineering group in the coal industry. Mr Wang has worked at the highest level within the Chinese coal industry for over 30 years and is a highly renowned coal processing expert, and a prominent figure in the Chinese coal industry. Mr Wang brings extensive management experience and an intimate knowledge of modern coal process technology to the Company.

Mr Wang is chairman of the Dadi Engineering Development Group which, together with associated entities, holds 76,168,678 ordinary shares in the Company.

Other current directorships: None.

Former directorships (in the last 3 years): None.

Special responsibilities: None.

Interests in shares: None other than as noted above.

Interests in options: 500,000 options.

Jijun Liu

Title: Non-executive director

Qualifications: -

**Experience and expertise:** Mr Liu is the managing director of the China Xinfa Group Corporation Limited which controls one of the largest alumina-aluminium enterprises in China. Mr Liu is also a member of various government committees. He studied thermal power plant engineering at Shandong Power Junior College.

Mr Liu is an employee of China Xinfa Group Corporation Limited which, together with associated entities, holds 22,571,507 ordinary shares in the Company.

Other current directorships: None.

Former directorships (in the last 3 years):

Cape Alumina Limited. Resigned January 2015.

Special responsibilities: None.

Interests in shares: None other than as noted above.

Interests in options: None.

Mark Sawyer

**Title:** Non-executive director **Qualifications:** LLB (Hons)

Experience and expertise: Mr Sawyer co-founded Greenstone Resources in 2013 after a 16 year career in the mining sector. Prior to establishing Greenstone Resources, Mr Sawyer was general manager and co-head Group Business Development at Xstrata plc where he was responsible for originating, evaluating and negotiating new business development opportunities. Prior to Xstrata plc, Mr Sawyer held senior roles at Cutfield Freeman & Co, a boutique corporate advisory firm in the mining industry, and at Rio Tinto plc. Mr Sawyer holds a law degree and is also a graduate of the College of Law programme (First Class Honours).

Mr Sawyer is a director and a joint 50% owner of Greenstone Management Limited (GML). GML is the indirect owner of 100% of Greenstone Management (Delaware) II LLC which held 199,311,908 ordinary shares in the Company as at 30 June 2017.

#### Other current directorships:

- North River Resources Plc; and
- Heron Resources Ltd.

Former directorships (in the last 3 years): None.

**Special responsibilities:** Member of the Audit, Risk and

Remuneration Committee.

Interests in shares: None other than as noted above.

Interests in options: None.

#### Xiaoming Yuan

**Title:** Alternate director for Mr Dongping Wang **Qualifications:** Bachelor of Mining Engineering

**Experience and expertise:** Mr Yuan is managing director of Dadi Australia and chairman of Aury Australia. As the representative of the Dadi Engineering Development Group Mr Xiaoming delivers support and assistance to the board and Company from the major shareholder.

Mr Yuan is a graduate of mining engineering from China University of Mining and Technology (CUMT) with over 20 years' experience in the roles of mining engineer, business development, project management and corporate management for mining, construction and equipment manufacturing companies both in China and internationally.

Other current directorships: None.

Former directorships (in the last 3 years): None.

Special responsibilities: None. Interests in shares: None. Interests in options: None.

Ken Xiao

Title: Alternate director for Mr Jijun Liu

Qualifications: Bachelor of Science, Bachelor of Engineering,

Master of Information Technology.

**Experience and expertise:** Mr Xiao holds a Bachelor of Science majoring in computing and a Bachelor of Engineering in computing from the University of Newcastle. He is also holds a Master of Information Technology from Queensland University of Technology.

Mr Xiao is a consultant to China Xinfa Group Corporation Limited which, together with associated entities, holds 22,571,507 ordinary shares in the Company.

Other current directorships: None.

Former directorships (in the last 3 years):

 Cape Alumina Limited, Alternate Director. Resigned January 2015.

Special responsibilities: None.

Interests in shares: 51,491 ordinary shares.

Interests in options: None.

Michael Haworth

**Title:** Alternate director for Mr Mark Sawyer **Qualifications:** Chartered Accountant (SA)

**Experience and expertise:** Mr Haworth co-founded Greenstone Resources in 2013 after a 20-year career in the mining sector including roles as Managing Director at JP Morgan and Head of Mining and Metals Corporate Finance in London.

Mr Haworth is a director and a joint 50% owner of Greenstone Management Limited (GML). GML is the indirect owner of 100% of Greenstone Management (Delaware) II LLC which held 199,311,908 ordinary shares in the Company as at 30 June 2017.

**Other current directorships:** Excelsior Mining (TSX), Coro Mining (TSX), Highland Copper (TSX), Adventus Zinc (TSX), Northern Vertex (TSX), Zanaga Iron Ore Co (AIM), Ncondezi Energy Ltd (AIM)

Former directorships (in the last 3 years): None

**Special responsibilities:** Member of the Audit, Risk and Remuneration Committee as Alternate for Mr Mark Sawyer.

Interests in shares: None other than as noted above.

Interests in options: None.

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

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

#### Company secretary

Mr Waddell was appointed as Company Secretary on 19 May 2014.

Mr Waddell's resources experience was gained over nine years with Anglo Coal and eight years with Rio Tinto Alcan (RTA) in a wide variety of senior roles across multiple sites. Mr Waddell has an extensive understanding of the bauxite and resources sectors. Prior to joining Metro Mining Limited, Mr Waddell was the Chief Financial Officer and Company Secretary for Cape Alumina Limited from June 2010 and Head of Finance for the Monash Energy project in Victoria's La Trobe Valley.

Mr Waddell holds a Bachelor of Business from the Queensland University of Technology and is a Fellow of the Certified Practicing Accountants and an Associate Member of the Governance Institute of Australia. Mr Waddell has also completed numerous post graduate courses including a Graduate Diploma in Applied Corporate Governance, Company Directors Course with the Australian Institute of Company Directors (AICD), and Post Graduate Diploma of Purchasing and Materials Management with RMIT.

#### **Meetings of directors**

The number of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2017, and the number of meetings attended by each director were:

	Full Board		Audit, Risk and Remuneration Committe	
	Attended	Held	Attended	Held
Mr S Everett	30	31	5	5
Mr P Hennessy	31	31	5	5
Mr G Lloyd	31	31	-	-
Mr L Ward	29	31	3	5
Mr D Wang	-	31	-	-
Mr J Liu	-	31	-	-
Mr M Sawyer	20	28	2	5
Mr S Finnis	14	14	-	-
Mr X Yuan (alternate for Mr D Wang)	27	31	-	-
Mr K Xiao (alternate for Mr J Liu)	26	31	-	-
Mr M Howarth (alternate for Mr M Sawyer)	5	26	2	5

<sup>&#</sup>x27;Held' represents the number of meetings held during the time the director held office or was a member of the relevant committee.

### **Remuneration report**

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the Group and the Company in accordance with the requirements of the Corporations Act 2001 and its Regulations.

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 Cash bonuses and share-based payments
- E Options and performance rights granted as remuneration
- F Key management personnel shareholdings
- G Other transactions with key management personnel

## A. Principles used to determine the nature and amount of remuneration

The Company's policy for determining the nature and amount of emoluments of key management personnel, including board members and other key management personnel of the Company is set out below.

The remuneration structure for key management personnel, excluding non-executive directors, is set by the board of directors (the 'Board'), based on recommendations received from the Audit, Risk and Remuneration Committee, and is based on a number of factors including market remuneration for comparable companies, particular experience of the individual concerned and overall performance of the Company. The contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. The Group retains the right to terminate contracts immediately by making payment as allowed under the termination provisions provided in the individual's contact of employment.

Upon retirement or termination key management personnel, excluding non-executive directors, are paid employee benefits accrued to date of retirement or termination. Other than as outlined in Section C, no other termination benefits are payable under service contracts. Any options issued which are not exercised on or before the date of termination lapse one (1) month after termination.

The objective of the Group's and Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms to the market best 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; and
- transparency.

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group and Company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel. The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

## Alignment to shareholders' interests

The executive remuneration framework:

- focuses on sustained growth in shareholder wealth, consisting
  of dividends and growth in share price, and delivering
  constant, or increasing, 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

The executive remuneration framework:

- rewards capability and experience;
- reflects competitive rates of remuneration in respect of skills and responsibility;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

In accordance with best practice corporate governance, the structures of non-executive directors' remunerations and executives' remunerations are separate.

#### Non-executive directors' remuneration

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 Board has also agreed where necessary to seek the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

ASX Listing Rules require that the aggregate non-executive directors' remuneration shall be determined periodically by a general meeting. The most recent determination was at the extraordinary general meeting held on 21 August 2017, where the shareholders approved an aggregate remuneration of \$500,000 per annum.

#### **Executive remuneration**

The Group and Company aim to reward executives with a level and mix of remuneration based on their positions and responsibilities, and which is both fixed and variable.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- share-based payments;
- cash bonuses; and
- other remuneration such as superannuation and long service

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

## Fixed remuneration

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually by the Board, based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and adds additional value to the executive. As the Group is in development and not production phase, there is no direct relationship between the Company's financial performance and the level of remuneration paid to key management personnel.

### **Employee Incentives**

The Company has established the Metro Mining Employee Incentive Plan ('EIP') to enable the issue of shares or options in the Company to employees of the Company to assist in the retention and motivation of employees. Under the EIP, the Company may offer shares, performance rights or options over unissued shares in the Company.

#### **Short-term incentives**

Short-term incentives ('STI') are calculated over a 12-month period and include performance rights and/or cash bonuses at the election of the Board.

The STI has 75% of the incentive linked to individual Key Performance Indicators (KPI), which are prepared for each employee and then reviewed by the Audit, Risk and Remuneration Committee and approved by the Board for executives. The KPI include specific milestones and goals that have a strong relationship to the performance and success

of the Group. The KPI include milestones such as progressing the Company's projects toward production and funding the Company on satisfactory terms.

The other 25% of the incentive is linked to Total Shareholder Return ('TSR') which compares the Group share price against the 300 Metal and Mining Index (ASX: XMM).

The Group's share price must increase by at least 15% against the index for the full 25% TSR to be granted and operates on a sliding scale to the point at which there are no TSR benefits to the employee if the Group share price reduces when compared to the index movement. The period for measuring the movement is 12-months, similar to the performance period for the KPI.

Any shares issued under the STI performance rights program are subject to a 12-month escrow agreement, which means that the employee cannot trade in the shares issued for a period of one year after the shares are issued.

## **Long-term Incentives**

Long-term incentives ('LTI') currently include long service leave and share-based payments. No options or performance rights have been issued as LTI for a number of years. If any LTI are issued as options or performance rights in the future, they will be for a period of at least three years based on long-term incentive measures. These LTI will include specific goals that have been given a high level of importance in relation to the future growth of the Group.

#### Group performance and link to remuneration

The Company is linking 25% of the current employee STI to TSR as outlined above. This links the share price of the Company to the executive remuneration, incentivising employees to contribute to improved Company performance and growth of shareholder wealth.

The Company may issue options or performance rights to provide an incentive for key management personnel which, it is believed, is in line with industry standards and practice. It is also believed to align the interests of key management personnel with those of the Company's shareholders.

At the end of the year, the Board compares the actual performances of the executives and executive directors against the performance conditions set by the Board for those individuals and assesses whether or not the conditions have been met. This method of assessment was chosen as it provides the Board with an objective assessment of the individual's performance.

The Board reviews the performance conditions to gauge their effectiveness against achievement of the set goals, and adjusts future years' incentives as they see fit, to ensure use of the most cost effective and efficient methods. All bonus and incentive payments are at the discretion of the Board.

### Independent review of remuneration

Prior to the signing of this Remuneration Report, an independent advisor, Mining People International, was engaged by, and provided to the Board, remuneration benchmarking data and advice about remuneration for non-executive directors and senior executives at a cost of \$8,275.

The advisor was appointed by, and provided recommendations directly to, the Board. Recommendations were made, accompanied by a declaration from the advisor that the recommendation was free from undue influence of key management personnel to whom it related.

The Board is satisfied that the remuneration recommendations received from Mining People International were made free from undue influence by the key management personnel to whom any of the remuneration recommendations related.

The Board will take into account the recommendations from the report in future evaluations of remuneration for non-executive directors and senior executives.

On 21 August 2017, a resolution to increase the director fee pool from \$350,000 to \$500,000 in aggregate was put to an extraordinary general meeting of the Company. The reasons for requesting the increase to the maximum aggregate remuneration for non executive directors were as follows:

- the previous limit of \$350,000 per annum has been in place for over six years after being approved by shareholders on 18 November 2010. Since November 2010, the Company has progressed from the exploration phase to the project development phase of its Bauxite Hills project which has required an increase in the number of directors on the Board and a broadening of the Board's skill set;
- as the Company progresses development of the Bauxite
  Hills Mine and moves toward first production, the mix of
  skills required on the Board will continue to evolve and may
  require additional Board appointments with appropriate
  relevant skills;
- the Board is of the view that the proposed increase to non executive directors' aggregated remuneration is commensurate with market remuneration paid to non executive directors at equivalent ASX listed companies in terms of growth and market capitalisation and is necessary to retain and attract appropriately qualified non executive directors to the Company; and
- the increase reflects the more onerous corporate governance environment, a requirement for more regular Board involvement during the construction phase of Bauxite Hills Mine and, once the mine is in operation, a commensurate increase in time and responsibility of non executive directors.

The Company does not intend to allocate the full amount immediately. The proposed increase has been calculated to allow for growth over time in both the remuneration and the number of non executive directors. The maximum amount of \$500,000 is applied to the various non-executive directors at the discretion of the Board.

#### B. Details of remuneration

#### Amounts of remuneration

Details of the remuneration of directors and other key management personnel of the Group are set out in the following tables. Key management personnel are defined as those who have the authority and responsibility for planning, directing and controlling the activities of the Group.

The key management personnel ('KMP') of the Group consists of the directors of the Company and executives for the period of their tenure as outlined below:

- Mr Stephen Everett Independent Chairman
- Mr Simon Finnis Executive Managing Director
- Mr Philip Hennessy Independent Non-Executive Director
- Mr George Lloyd Independent Non-Executive Director
- Mr Lindsay Ward Independent Non-Executive Director
- Mr Dongping Wang Non-Executive Director
- Mr Jijun Liu Non-Executive Director
- Mr Mark Sawyer Non-Executive Director
- Mr Xiaoming Yuan Alternate Director for Dongping Wang
- Mr Ken Xiao Alternate Director for Jijun Liu
- Mr Michael Haworth Alternate Director for Mark Sawyer
- Mr Michael O'Brien Project Director
- Mr Scott Waddell Chief Financial Officer and Company Secretary

## Remuneration expense details for the year ended 30 June 2017

The following Table of Benefits and Payments represents the components of the current year and comparative year remuneration expenses for each member of KMP of the Group. Amounts have been calculated in accordance with Australian Accounting Standards.

				Post employment	Long-term	Share-based	
		Short-term Be	enefits	Benefits	Benefits	Payments	
	Cash Salary		Non-	Super-	Long Serv.	Equity-	
	and Fees	Bonus	monetary	annuation	Leave	settled	Total
2017	\$	\$	\$	\$	\$	\$	\$
Executive Directors:							
Mr S Finnis	308,468	36,094	6,685	16,625	-	58,393	426,265
Non-Executive Directors:							
Mr S Everett	88,250	-	-	-	-	7,997	96,247
Mr P Hennessy	51,484	-	-	4,891	-	7,997	64,372
Mr G Lloyd	46,250	-	-	-	-	7,997	54,247
Mr L Ward	51,250	-	-	-	-	7,997	59,247
Mr D Wang	23,125	-	-	-	-	7,997	31,122
Mr J Liu	46,250	-	-	-	-	-	46,250
Mr M Sawyer	-	-	-	-	-	-	-
Mr X Yuan	23,125	-	-	-	-	-	23,125
Mr K Xiao	-	-	-	-	-	-	-
Mr M Howarth	-	-	-	-	-	-	-
Other KMP							
Mr M O'Brien	247,500	-	-	-	-	16,318	263,818
Mr S Waddell	224,091	-	-	21,289	-	11,716	257,096
	1,109,793	36,094	6,685	42,805	-	126,412	1,321,789
2016							
Non-Executive Directors:							
Mr S Everett	86,000	-	-	-	-	4,338	90,338
Mr P Hennessy	50,228	-	-	4,772	-	4,338	59,338
Mr G Lloyd	45,000	-	-	-	-	4,338	49,338
Mr L Ward	45,662	-	-	4,338	-	4,338	54,338
Mr D Wang	22,500	-	-	-	-	4,338	26,838
Mr J Liu	45,000	-	-	-	-	-	45,000
Mr X Yuan	22,500	-	-	-	-	-	22,500
Mr K Xiao	-	-	-	-	-	-	-
Other KMP							
Mr S Finnis	275,001	42,145	-	-	-	46,195	363,341
Mr M O'Brien	263,114	-	-	-	-	-	263,114
Mr S Waddell	224,091	-	-	21,289	-	-	245,380
	1,079,096	42,145	-	30,399	-	67,885	1,219,525

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

	Fixed Rem	uneration	At Risk	c - STI	At Risk - LTI		
	2017	2016	2017	2016	2017	2016	
	%	%	%	%	%	%	
Executive Directors							
Mr S Finnis	78	75.7	22	11.6	-	12.7	
Non-Executive Directors							
Mr S Everett	92	95	-	-	8	5	
Mr P Hennessy	88	93	-	-	12	7	
Mr G Lloyd	85	91	-	-	15	9	
Mr L Ward	87	92	-	-	13	8	
Mr D Wang	74	84	-	-	26	16	
Mr J Liu	100	100	-	-	-	-	
Mr M Sawyer	-	-	-	-	-	-	
Mr X Yuan	100	100	-	-	-	-	
Mr K Xiao	-	-	-	-	-	-	
Mr M Howarth	-	-	-	-	-	-	
Other KMP							
Mr M O'Brien	94	100	6	-	-	-	
Mr S Waddell	95	100	5	-	-	-	

### Securities received that are not performance related

No members of KMP are entitled to receive securities that are not performance-based as part of their remuneration package.

### C. Service agreements

Remuneration and other terms of employment for key management personnel, other than directors, are formalised in service agreements. Details of these agreements are as follows:

#### **Mr Simon Finnis**

Title: Managing Director and Chief Executive Officer ('CEO')

Agreement commenced: 1 January 2017

Term of agreement: Until terminated in accordance with the provisions of the agreement.

Details: The key terms of this agreement are as follows:

- The term is ongoing whilst Mr Finnis is CEO.
- Base salary of \$350,000, exclusive of superannuation, subject to annual review by the board.
- A short-term annual incentive of up to 35% of base annual salary assessed against agreed key performance indicators which include capital raising, granting of all required permits, project construction, and other milestones approved by the Board. The bonus is paid as 50% cash and 50% as performance rights or options.
- The agreement may be terminated at any time by either party giving six (6) months' notice. In the event of a change of control of the Company, that leads to dismissal or material reduction in responsibilities the employee will be entitled to six (6) months' salary and any bonuses that have accrued at the time of the event.

#### **Mr Scott Waddell**

Title: Chief Financial Officer and Company Secretary

Term of agreement: The agreement can be terminated by either party giving three (3) months'

Details: The key terms of this agreement are as follows:

- The term is ongoing whilst Mr Waddell is Chief Financial Officer;
- Base salary is \$224,092, exclusive of superannuation, and is subject to annual review by the board;
- A short-term annual incentive of up to 25% of base salary assessed against agreed key performance indicators which include establishing systems and governance as the company grows as well as identification of and implementation of cost savings and other measures as approved by the Board. The bonus is paid as 100% performance rights or options.

Mr Michael O'Brien - employed through contract arrangement

Title: Project Director

Agreement commenced: 12 January 2015, extended 12 January 2017

Term of agreement: The agreement can be terminated by either party giving 14 days' notice.

Details: The key terms of this agreement are as follows:

- Term of 12 months.
- The base remuneration is \$1,500 per day, based on a 4-day week.
- A short-term annual incentive of up to 25% of annual service fees assessed against agreed key performance indicators including construction of the Bauxite Hills Mine on time and on budget and other measures as approved by the Board.
   The bonus is paid as 100% performance rights or options.

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

### D. Cash bonuses and share-based payments

The terms and conditions relating to options and performance rights granted as remuneration during the year to KMP are as follows:

Name	Remuneration Type	Grant Date	Grant Value \$	Reason Granted	Percentage Vested/Paid %	Percentage Forfeited %	Percentage Remaining Unvested %	Expiry Date	Range for Future Payments
Executive Directo	rs								
Mr S Finnis Mr S Finnis	Options Cash	07/04/17	32,765	(ii)	100	-	-	07/04/19	N/A
	Bonus	27/02/17	36,094	(ii)	100	-	-	N/A	N/A
Mr S Finnis	Perf. Rights	02/06/17	62,362	(iii)	-	-	100	31/07/18	N/A
Non-Executive Di	rectors								
Mr S Everett	Options	15/12/15	16,016	(i)	-	-	100	14/12/17	N/A
Mr P Hennessy	Options	15/12/15	16,016	(i)	-	-	100	14/12/17	N/A
Mr G Lloyd	Options	15/12/15	16,016	(i)	-	-	100	14/12/17	N/A
Mr L Ward	Options	15/12/15	16,016	(i)	-	-	100	14/12/17	N/A
Mr D Wang	Options	15/12/15	16,016	(i)	-	-	100	14/12/17	N/A
Other KMP									
Mr M O'Brien	Perf. Rights	02/06/17	39,708	(iii)	-	-	100	31/07/18	N/A
Mr S Waddell	Perf. Rights	02/06/17	28,508	(iii)	-	-	100	31/07/18	N/A

- (i) The options have been granted subject to the Company obtaining a mining licence for the Bauxite Hills Project. The options vest in full, and are exercisable, on the date the mining licence is granted. No amounts were paid by the recipients on grant of the options.
- (ii) The options and cash bonus were granted in accordance with the recipient's terms of engagement and on satisfaction of the key performance indicators outlined in the recipient's service contract.
- (iii) 75% of the performance rights have been granted subject to the satisfaction of key performance indicators agreed between the recipient and the Company. 25% of the performance rights vest only if the Total Shareholder Return for the Company is greater than the Total Shareholder Return for the S&P / ASX 300 Metals & Mining Index over the vesting period.

## E. Options and performance rights granted as remuneration

### Options granted as remuneration

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

	Balance at Beginning		Granted		Exercised		Lapsed	Balance at End Year
	of Year Number	Issue Date	Number	Value \$	Number	Value \$	Number	of Number
Executive		24.0		•		•		
Directors								
Mr S Finnis	4,047,493	7 Apr 17	545,000	32,765	3,000,000	261,000	-	1,592,493
Non-Executive								
Directors								
Mr S Everett	500,000	-	-	-	-	-	-	500,000
Mr P Hennessy	500,000	-	-	-	=	-	-	500,000
Mr G Lloyd	500,000	-	-	-	-	-	-	500,000
Mr L Ward	500,000	-	-	-	-	-	-	500,000
Mr D Wang	500,000	-	-	-	-	-	-	500,000
Other KMP								
Mr M O'Brien	2,500,000	-	-	-	2,500,000	217,500	-	-
Mr S Waddell	2,500,000	-	-	-	2,500,000	217,500	-	-
	11,547,493		545,000	32,765	8,000,000	696,000	-	4,092,493

### E. Options and performance rights granted as remuneration (continued)

		Vested		Unvested
	Balance at End of Year Number	Exercisable Number	Unexercisable Number	Total at End of Year Number
Executive Directors				
Mr S Finnis	1,592,493	1,592,493	-	-
Non- Executive Directors				
Mr S Everett	500,000	-	-	500,000
Mr P Hennessy	500,000	-	-	500,000
Mr G Lloyd	500,000	-	-	500,000
Mr L Ward	500,000	-	-	500,000
Mr D Wang	500,000	-	-	500,000
	4,092,493	1,592,493	-	2,500,000

The fair value of options granted as remuneration and as shown in the above table has been determined in accordance with Australian Accounting Standards and will be recognised as an expense over the relevant vesting period to the extent that the conditions necessary for vesting are satisfied.

### Description of options issued as remuneration

Details of the options granted as remuneration to key management personnel are as follows:

Grant Date	Issuer	Entitlement on Exercise	Dates Exercisable	Exercise Price	Option at Grant Date	/ Payable By Recipient
07/04/2017	Metro Mining	1:1 Ordinary	From vesting date			
	Limited	Shares in	until 07/04/2019			
		Metro Mining Limited		\$0.137	\$0.060	\$Nil

Value Per

Amount Daid

Option values at grant date were determined using the Black-Scholes method.

#### Performance rights granted as remuneration

The number of performance rights held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at Beginning		Granted		Exercised		Lapsed	Balance at End
	of Year Number	Issue Date	Number	Value S	Number	Value \$	Number	of Year Number
Executive Directors	Nomber	Duie	Nomber	•	Nomber	¥	Nomber	Nomber
Mr S Finnis	-	02/06/17	814,348	62,362	-	-	-	814,348
Other KMP								
Mr M O'Brien	-	02/06/17	518,524	39,708	-	-	-	518,524
Mr S Waddell	-	02/06/17	372,273	28,508	-	-	-	372,273
	=		1,705,145	130,578	=	-	=	1,705,145

No performance rights are held by non-executive directors.

	Balance at End of Year Number	Vested Exercisable Number	Unexercisable Number	Unvested Total at End of Year Number
Executive Directors Mr S Finnis	814.348			814,348
IVII 3 FILILIIS	014,340	<del>-</del>	-	014,340
Other KMP				
Mr M O'Brien	518,524	-	-	518,524
Mr S Waddell	372,273	-	-	372,273
	1,705,145	-	-	1,705,145

## Description of performance rights granted as remuneration

Details of the performance rights granted as remuneration to key management personnel are as follows:

### E. Options and performance rights granted as remuneration (continued)

Class of Performance Rights	Grant Date	Issuer	Entitlement on Exercise	Dates Exercisable	Exercise Price	Value Per Right at Grant Date	Amount Paid / Payable By Recipient
KPI (i)	02/06/2017	Metro Mining Limited	1:1 in Ordinary Shares Metro Mining Limited	From 31 Jan 18 until 31 Jul 18	\$0.00	\$0.087	\$0.00
TSR (ii)	02/06/2017	Metro Mining Limited	1:1 Ordinary Shares in Metro Mining Limited	From 31 Jan 18 until 31 Jul 18	\$0.00	\$0.044	\$0.00

<sup>(</sup>i) KPI Performance Rights vest only if, over the vesting period, the recipient satisfies the key performance criteria agreed with the recipient at the time of grant. The value of KPI Performance Rights at grant date was determined using the Black-Scholes method.

#### F. Key management personnel shareholdings

The number of ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is as follows:

	Balance at Beginning of Year	Granted as Remuneration During the Year	Issued on Exercise of Options	Other Changes During the Year	Balance at End of Year
Executive Directors					
Mr S Finnis	915,715	-	3,000,000	(1,116,572)	2,799,143
Non- Executive Directors	;				
Mr S Everett	2,794,052	-	-	1,397,026	4,191,078
Mr P Hennessy	1,785,715	-	-	892,858	2,678,573
Mr G Lloyd	867,442	-	-	438,995	1,306,437
Mr L Ward	553,572	-	-	276,786	830,358
Mr K Xiao	51,491	-	-	-	51,491
Other KMP					
Mr M O'Brien	1,095,091	-	2,500,000	(216,906)	3,378,185
Mr S Waddell	376,484	-	2,500,000	(56,484)	2,820,000
	8,439,562	-	8,000,000	1,615,703	18,055,265

## G. Other transactions with key management personnel and / or their related parties

There were no other transactions conducted between the Group and key management personnel or their related parties, apart from those disclosed above relating to equity and compensation, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated parties.

### This is the end of Remuneration Report.

The Directors' Report, incorporating the Remuneration Report, is signed in accordance with a resolution of the board of directors:

S Everett Chairman 22 August 2017 Brisbane

<sup>(</sup>ii) TSR Performance Rights vest only if the Total Shareholder Return for the Company is greater than the Total Shareholder Return for the S&P / ASX 300 Metals & Mining Index over the vesting period from 2 June 2017 to 31 January 2018. The value of TSR Performance Rights at grant date was determined using a Monte-Carlo Simulation.



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## DECLARATION OF INDEPENDENCE BY A J WHYTE TO DIRECTORS OF METRO MINING LIMITED

As lead auditor of Metro Mining Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

- 1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- 2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Metro Mining Limited and the entities it controlled during the year.

A J Whyte Director

**BDO Audit Pty Ltd** 

Brisbane: 22 August 2017



## Metro Mining Limited Financial Report For the year ended 30 June 2017

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## General information

The financial report covers Metro Mining Limited as a consolidated entity consisting of Metro Mining Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Metro Mining Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

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

Level 2, 247 Adelaide Street

Brisbane Queensland 4000

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

The financial report was authorised for issue, in accordance with a resolution of directors, on 22 August 2017.

The directors have the power to amend and reissue the financial report.

		Consolidated	
		2017	2016
	Note	\$	\$
Other income Finance costs	4 5	9,033,064 (4,402,815)	1,114,509 (165,908)
Acquisition expenses	6	(3,459,877)	(103,700)
Employee benefits expense	5	(1,495,522)	(1,082,471)
Occupancy expenses		(154,292)	(135,486)
Depreciation and amortisation expense	12	(40,329)	(27,818)
Impairment of exploration and evaluation assets Other expenses	14 5	(8,479) (1,843,986)	(4,503,540) (2,033,084)
Loss before income tax benefit	3	(2,372,236)	(6,833,798)
2003 Delote income lax benefit		(2,57 2,250)	(0,000,770)
Income tax benefit	7		
Net loss for the year		(2,372,236)	(6,833,798)
Other comprehensive income/ (losses)			
Items that will be reclassified to profit or loss when specific conditions are met:			
Foreign currency translation differences		(3,715)	(3,145)
Total comprehensive loss for the year, net of tax		(2,375,951)	(6,836,943)
			, , , ,
Total comprehensive loss for the year attributable to:		(0.075.051)	
Owners of the Company		(2,375,951)	(6,836,943)
Non-controlling interests  Total comprehensive loss for the year		(2,375,951)	(6,836,943)
Total Completiensive loss for the year			
Paria loss par chara	21	<b>Cents</b> (0.33)	<b>Cents</b> (1.83)
Basic loss per share Diluted loss per share	21	(0.33)	(1.83)
		(*****)	(,
Consolidated statement of financial position as at 30 June 2017		Cons	olidated
		2017	2016
	Note	\$	\$
Assets			
Current assets			
Cash and cash equivalents	8	15,345,709	2,684,309
Trade and other receivables Other assets	9 10	774,678 165,668	361,205 6,161
Total current assets	10	16,286,055	3,051,675
Non-current assets			2,22.,22
Financial assets	11	16,251	3,975,733
Property, plant and equipment	12	77,251,358	10,344
Exploration and evaluation assets	14	6,639,383	10,586,825
Other assets	10	2,079,454	7,560
Total non-current assets		85,986,446	14,580,462
Total assets		100 070 501	17 /20 127
Liabilities		102,272,501	17,632,137
Current liabilities			
Trade and other payables	15	4,682,301	1,115,388
Borrowings	16	15,374,188	-
		81,261	85,848
Provisions	17		1,201,236
	17	20,137,750	1,201,200
Total current liabilities	17	20,137,750	1,201,200
Total current liabilities  Non-current liabilities  Borrowings	16	211,713	-
Total current liabilities  Non-current liabilities  Borrowings			-
Total current liabilities  Non-current liabilities  Borrowings  Provisions	16	211,713	
Total current liabilities  Non-current liabilities  Borrowings  Provisions  Total non-current liabilities	16	211,713 1,145,645	1,201,236
Total current liabilities  Non-current liabilities  Borrowings  Provisions  Total non-current liabilities  Total liabilities	16	211,713 1,145,645 1,357,358	- - -
Non-current liabilities Borrowings Provisions Total non-current liabilities  Total liabilities  Net assets	16	211,713 1,145,645 1,357,358 21,495,108	1,201,236
Non-current liabilities  Borrowings Provisions Total non-current liabilities  Total liabilities  Net assets  Equity	16 17	211,713 1,145,645 1,357,358 21,495,108 80,777,393	1,201,236 16,430,901
Non-current liabilities Borrowings Provisions Total non-current liabilities  Total liabilities  Net assets  Equity Contributed equity	16 17	211,713 1,145,645 1,357,358 21,495,108 80,777,393	1,201,236 16,430,901 56,105,993
Total current liabilities  Non-current liabilities  Borrowings  Provisions  Total non-current liabilities  Total liabilities  Net assets  Equity  Contributed equity  Reserves	16 17	211,713 1,145,645 1,357,358 21,495,108 80,777,393	1,201,236 16,430,901 56,105,993 3,734,767
Provisions  Total current liabilities  Non-current liabilities  Borrowings Provisions  Total non-current liabilities  Total liabilities  Net assets  Equity  Contributed equity  Reserves  Accumulated losses  Total equity	16 17	211,713 1,145,645 1,357,358 21,495,108 80,777,393	1,201,236 16,430,901 56,105,993

	Contributed Equity	Foreign Currency Translation Reserve	Share-based Payments Reserves	Change in Interest of Subsidiary Reserve	Accumulated Losses	Total Equity
Consolidated	\$	\$	\$	\$	\$	\$
Balance at 1 July 2015	47,491,109	-	5,715,426	(2,045,399)	(36,576,061)	14,585,075
Comprehensive income for the year						
Loss after income tax expense	-	-	-	-	(6,833,798)	(6,833,798)
Other comprehensive income, net of tax		(3,145)	-	-	-	(3,145)
Total comprehensive income for the year	-	(3,145)		-	(6,833,798)	(6,836,943)
Transactions with owners in their capacity as owners						
Shares issued during the year	9,153,672	-	-	-	-	9,153,672
Transaction costs	(538,788)	-	-	-	-	(538,788)
Share-based payments	_	-	67,885	-	-	67,885
Total transactions with owners	8,614,884	-	67,885	-	-	8,682,769
Balance at 30 June 2016	56,105,993	(3,145)	5,783,311	(2,045,399)	(43,409,859)	16,430,901
Balance at 1 July 2016	56,105,993	(3,145)	5,783,311	(2,045,399)	(43,409,859)	16,430,901
Comprehensive income for the year						
Loss after income tax expense	-	-	-	-	(2,372,236)	(2,372,236)
Other comprehensive income, net of tax		(3,715)	-	-	-	(3,715)
Total comprehensive income for the year		(3,715)	-	-	(2,372,236)	(2,375,951)
Transactions with owners in their capacity as owners						
Shares issued during the year	68,912,325	-	-	-	-	68,912,325
Transaction costs	(2,831,289)	-	-	-	-	(2,831,289)
Share-based payments			641,407			641,407
Total transactions with owners	66,081,036	-	641,407	-	-	66,722,443
Balance at 30 June 2017	122,187,029	(6,860)	6,424,718	(2,045,399)	(45,782,095)	80,777,393

		Со	nsolidated
		2017	2016
	Note	\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		289,218	252,235
Payments to suppliers and employees (inclusive of GST)		(3,766,148)	(3,132,527)
Interest received		223,963	101,194
Net cash used in operating activities	22	(3,252,967)	(2,779,098)
Cash flows from investing activities			
Payments for plant and equipment		(167,253)	(12,982)
Payments for exploration and evaluation assets		(4,262,524)	(3,791,602)
Payments for assets under construction		(4,383,024)	(0,771,002)
Payments for available-for-sale financial assets		(8,957,338)	(407,489)
Payments for financial assurance		(571,645)	-
Payments for acquisition of subsidiary (net of cash acquired)		(34,358,752)	_
Proceeds from sale of exploration and evaluation assets		55,000	875,000
Research and development tax refund received		-	637,293
Net cash used in investing activities		(52,645,536)	(2,699,780)
Cash flows from financing activities			
Proceeds from issue of shares		62,610,667	5,585,429
Share issue transaction costs		(2,831,289)	(538,788)
Proceeds from exercise of options		623,500	(000,700)
Proceeds from borrowings		63,500,000	_
Payment of finance lease liabilities		(5,111)	_
Interest paid		(1,719,664)	-
Finance costs paid		(2,631,929)	-
Repayment of borrowings		(50,970,020)	-
Loans advanced		(16,251)	-
Net cash provided by financing activities		68,559,903	5,046,641
		10 //1 /00	1400.007
Net increase / (decrease) in cash and cash equivalents		12,661,400	(432,237)
Cash and cash equivalents at the beginning of the financial year		2,684,309	3,116,546
Cash and cash equivalents at the end of the financial year	8	15,345,709	2,684,309

## Note 1. Significant accounting policies

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

### **Basis of preparation**

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

#### Historical cost convention

The financial statements have been prepared under the historical cost convention except for the revaluation of selected non-current assets and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

### Going concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The consolidated entity has net current liabilities of \$3,851,695 at 30 June 2017. The net current liabilities included current borrowings of \$15,335,151 with a repayment date of 11 April 2018.

The directors believe that the going concern basis of preparation is appropriate for the following reasons:

- As outlined in note 32, subsequent to the end of the financial year, the Company has raised \$38 million, before costs, by way of a share placement.
- On 28 July 2017, the Company announced that final loan agreements have been executed for the A\$40 million<sup>2</sup> project debt facility with Sprott Private Resource Lending and Ingatatus AG Pty Ltd. Sprott Private Resources is the senior secured lender and Ingatatus AG Pty Ltd has second ranking security. A US\$5 million drawdown occurred on execution and the remaining US\$10 million is contingent on permitting being completed on or before 31 March 2018.
- The \$15 million debt facility outstanding as at 30 June 2017 with Namrog Investments Pty Ltd was subsequently refinanced with Ingatatus AG Pty Ltd on 2 August 2017. The term of the facility with Ingatatus AG Pty Ltd is 3 years from the date of final drawdown. \$15 million is drawn down as at the date of this report.

### Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

### Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 31.

## **Principles of consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent, Metro Mining Limited, and all of its subsidiaries.

Subsidiaries are entities that the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affect those returns. The effects of potential

exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the parent. They are deconsolidated from the date that control ceases.

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

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

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

## **Operating segments**

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

### Revenue recognition

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

### Interes

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

### Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the consolidated entity will comply with all the attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase or development of assets, including exploration and evaluation activities, are deducted from the carrying value of the asset.

### Other revenue

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

### Income tax

The income tax expense or benefit for the year is the tax payable on that period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and under and over provision in prior years, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets

<sup>&</sup>lt;sup>2</sup> Based on 0.75 AUD/USD. Half of the debt is denominated in USD

are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

### Cash and cash equivalents

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

## Trade and other receivables

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

# Investments and other financial assets

Investments and other financial assets are measured at either amortised cost or fair value, depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

## Investments and other financial assets

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

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

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

### Impairment of financial assets

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

The amount of the impairment allowance for loans and receivables carried at amortised cost 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. If there is a reversal of impairment, the reversal cannot exceed what the amortised cost that would have been had the impairment not been recognised. The reversal of impairment is reversed to profit or loss.

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

### Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. 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 consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over its expected useful life as follows:

Plant and equipment 20% - 25% per annum
 Software 20% per annum
 Computer equipment 33% per annum
 Motor vehicles 33% per annum
 Other mineral assets Life of asset (units of production)

Assets under construction 0% (\*)

(\*) Assets under construction are not depreciated until fully commissioned and working at intended capacity. At this time, they will be transferred to the relevant class of asset to which they relate and depreciated over the relevant useful life.

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

### Other mineral assets

Other mineral assets include the following types of assets:

- Capitalised expenditure from 'Exploration and evaluation assets' which is transferred to 'Other mineral assets' once work completed to date supports the future development of the property and such development receives appropriate approvals.
- The cost of rehabilitation recognised as a rehabilitation asset which is amortised to the profit or loss over the period of rehabilitation, usually being the mine life.
- The fair value attributable to mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of an acquisition.

Once a mine property is developed, these assets will be depreciated over the life of the mine on a units of production basis

#### Assets under construction

All expenditure on the construction, installation or completion of infrastructure facilities is capitalised in 'Assets under construction' a sub-category of 'Property, Plant and Equipment, until such time as it is completed and capable of intended use. At this time, these assets will be transferred to the relevant category of Property, Plant and Equipment to be depreciated over their assessed useful lives.

### **Exploration and evaluation assets**

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

### Finance costs

Finance costs directly attributable to the acquisition, construction, or production of assets that necessarily take a substantial period of time to prepare for their intended use are added to the cost of those assets until such time as the assets are substantially ready for their intended use.

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

### Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership – are transferred to entities in the consolidated entity, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the period in which they are incurred.

### Restoration, rehabilitation and environmental expenditure

Costs of site restoration for development activities are provided for over the life of the area of interest. When development commences, site restoration costs would include the dismantling and removal of mining plant, equipment and building structure, waste removal, and rehabilitation of the site in accordance with clauses of mining permits. Such costs will be determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Estimates of future costs are reassessed at least annually. Changes in estimates relating to areas of interest in the exploration and evaluation phase are dealt with retrospectively, with any amounts that would have been written off or provided against under the accounting policy for exploration and evaluation immediately written off.

Restoration from exploration drilling is carried out at the time of drilling and accordingly no provision is required.

### Impairment of non-financial assets

Where applicable, goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be

impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

### Joint arrangements

The consolidated entity undertakes a number of business activities through joint arrangements. A joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control over an arrangement which exists only when the decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. The consolidated entity's joint arrangements are joint operations:

### Joint operations

A joint operation is a type of joint arrangement in which the parties with joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

In relation to interests in joint operations, the financial statements of the consolidated entity include:

- Assets, including the consolidated entity's share of any assets jointly held,
- Liabilities, including the consolidated entity's share of any liabilities incurred jointly,
- Revenue from the sale of the consolidated entity's share of the output arising from the joint operation; and
- Expenses, including the consolidated entity's share of any expenses incurred jointly.

All such amounts are measured in accordance with the terms of each arrangement which are in proportion to the consolidated entity's interest in the joint operation.

# Reimbursement of the costs of the operator of the joint arrangement

When the consolidated entity charges a management fee to cover general costs incurred in carrying out activities on behalf of the joint arrangement, the general overhead expenses and the management fee are recognised in the statement of profit or loss as an expense and income, respectively.

## **Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders' equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not re-measured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

#### Provisions

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

### **Employee benefits**

### Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

### Share-based payments

Equity-settled share-based compensation benefits are provided to directors and employees.

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

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

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

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether that market condition has been met, provided all other conditions are satisfied.

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

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

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

### **Dividends**

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

### **Business combinations**

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

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

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

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

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

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

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

## Investments in associates

Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the consolidated entity holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity-accounted investees) and are initially recognised at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the consolidated entity's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the consolidated entity, from the date that significant influence commences until the date that significant influence ceases.

When the consolidated entity's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the consolidated entity has an obligation or has made payments on behalf of the investee.

### Earnings per share

## Basic earnings per share

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

### Diluted earnings per share

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

### Goods and services tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

## New accounting standards for application in future periods

Accounting standards issued by the AASB that are not yet mandatorily applicable to the consolidated entity, together with an assessment of the potential impact of such pronouncements on the consolidated entity when adopted in future periods, are discussed below:

 AASB 9: Financial Instruments and associated amending standards (applicable to annual reporting periods beginning on or after 1 July 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and de-recognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the consolidated entity on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the consolidated entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Adoption of AASB 9 will not have a material impact on the consolidated entity's financial instruments.

 AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 July 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract(s);
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract(s); and
- Recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

For the year ended 30 June 2017, the consolidated entity did not recognise any material revenue from contracts with customers, therefore the adoption of AASB 15 will not have a material impact on the consolidated entity's financial statements.

It is anticipated that, if material revenue is earned from existing contracts with customers, there will be no material changes to how that revenue would be recognised and accounted for in the financial report under the new AASB 15 accounting standard.

 AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 July 2019)

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related interpretations. AASB 16 introduces a single leasee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- Recognition of a right-to-use asset and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to lowvalue assets);
- Depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- Inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- Application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all

components as a lease; and

Inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Applying AASB 16 would impact the consolidated entity's financial statements at 30 June 2017 by increasing current assets by \$114,176 and current liabilities by \$114,176; and increasing non-current assets and non-current liabilities by \$323,902.

# Note 2. Critical accounting judgements, estimates and assumptions

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

### Business combinations - note 6

The consolidated entity has identified that the acquisition of control of Gulf Alumina Limited ('Gulf') during the financial year should be accounted for as a business combination incorporating a step-acquisition.

## Step-acquisition

The consolidated entity increased its ownership of Gulf shares in the period from 21.8% at 1 July 2016 to 39% at 19 September 2016 through a series of off-market share purchases. The consolidated entity has accounted for those acquisitions at a cost of \$8,957,338 (cash paid), including capitalised acquisition costs of \$84,690. The consolidated entity accounted for this increase in interest as an increase in the investment at that time as the consolidated entity did not have any significant influence over Gulf in this period; the consolidated entity had no management influence (no appointed director), and Gulf directors and their related parties entered into a pre-bid agreement with a third party, Moly Mines Limited ('Moly') on 22 September 2016, agreeing to sell their controlling stake of 57.3% of shares in Gulf to Moly, in the absence of a superior offer.

At the date just before the consolidated entity obtained control of Gulf, under AASB 3, the investment was re-valued to its fair value of \$21,540,440, realising a gain of \$8,607,368 which has been recognised in the consolidated statement of profit or loss and other comprehensive income for year (refer to note 4).

### Date of control

On 2 December 2016, the controlling Gulf shareholder group agreed to sell their shares to the consolidated entity, pending the satisfaction of several conditions, including the payment of the consideration offered. These conditions were satisfied on 20 December 2016, and the consolidated entity obtained control of the shares and the board by appointing its own directors.

### • Gulf Alumina is a business

The consolidated entity has determined that Gulf Alumina Limited, whilst in pre-production, is a business. The main factors contributing to the judgment that Gulf Alumina is a business as set out in AASB 3 are:-

 Gulf's Skardon River project is close to pre-construction at the time of the acquisition.

- Gulf has published JORC 2012 Compliant Reserves and Resources for the Skardon River project.
- A definitive feasibility study (DFS) of the project had been performed in late 2015. As part of the DFS, a detailed mine plan to mine the JORC reserves was prepared.
- All pre-construction environmental approvals were achieved in September 2016 (Federal approval) and December 2016 (State approval) shortly after the acquisition date. A plan of operations was submitted as part of the environmental approvals process.
- The Mining lease approval is expected imminently (following on from the environmental approval).
- Whilst no employees have transferred from Gulf, regular contractors have helped achieve the above milestones through the last 2 years with the business.

### Carrying value of exploration and evaluation assets - note 14

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which include determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

## Carrying value of other mineral assets – note 12

Other mineral assets include capitalised expenditure from 'Exploration and evaluation assets' which is transferred to 'Other mineral assets' once work completed to date supports the future development of the property and such development receives appropriate approvals. During the year, the bankable feasibility study was completed in March 2017, final environmental approvals were received, and management have judged it appropriate to transfer \$20,661,193 from exploration and evaluation assets which relate to the Bauxite Hills Mine to other mineral assets.

Other mineral assets also contain the cost of rehabilitation recognised as a rehabilitation asset which is amortised to the profit or loss over the period of rehabilitation, usually being the mine life. This asset arose from the acquisition of Gulf Alumina Limited's Skardon River project and was determined by management's assessment of the disturbance and cost to rehabilitate the Skardon River project as at the acquisition date.

Also included in other mineral assets is the fair value attributable to mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of acquisition, which was attributable to the Gulf Alumina Limited acquisition.

### Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. Financial information provided to the Board is currently at the consolidated level.

The consolidated entity is managed primarily on a geographic basis; that is the location of the respective areas of interest (tenements). Areas of interest in Australia and Myanmar are not currently identified as separate operating segments. Activity in

Myanmar in the current financial year relates solely to business development and is insignificant in comparison to the activity of the consolidated entity as a whole. Accordingly, management currently identifies the consolidated entity as having only one reportable segment, being exploration for coal and bauxite. All significant operating decisions are based upon analysis of the

consolidated entity as one segment. The financial results from this segment are equivalent to the financial statements of the consolidated entity as a whole.

The consolidated entity does not have any products or services that it derives material revenue from.

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### Note 4. Other Income

Gain on fair value adjustment of available-for-sale assets         2         8.607,348         -           Interest received         249,424         97,509           Administration fees and recharge of expenses         107,680         140,000           Royalties received         68,592         -           Profit on sale of interests in mining tenements         875,000           Total other income         9,033,064         1,114,509           Note 5. Expenses           Employee benefits expenses           Salaries, wages, fees and provisions         1,303,548         982,935           Share based payments         137,932         67,885           Superannuation contributions         54,042         31,651           Total employee benefits expense         137,932         67,885           Superannuation contributions         54,042         31,651           Total employee benefits expense         2,054,815         211           Total employee benefits expense         2,054,815         211           Total employee benefits expense         2,054,815         211           Total finance costs         2,054,815         211           Borrowing costs         2,054,815         211           Borrowing costs         2,054,815		Conse		olidated	
Gain on fair value adjustment of available-for-sale assets         2         8,607,368			2017	2016	
Interest received         249,424         99,509           Administration fees and recharge of expenses         107,680         140,000           Royalties received         68,592         -           Profit on sale of interests in mining tenements         -         875,000           Total other income         9,033,064         1,114,509           Note 5. Expenses           Expenses           Employee benefits expenses           Salaries, wages, fees and provisions         1,303,548         982,935           Share based payments         137,932         67,885           Superannuation contributions         54,042         31,651           Total employee benefits expense         1,495,522         1,082,471           Finance costs         2,2054,815         21           Interest expense on financial liabilities not at fair value through profit or loss:  - Unrelated parties         2,2054,815         21           Borrowing costs         2,2054,815         21           Total finance costs         4,402,815         165,909           Other expenses           ASX and share registry costs         12         8,048         85,141           Professional fees         836,855         1,276,563		Note	\$	\$	
Administration fees and recharge of expenses         107,680         140,000           Royalties received         68,592         -           Profit on sale of interests in mining tenements         -         875,000           Total other income         9,033,064         1,114,509           Note 5. Expenses           Employee benefits expense           Salaries, wages, fees and provisions         1,303,548         982,935           Share based payments         137,932         67,885           Superannuation contributions         54,042         31,651           Total employee benefits expense         1,495,522         1,082,471           Interest expense on financial liabilities not at fair value through profit or loss:	Gain on fair value adjustment of available-for-sale assets	2	8,607,368	-	
Royalties received         68.592         -           Profit on sale of interests in mining tenements         -         875,000           Total other income         9,033,064         1,114,509           Note 5. Expenses           Employee benefits expense           Salaries, wages, fees and provisions         1,303,548         982,935           Share based payments         137,932         67,885           Superannuation contributions         54,042         31,651           Total employee benefits expense         1,495,522         1,082,471           Finance costs         2,054,815         211           Borrowing costs         2,054,815         211           Borrowing costs         2,054,815         211           Borrowing costs         4,402,815         165,908           Of ther expenses         4,402,815         165,908           Of the expenses         838,855         1,276,563           Loss on write-off of fixed assets         12         8,048         -2,746,803           Other expenses         870,745         671,380         671,380	Interest received		249,424	99,509	
Profit on sale of interests in mining tenements         -         875,000           Total other income         9,033,064         1,114,509           Note 5. Expenses           Employee benefits expense           Salaries, wages, fees and provisions         1,303,548         982,935           Share based payments         137,932         67,885           Superannuation contributions         54,042         31,651           Total employee benefits expense         1,495,522         1,082,471           Total employee benefits expenses         2,054,815         211           Total employee benefits expense         2,054,815         211           Enterest expense on financial liabilities not at fair value through profit or loss:         2,054,815         211           Borrowing costs         2,054,815         211           Total finance costs         4,402,815         165,908           Other expenses         128,338         85,141           ASX and share registry costs         836,855         1,276,563           Loss on write-off of fixed assets         12         8,048         6,71,380           Other expenses         88,074,56         671,380	Administration fees and recharge of expenses		107,680	140,000	
Note 5. Expenses         P.033,064         1,114,509           Loss before income tax includes the following specific expenses:         State of the sexpense of t	•		68,592	-	
Note 5. Expenses           Loss before income tax includes the following specific expenses:         3.303,548         982,935           Employee benefits expense         1,303,548         982,935           Share based payments         137,932         67,885           Superannuation contributions         54,042         31,651           Total employee benefits expense         1,495,522         1,082,471           Finance costs           Interest expense on financial liabilities not at fair value through profit or loss:	Profit on sale of interests in mining tenements		<u> </u>	875,000	
Loss before income tax includes the following specific expenses:         Employee benefits expense       1,303,548       982,935         Salaries, wages, fees and provisions       137,932       67,885         Share based payments       137,932       67,885         Superannuation contributions       54,042       31,651         Total employee benefits expense       1,495,522       1,082,471         Finance costs         Interest expense on financial liabilities not at fair value through profit or loss:         2,054,815       211         Borrowing costs       2,348,000       165,697         Total finance costs       4,402,815       165,908         Ofther expenses       128,338       85,141         Professional fees       836,855       1,276,563         Loss on write-off of fixed assets       12       8,048       -         Ofther expenses       870,745       671,380	Total other income		9,033,064	1,114,509	
Employee benefits expense         Salaries, wages, fees and provisions       1,303,548       982,935         Share based payments       137,932       67,885         Superannuation contributions       54,042       31,651         Total employee benefits expense       1,495,522       1,082,471         Finance costs         Interest expense on financial liabilities not at fair value through profit or loss:	Note 5. Expenses				
Salaries, wages, fees and provisions       1,303,548       982,935         Share based payments       137,932       67,885         Superannuation contributions       54,042       31,651         Total employee benefits expense       1,495,522       1,082,471         Finance costs         Interest expense on financial liabilities not at fair value through profit or loss:	Loss before income tax includes the following specific expenses:				
Share based payments       137,932       67,885         Superannuation contributions       54,042       31,651         Total employee benefits expense       1,495,522       1,082,471         Finance costs         Interest expense on financial liabilities not at fair value through profit or loss:	Employee benefits expense				
Superannuation contributions         54,042         31,651           Total employee benefits expense         1,495,522         1,082,471           Finance costs           Interest expense on financial liabilities not at fair value through profit or loss:	·			•	
Total employee benefits expense         1,495,522         1,082,471           Finance costs         Interest expense on financial liabilities not at fair value through profit or loss:	• •				
Finance costs         Interest expense on financial liabilities not at fair value through profit or loss:	Superannuation contributions		54,042	31,651	
Interest expense on financial liabilities not at fair value through profit or loss:	Total employee benefits expense		1,495,522	1,082,471	
- Unrelated parties         2,054,815         211           Borrowing costs         2,348,000         165,697           Total finance costs         4,402,815         165,908           Other expenses         836,855         1,276,563           Loss on write-off of fixed assets         12         8,048         -           Other expenses         870,745         671,380					
Borrowing costs         2,348,000         165,697           Total finance costs         4,402,815         165,908           Other expenses         836,805         128,338         85,141           Professional fees         836,855         1,276,563           Loss on write-off of fixed assets         12         8,048         -           Other expenses         870,745         671,380			2.054.815	211	
Total finance costs         4,402,815         165,908           Other expenses         836,855         1,276,563           ASX and share registry costs         836,855         1,276,563           Loss on write-off of fixed assets         12         8,048         -           Other expenses         870,745         671,380	·		, ,	=::	
ASX and share registry costs       128,338       85,141         Professional fees       836,855       1,276,563         Loss on write-off of fixed assets       12       8,048       -         Other expenses       870,745       671,380					
ASX and share registry costs       128,338       85,141         Professional fees       836,855       1,276,563         Loss on write-off of fixed assets       12       8,048       -         Other expenses       870,745       671,380	Other expenses				
Professional fees         836,855         1,276,563           Loss on write-off of fixed assets         12         8,048         -           Other expenses         870,745         671,380	•		128,338	85,141	
Other expenses         870,745         671,380			836,855	1,276,563	
	Loss on write-off of fixed assets	12	8,048	-	
Total other expenses 1,843,986 2,033,084	Other expenses		870,745	671,380	
	Total other expenses		1,843,986	2,033,084	

# Note 6. Business combinations

At 30 June 2016, the consolidated entity held a 21.8% interest in Gulf Alumina Limited ('Gulf') an unlisted public company with mining and exploration tenements adjacent to the consolidated entity's Bauxite Hills project on western Cape York Peninsular. A value of \$3.9 million was held in Investments at 30 June 2016.

Between 19 September 2016 and 18 October 2016, the Company made further off-market purchases of 15,844,014 Gulf shares for consideration of 56 cents cash per share for a total cost of \$8.9 million. These purchases increased the consolidated entity's interest in Gulf to 39%.

On 28 October 2016, the Company launched an off market takeover bid for Gulf offering either 60 cents cash or 50 cents cash plus 1 share in the Company for each Gulf share held, conditional on the Company obtaining at least a 51% shareholding in Gulf.

On 2 December 2016, the 57.3% Gulf Shareholder Group agreed to accept the Company's offer, pending the satisfaction of certain conditions, including payment of an increased consideration of 62 cents cash or 52 cents cash plus 1 share in the Company for each Gulf share owned.

On 5 December 2016, the Company extended the closure date of their offer to 23 December 2016 and announced that the offer was unconditional, and that the increased consideration would be payable to all shareholders.

On 20 December 2016, the Company satisfied the conditions of the agreement with the Gulf Shareholder Group and a further 57.3% of the issued capital of Gulf was transferred to the Company, allowing the Company to obtain control of Gulf.

On 20 December 2016, the value of the investment held by the Company prior to that date (39%) was revalued to its fair value as part of the Step Acquisition. A gain of \$8,607,368 on the value of the Gulf investment held prior to recognition of the business combination has been recognised in the consolidated statement of profit or loss and other comprehensive income. For further detail on this refer to note 2: Key Judgments and Estimates.

The business combination purchase was satisfied by the issue of 26,113,956 ordinary shares at an issue price of \$0.15 each and cash consideration of \$31,621,483. The issue price was based on the market price on date of purchase. Gulf shareholders with contractual top-up rights were issued a further 11,219,925 shares at \$0.15 each.

The provisional accounting for the business combination disclosed in the 31 December 2016 half-year report has been updated to include acquisition expenditures incurred post 31 December 2016 and the identification and quantification of a rehabilitation asset and rehabilitation liability, recognised at a present value of \$1.156million. The tax-effect of the acquisition has been assessed, and there are no deferred tax assets or liabilities arising from the acquisition which require recognition in the financial statements.

		Fair Value
Purchase consideration	Note	\$
Cash consideration paid		31,582,733
Cash consideration accrued		38,750
Equity issued		5,619,158
		37,240,641
Fair value of 39% interest in Gulf		21,540,439
Total fair value of investment in Gulf		58,781,080
Fair value consists of:		
Cash		227,736
Receivables		239,956
Security deposits		731,557
Exploration and evaluation assets	14	12,998,202
Other mineral assets	12	48,435,790
Property, plant and equipment		189,156
Payables		(455,320)
Loans		(2,470,020)
Rehabilitation liability	17	(1,115,977)
Identifiable assets acquired and liabilities assumed		58,781,080

Included in the consolidated statement of profit or loss and other comprehensive income are acquisition-related costs totalling \$3,459,877. The transaction costs include stamp duty, advisory, legal, accounting and other professional fees.

te 7. Income tax		solidated	
	2017 \$	2016 \$	
Numerical reconciliation of income tax benefit to prima facie tax payable			
Loss before tax benefit	(2,372,236)	(6,833,798)	
Income tax using the Company's domestic tax rate of 30% (2016: 30%)	(711,671)	(2,050,139)	
Amounts that are not deductible/(taxable) in calculating taxable income:			
Acquisition expenses	758,333	-	
Other permanent differences	3,957	254,429	
Current year losses for which no deferred tax asset was recognised	-	2,073,281	
Under-provision in respect of prior years	-	(277,571)	
Tax losses recognised	(50,619)		
Total income tax expense/(benefit)		-	
Unrecognised deferred tax assets			
Deductible temporary differences	5,237,089	2,785,622	
Tax losses carried forward	20,126,258	14,279,264	
Tax losses and temporary differences brought to account to reduce the deferred tax liability	(11,310,681)	(3,343,266)	
Total unrecognised deferred tax assets	14,052,666	13,721,620	
Deferred tax liabilities  Deferred tax liabilities comprise the estimated expense at the applicable rate of 30% on the following the comprise the estimated expense at the applicable rate of 30% on the following the comprise the estimated expense at the applicable rate of 30% on the following the comprise the estimated expense at the applicable rate of 30% on the following the comprise the estimated expense at the applicable rate of 30% on the following the comprise the estimated expense at the applicable rate of 30% on the following the comprise the estimated expense at the applicable rate of 30% on the following the comprise the estimated expense at the applicable rate of 30% on the following the comprise the estimated expense at the applicable rate of 30% on the following the comprise the estimated expense at the applicable rate of 30% on the following the comprise the estimated expense at the applicable rate of 30% on the following the comprise the estimated expense at the applicable rate of 30% on the following the comprise the estimated expense at the applicable rate of 30% on the following the comprise the compri	wing items:		
Exploration and evaluation expenditure	1,854,841	3,389,437	
Other mineral assets	9,115,361	-	
Other temporary differences	340,479	(46,171)	
Deferred tax asset attributable to tax losses and temporary			
differences brought to account to reduce the deferred tax liability	(11,310,681)	(3,343,266)	
	-	-	

The deductible temporary differences and tax losses do not expire under current tax legislation. A deferred tax asset has not been recognised in respect of these items because it is not certain that future taxable profit will be available against which the consolidated entity can utilised the benefits therefrom.

Management believes that \$15,970,826 (tax effect: \$4,791,248) of the gross unused tax losses available to the consolidated entity would be unlikely to pass either the continuity of ownership test or the same business test at the present time. Accordingly, these tax losses are not included in the unrecognised deferred tax asset balance above of \$14,052,666.

The consolidated entity has no franking credits.

Note 8.Cash and cash equivalents	Cons	olidated
	2017	2016
	\$	\$
Cash at bank	8,335,551	1,453,031
Cash on deposit	7,010,158	1,231,278
Total cash and cash equivalents	15,345,709	2,684,309
Note 9. Trade and other receivables		
Trade debtors	45,833	108,779
Other receivables (i)	699,941	248,983
Interest receivable	28,904	3,443
Total trade and other receivables	774,678	361,205
(i) Other receivables include a net GST receivable of \$541,516 at 30 June 2017.		
Impairment of receivables		
The consolidated entity does not have any impaired receivables.		
Refer to note 26 for detailed information on financial instruments		
Note 10. Other assets		
Current		
Deferred borrowing costs	205,000	-
Accumulated amortisation	(45,493)	-
Other current assets	6,161	6,161
Total other current assets	165,668	6,161
Non-current		
Financial assurance security deposits (i)	1,330,001	-
Deferred borrowing costs (ii)	741,893	-
Other non-current assets	7,560	7,560
Total other non-current assets	2,079,454	7,560

- (i) Financial assurance security deposits are cash deposits held as security against various tenements and mining leases of the consolidated entity.
- (ii) Non-current deferred borrowing costs are prepaid legal and debt facility fees relating to a loan facility where conditions precedent to the loan agreement had not been met at 30 June 2017.

Note 11. Financial assets	Consc	olidated
	2017	2016
	\$	\$
Available for sale financial assets (i)	-	3,975,733
Other receivables (ii)	16,251	<u> </u>
Total financial assets	16,251	3,975,733

- (i) At 30 June 2016, the consolidated entity held a 21.8% interest in Gulf Alumina Limited. During the current financial year, the consolidated entity acquired the remaining 78.2% interest in Gulf Alumina Limited in a step acquisition. Refer to note 6.
- ii) The consolidated entity has advanced a loan of US\$12,500 to its joint venture partner in the Mahar San joint venture to enable the joint venture partner to subscribe for a 20% interest in the ordinary share capital of the joint venture company Mahar San Metro Company Limited. Refer to note 30.

Note 12. Property, plant and equipment	Consc	olidated
	2017 \$	2016 \$
Plant and equipment		
Plant and equipment - at cost	504,822	265,073
Less: Accumulated depreciation	(190,131)	(254,729)
	314,691	10,344
Leased plant and equipment – at cost	254,348	-
Less: Accumulated depreciation	(13,989)	-
	240,359	-
Total plant and equipment	555,050	10,344
Other mineral assets		
Other mineral assets – at cost	69,096,983	
Assets under construction		
Assets under construction – at cost	7,599,325	
Total property, plant and equipment	77,251,358	10,344

## Note 12. Property, plant and equipment (continued)

## Movements in carrying amounts

Movements in the carrying amount for each class of property, plant and equipment between the beginning and the end of the current financial year:

		Plant and Equipment	Other Mineral Assets	Assets under Construction	Total
Consolidated N	lote	\$	\$	\$	\$
Balance at 1 July 2015		25,180	-	-	25,180
Additions		12,982	-	-	12,982
Disposals		-	-	-	-
Depreciation expense		(27,818)	-	-	(27,818)
Balance at 30 June 2016		10,344	-	-	10,344
Balance at 1 July 2016		10,344	-	-	10,344
Additions		403,927	-	7,599,325	8,003,252
Transferred from Exploration and Evaluation Assets	14	-	20,661,193	-	20,661,193
Acquired in a business combination	6	189,156	48,435,790	-	48,624,946
Disposals		(8,048)	-	-	(8,048)
Depreciation expense		(40,329)	-	-	(40,329)
Balance at 30 June 2017		555,050	69,096,983	7,599,325	77,251,358

### Plant and equipment under finance lease

The carrying value of motor vehicles under finance lease at 30 June 2017 was \$240,359 (2016: \$Nil).

### Other mineral assets

Other mineral assets are not depreciated until construction is completed and the mine properties are available for their intended use. This is signified by the formal commissioning of the mine for production. They will be depreciated over the mine life on a units of production basis.

Other mineral assets includes a value attributed to the existing reserves and resources for the Skardon River project which were acquired by the Company through the acquisition of Gulf Alumina Limited in December 2016 (refer to note 6).

### Assets under construction

Assets under construction includes mine related plant and equipment under development and software systems under development but not commissioned at 30 June 2017. Assets under construction are not depreciated until development is complete and the assets are available for their intended use.

# Note 13. Investments in associate

Information relating to associates is set out below:

	Ownership Interest			Consoli	dated
	Country of	2017	2016	2017	2016
Name of company	Incorporation	%	%	\$	\$
Tenement to Terminal Pty Ltd	Australia	20	20	-	-

Tenement to Terminal Pty Ltd was formed to develop a new coal terminal in Gladstone. The investment was fully impaired in a prior year.

Note 14. Exploration and evaluation assets	Consolidated	
	2017	2016
	\$	\$
Exploration and evaluation - at cost	6,639,383	10,586,825

### Reconciliations

A reconciliation of the written down value at the beginning and end of the current and previous financial year is set out below:

		Exploration and Evaluation
Consolidated	Note	\$
Balance at 1 July 2015		11,992,694
Expenditure during the year		3,547,090
Research and development tax offset		(449,419)
Impaired during the year		(4,503,540)
Balance at 30 June 2016		10,586,825
Exploration and evaluation assets acquired	6	12,998,202
Financial assurance security deposits reclassified to other assets		(39,998)
Expenditure during the year		3,819,640
Research and development tax offset		(55,614)
Transferred to other mineral assets	12	(20,661,193)
Written off during the year		(8,479)
Balance at 30 June 2017		6,639,383

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent upon successful development and commercial exploitation or sale of the respective areas of interest. The consolidated entity resolved to impair the Columboola, Norwood and Dalby West coal tenements to nil in the year ended 30 June 2014 on the basis that there was unlikely to be any further exploration activity in the near term. The Norwood and Dalby West tenements were sold by the consolidated entity during the year ended 30 June 2016 for

\$50,000. The consolidated entity still holds title to the Columboola coal tenement and is of the view that the tenement is potentially prospective for future development (refer note 30).

In the prior year, the Board reassessed the fair value of the Bundi coal tenements by reviewing recent Surat Basin coal transactions, other relevant market data and the enterprise value of similar resources. Based on this review, the Board assigned the Bundi project a fair value of \$5 million. In the opinion of the Board, no indicators of further impairment were present at 30 June 2017.

Note 15. Trade and other payables	Cor	nsolidated
	2017	2016
	\$	\$
Trade payables	2,614,225	761,010
Other payables	2,068,076	354,378
Total trade and other payables	4,682,301	1,115,388
Refer to note 26 for detailed information on financial instruments.		
Note 16. Borrowings		
Current		
Unsecured liabilities:		
Lease liability (i)	39,037	-
Loans (ii)	15,335,151	-
Total current borrowings	15,374,188	-
Non-current		
Unsecured liabilities		
Lease liability (i)	211,713	-
Total non-current borrowings	211,713	-

- (i) Lease liabilities relate to six light vehicles purchased during the year on finance leases, for the purposes of the development of the Bauxite Hills Mine.
- (ii) Loans at 30 June 2017 comprise a fully-drawn \$15 million loan facility (the 'Facility') and \$335,151 in accrued interest. The Facility is a short-term unsecured facility provided to the consolidated entity by Namrog Investments Pty Ltd. Security can be requested by the lender but is subject to approval by the shareholders of the Company. This facility was re-financed post year end (refer to note 32).

The purpose of the Facility is limited to repayment of funding provided to the consolidated entity by Greenstone Resources on 25 October 2016. The Facility has a term of 12 months and an interest rate of 10% with interest payable bi-annually.

Refer to note 26 for detailed further information on financial instruments.

Note 17. Provisions		Cons	olidated
		2017	2016
		\$	\$
Current – Employee Benefits		81,261	85,848
Non-current – Mine restoration		1,115.977	_
Non-current - Employee Benefits		29,668	-
Total non-current provisions		1,145,645	-
Total provisions		1,226,906	85,848
	Mine Restoration	Employee Benefits	Takal
Analysis of movement in provisions	kestoration \$	beneilis	Total s
Opening balance at 1 July 2016	<del>-</del>	85,848	85,848
Additional provisions made	1,115,977	99,472	1,215,449
Amounts used	-	(56,925)	(56,925)
Change in discount amount arising because of time and the effect of any change in the discount rate	-	(17,466)	(17,466)
Balance at 30 June 2017	1,115,977	110,929	1,226,906

### Provision for mine restoration

A provision has been recognised for the costs to be incurred to restore the former Kaolin mine site on the Gulf Alumina mining tenements acquired by the consolidated entity on the acquisition of Gulf Alumina Limited (refer to note 6). It is anticipated that the former mine site will require restoration within 17 years. The 10-year government bond rate has been applied to discount the provision to present value.

### Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion of this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the consolidated entity does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the consolidated entity does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlements.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

Note 18. Contri	buted equity	Con	Consolidated		olidated
	. ,	2017	2016	2017	2016
		Shares	Shares	\$	\$
Ordinary share:	s - fully paid	1,004,022,176	420,571,896	122,187,029	56,105,993
Ordinary share	S				
	ginning of period	420,571,896	288,717,999	56,105,993	47,491,109
Shares issued d	luring the year:				
Date	Description				
16 Jul 2015	Share placement	-	25,000,000	-	2,000,000
4 Sep 2015	Non-renounceable rights issue	-	15,359,723	-	1,544,088
8 Sep 2015	Non-renounceable rights issue	-	29,458,134	-	2,041,340
4 Dec 2015	Investment in Gulf Alumina Ltd	-	8,250,000	-	561,000
15 Apr 2016	Investment in Gulf Alumina Ltd	-	53,786,040	-	3,007,244
25 Jul 2016	Investment in Gulf Alumina Ltd (*)	891,132	-	-	-
28 Jul 2016	Share placement	94,800,000	-	8,058,000	-
19 Sep 2016	Share placement	10,450,000	-	888,250	-
18 Nov 2016	Share issue to contractor	477,749	-	59,002	-
30 Nov 2016	Exercise of employee options	1,750,000	-	101,500	-
14 Dec 2016	Exercise of employee options	1,000,000	-	58,000	-
20 Dec 2016	Investment in Gulf Alumina Ltd	22,916,700	-	3,437,505	-
21 Dec 2016	Investment in Gulf Alumina Ltd	3,146,756	-	472,013	-
22 Dec 2016	Investment in Gulf Alumina Ltd	500	-	75	-
28 Dec 2016	Investment in Gulf Alumina Ltd	50,000	-	7,500	-
28 Dec 2016	Exercise of employee options	2,500,000	-	145,000	-
5 Jan 2017	Exercise of options	5,500,000	=	319,000	-
20 Jan 2017	Investment in Gulf Alumina Ltd	11,219,925	=	1,702,063	-
20 Jan 2017	Exercise of subscription rights	9,409,501	=	1,247,164	-
7 Mar 2017	Share placement	126,995,937	=	15,874,492	-
24 Mar 2017	Non-renounceable rights issue	292,342,080	-	36,542,761	-
Transaction co	sts recognised during the year	-	-	(2,831,289)	(538,788)
Balance at end	d of the period	1,004,022,176	420,571,896	122,187,029	56,105,993

<sup>(\*)</sup> The cost of these shares was accrued in share capital cost at 30 June 2016.

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.

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.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

## Share buy-back

During the year, the Company opened a small lot holder facility which gave shareholders with unmarketable parcels the opportunity to purchase further shares in the Company (to top-up to a marketable size parcel) or have their shares compulsorily acquired. Shares which were compulsorily acquired would then be on-sold on market by an appointed custodian at no cost to the shareholder, with funds distributed to the shareholder once this sale process was completed.

The facility closed on 21 June 2017 and the total number of shares which were compulsorily acquired was 960,360. The shares were sold on market generating an average price of \$0.1553 per share, and \$149,205 was distributed to participating shareholders on 28 July 2017.

## Capital risk management

The consolidated entity's objectives when managing capital are:

- to safeguard its ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders; and
- to maintain an optimum capital structure to reduce the cost of capital.

In common with many other exploration and mine development companies, the parent entity raises finance for the consolidated entity's exploration and development activities in discrete tranches.

The directors consider the current capital structure in relation to the development of the Bauxite Hills Mine appropriate for the Company's stage of growth.

Note 19. Reserves	Conso	olidated
	2017	2016
	\$	\$
Share based payments reserve	6,424,718	5,783,311
Change in interest of subsidiary	(2,045,399)	(2,045,399)
Foreign currency translation reserve	(6,860)	(3,145)
Total reserves	4,372,459	3,734,767

	Foreign Currency Translation	Share-based Payments	Change of Interest in Subsidiary	Total Reserves
Consolidated	\$	\$	\$	\$
Balance at 1 July 2015	-	5,715,426	(2,045,399)	3,670,027
Options granted during the year	-	67,885	-	67,885
Translation of foreign subsidiaries	(3,145)	-	-	(3,145)
Balance at 30 June 2016	(3,145)	5,783,311	(2,045,399)	3,734,767
Options granted during the year	-	528,872	-	528,872
Performance rights granted during the year	-	112,535	-	112,535
Translation of foreign subsidiaries	(3,715)		-	(3,715)
Balance at 30 June 2017	(6,860)	6,424,718	(2,045,399)	4,372,459

# Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

## Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration and the value of other options issued.

# Change in interest of subsidiary reserve

The reserve is used to recognise the movement in the carrying amounts of controlling and non-controlling interests to reflect their relative interests in the subsidiary arising from a change in ownership interest.

### Note 20. Dividends

There were no dividends paid or declared during the current or previous financial year. There were no franking credits at 30 June 2017 (2016: nil).

Note 21. Loss per share		Consolidated
	2017	2016
	\$	\$
Loss after income tax attributable to the owners of the Company	(2,372,236)	(6,833,798)
		Consolidated
	2017	2016
	Number	Number
Weighted average number of ordinary shares used in calculating		
basic and diluted loss per share	724,075,839	373,214,165
		Consolidated
	2017	2016
	Cents	Cents
Basic loss per share	(0.33)	(1.83)
Diluted loss per share	(0.33)	(1.83)

Note 22. Reconciliation of loss after income tax to net cash used in operating activities		Con	nsolidated	
·	Note	2017 \$	2016 S	
Loss after income tax benefit for the year		(2,372,236)	(6,833,798)	
Cash flows excluded from loss attributable to operating activities:				
Interest expense		2,054,815	-	
Finance costs		2,348,000	-	
Acquisition expenses		3,003,755	-	
Non-cash flows in loss:				
Depreciation and amortisation	12	40,329	27,818	
Share-based payments expense		653,056	67,885	
Impairment of exploration and evaluation assets	14	8,479	4,503,540	
Loss on write-off of fixed assets	12	8,048	-	
Profit on sale of exploration and evaluation assets		-	(875,000)	
Gain on revaluation of investment in Gulf Alumina	6	(8,607,368)	-	
Change in operating assets and liabilities:				
(Increase)/decrease in trade and other receivables		(752,500)	(12,751)	
(Increase)/decrease in prepayments		(561,108)	(142,124)	
Increase/(decrease) in trade and other payables		886,657	442,498	
Increase/(decrease) in employee benefits		37,106	42,834	
Net cash used in operating activities		(3,252,967)	(2,779,098)	

Non-cash financing and investing activities

- (i) Options issued:
  - 4,000,000 options over ordinary shares in the Company were issued to a consultant as part of remuneration payable for financial consulting services provided to the consolidated entity. The options were valued at \$456,122. Refer to note 27 Share-based payments for further detail.
- (ii) Motor vehicles acquired under finance lease:

  During the year, the consolidated entity acquired motor vehicles with an aggregate value of \$254,348 (2016: \$Nil) by means of finance leases. These acquisitions are not reflected in the consolidated statement of cash flows. Refer to note 16.

	Consol	idated
	2017	2016
Loan facilities	\$	\$
Facility amount	15,000,000	-
Amount utilised	(15,000,000)	-
	-	-

Refer to note 16 for information on the loan facility terms.

Note 23. Remuneration of auditors	Consc 2017	lidated 2016
<ul> <li>The auditor of Metro Mining Limited is BDO Audit Pty Ltd (BDO).</li> <li>Amounts received or due and receivable by BDO for:</li> <li>An audit or review of the financial report of the entity and any other entity in the consolidated group</li> </ul>	\$ 86,000	\$ 57,200
Other services in relation to the entity and any other entity in the consolidated group:     Tax compliance     Corporate services	105,560 4,630 196,190	105,497 1,870 164,567
<ul> <li>Amounts received or due and receivable by related practices of BDO for:</li> <li>An audit or review of the financial report of an entity in the consolidated group by an overseas BDO firm</li> <li>Corporate services provided by an overseas BDO firm</li> </ul>	6,605 5,196 11,801	7,620 - 7,620
Amounts received or due and receivable by non BDO audit firms for:  An audit or review of the financial report of an entity in the consolidated group.	2,990	

### Note 24.Commitments

### Operating lease commitments – consolidated entity as lessee

The consolidated entity has entered into an operating lease for the corporate office with a lease term of four years. The lease conditions include an option to extend the lease for a further fourvear term.

The consolidated entity has also entered into operating leases for off-site storage facilities and for items of office equipment. These leases are for three-year terms and have no option to extend.

Consolidated

Future minimum rentals payable under non-cancellable operating leases at 30 June 2017 are as follows:

	COLISO	liadica
	2017	2016
Operating lease commitments	\$	\$
Within one year	135,061	194,364
One to five years	326,832	138,737
Total commitments for expenditure	461,893	333,101
Finance lease commitments Payable – minimum lease payments:		
Within one year	53,648	-
One to five years	_ 232,707	
Minimum lease payments	286,355	-
Less future finance charges	(35,605)	
Present value of minimum lease payments	250,750	

The finances leases on motor vehicles, which commenced in May 2017, are 3-year leases with lease payments made monthly in

### Capital expenditure commitments

Capital expenditure commitments contracted for:

Capital expenditure projects		
Within one year	1,534,765	-
One to five years	835,037	-
	2,369,802	
Other expenditure commitments:		
Sawfish and Shark CSIRO research project:		-
Within one year	157,663	-
One to five years	315,325	-
	472,988	-
Minimum expenditure commitments on the exploration tenements:		
Within one year	941,105	-
One to five years	5,993,548	-
	6,934,653	-
Total capital expenditure commitments	9,777,443	_

Capital commitments relate to non-cancellable expenditure commitments on long-lead items purchased for the construction of the Bauxite Hills Mine. These primarily relate to the construction of the Barge Loading Facility, including fabrication of steel and piles, cyclone moorings, and sewage and water treatment plants. Commitments on exploration tenements include minimum amounts to be spent on these tenures. Where exploration expenditure commitments are not met, the Company can apply for variations on those commitments, and / or relinquish subblocks and /or tenements at the Company's discretion.

# Note 25. Contingent liabilities and assets

# **Contingent liabilities**

i) Royalty payments – Royalty Stream Investments Pty Ltd

Gulf Alumina Limited ('Gulf') had entered into an agreement with Royalty Stream Investments Pty Ltd ('RSI') whereby RSI provided funding to Gulf against royalty payments from future bauxite production. Under the terms of the agreement, the total amount advanced by RSI was \$4 million split into three tranches. Tranche one of \$2.5 million was received in May 2014. The second tranche of \$1.5 million was received in December 2014. Tranches one and two are reflected in the accounts of Gulf as at acquisition date.

The consolidated entity is required to pay RSI royalties from future proceeds received for the shipment of bauxite from the Bauxite Hills Mine, up to a capped amount of 48.4 million tonnes, and up to 60.9 million should additional reserves be identified from Gulf tenements. If no shipments eventuate, no royalty is payable. The RSI royalty is calculated at 2.3% of FoB Revenue.

Under this royalty agreement, RSI holds a mortgage over the tenements of Gulf, which would be exercisable if the obligations under the royalty agreement were not satisfied by the consolidated entity. In the event further encumbrances were required over Gulf's tenements, RSI's security would become a second priority mortgage ranking below any permitted securities, which include, amongst other things, any encumbrance required to be given by Gulf to any financier for the purpose of securing

financing (or any subsequent re-financing) for the project as contemplated by the royalty agreement.

ii) Bauxite Hills Mine - royalty payments – traditional owners

The Company has entered into an agreement with the traditional owners and trustee owners of the land whereby the Company will pay agreed royalty payments from future bauxite production. The terms of this agreement are commercial in confidence and are in line with market rates for similar royalty agreements.

Other than the contingent liabilities noted above, there are no other contingent liabilities at the date of this financial report.

# Contingent assets

i) Royalty income - Hey Point Bauxite Project

As part of the sale agreement for its Hey Point bauxite tenement on western Cape York Peninsular, the consolidated entity is entitled to receive royalties of 4% of future gross sales proceeds on all bauxite sold from the project. The consolidated entity has an option to re-purchase the Hey Point tenements for \$1 if the minimum production of 100,000 tonnes is not achieved by 17 June 2016 and in each of the three years following this date.

For the year ended 30 June 2017, \$68,592 was received in royalties from bauxite shipped from the Hey Point bauxite mine operated by Green Coast Resources Pty Ltd.

Other than the contingent asset noted above, there are no other contingent assets at the date of this financial report.

## Note 26. Financial risk management

The consolidated entity's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries and loans from third parties.

### Significant accounting policies

Each category of financial instruments is measured in accordance with AASB139: Financial Instruments: Recognition and Measurement, as detailed in the accounting policies to these financial statements (refer to note 1).

### Financial risk management policies and objectives

Risk management is carried out under policies set by the board of directors (the 'Board'). The Board provides principles for overall risk management, as well as policies covering specific areas. The Board monitors the financial risk relating to the operations of the consolidated entity. The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The overall risk management program focuses on the unpredictability of the finance markets and seeks to minimise the potential adverse effects on financial performance. Risk management is carried out under the oversight of the board of directors.

### Specific financial risk exposures and management

The main risks the consolidated entity is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk and other price risk. The consolidated entity does not hedge these risk exposures.

There have been no substantive changes in the types of risks the consolidated entity is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

### Credit risk

Credit risk is managed on a Group basis. Exposure to credit risk relating to financial assets arises from the

potential non-performance by counterparties of contract obligations that could lead to a financial loss to the consolidated entity.

The consolidated entity has a strict code of credit risk management, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral. The consolidated entity is not exposed to any material credit risks and only trades with credit-worthy third parties.

### Liquidity risk

Liquidity risk arises from the possibility that the consolidated entity might encounter difficulty in settling its debts or otherwise meeting its obligations relating to financial liabilities.

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

The consolidated entity manages liquidity risk by maintaining adequate reserves and by continually monitoring forecast and actual cash flows and cash balances. The parent entity raises equity for the consolidated entity's exploration and development activities in discrete tranches.

At 30 June 2017, the financial liabilities of the consolidated entity are trade payables and accruals, lease liabilities and borrowings.

## Financial liability and financial asset maturity analysis

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

entity.	With	hin 1 Year	1 to 5 Years			Total
	2017	2016	2017	2016	2017	2016
Consolidated	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment						
Trade payables	2,614,225	761,010	-	-	2,614,225	761,010
Other payables	2,068,076	354,378	-	-	2,068,076	354,378
Lease liability	39,037	-	211,713	-	250,750	-
Loans	15,335,151	-	_	-	15,335,151	-
Total contractual and expected outflows	20,056,489	1,115,388	211,713	-	20,268,202	1,115,388
Financial assets – cash flows realisable						
Cash and cash equivalents	15,345,709	2,684,309	-	-	15,345,709	2,684,309
Trade and other receivables	774,678	361,205	-	-	774,678	361,205
Financial assets	-	-	16,251	-	16,251	_

3,045,514

1,930,126

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

16,120,387

(3,936,102)

### Market risk

Total anticipated inflows

Net (outflow)/inflow on financial instruments

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

The consolidated entity's activities expose it primarily to the financial risk of changes in interest rates on its cash and cash equivalents and term deposits. It is the policy of the consolidated entity to manage its risks by continuously monitoring interest rates.

There has been no change to the consolidated entity's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

16,136,638

(4,131,564)

3,045,514

1,930,126

## Foreign currency risk

16,251

(195,462)

The consolidated entity undertakes purchase transactions in foreign currencies, predominantly in United States dollars and Singapore dollars. The consolidated entity is currently unhedged due to the immateriality of these purchases but will look to manage this risk should these purchases become more material in the future.

# Note 26. Financial risk management (continued) Price risk

The consolidated entity is not exposed to any material price risk. As the Company continues to develop the Bauxite Hills Mine, it will look to manage this risk should this exposure become more material.

#### Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments

The financial instruments that primarily expose the consolidated entity to interest rate risk are borrowings and cash and cash equivalents. At 30 June 2017, 100% of consolidated entity debt is fixed rate.

	Note
Assets	
Cash and cash equivalents	8
Trade and other receivables	9
Financial assets	11
Total assets	
Liabilities	
Trade payables	15
Other liabilities	15
Lease liability	16
Loans	16
Total liabilities	

## Note 27. Share-based payments

## Employee incentive plan

The Company has established the Metro Mining Employee Incentive Plan ('EIP') to enable the issue of shares, performance rights or share options in Metro Mining Limited to employees of the Company to assist in the retention and motivation of employees. Under the EIP, the Company may offer shares or options over unissued shares in the Company.

Features of the EIP are as follows:

- The persons who are eligible to participate in the EIP are full-time or part-time continuing employees of the Company or an associated body corporate of the Company, or their nominee, who have been selected by the board to participate in the EIP ('Participants');
- The Company is entitled under the terms of the EIP to determine a period that any shares or options offered under the EIP will be unable to be transferred by Participants ('Disposal Restrictions');
- The Company is entitled to determine, at its discretion, any conditions which may apply to the offer of shares or options (including the issue price, exercise price, vesting conditions and Disposal Restrictions);
- Where options subject to Disposal Restrictions are exercised, the resulting shares will be subject to the balance of the Disposal Restrictions:
- The options may be exercised wholly or in part by notice in writing to the Company received at any time during the relevant exercise period together with a cheque for the exercise price for those options for cancellation by the Company
- The Company shall allot the number of shares the subject of any exercise notice and apply for listing of the shares issued as a result;

## Interest rate sensitivity

The consolidated entity's main interest rate risk arises from cash and cash equivalents. The sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the consolidated entity profit / loss before taxes through a decrease or an increase of 0.25% (2016: 0.25%) in interest rates at 30 June 2017 is an increase / decrease in cash and cash equivalents of \$38,364 (2016: \$6,711).

### Fair values - Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Consolid	ated	Consol	idated
Carrying Amount 2017	Fair Value 2017	Carrying Amount 2016	Fair Value 2016
\$	\$	\$	\$
15,345,709	15,345,709	2,684,309	2,684,309
774,678	774,678	361,205	361,205
16,251	16,251	3,975,733	3,975,733
16,136,638	16,136,638	7,021,247	7,021,247
2,614,225	2,614,225	761,010	761,010
2,068,076	2,068,076	354,378	354,378
250,750	250,750	-	-
15,335,151	15,335,151	-	-
20,268,202	20,268,202	1,115,388	1,115,388

- Shares issued on the exercise of the options will rank paripassu with all existing shares of the Company from the date of issue; and
- The number of shares which may be acquired on the
  exercise of an option and the exercise price will be adjusted,
  as is appropriate, following any pro-rata bonus issue, rights
  issue, reconstruction or re-organisation of the issued ordinary
  capital of the Company.

The maximum number of shares and options that may be offered to Participants under the EIP is 5% of the issued capital of the Company at the time.

Quotation of options on the ASX will not be sought; however quotation of shares (not subject to Disposal Restrictions) issued under the EIP will be sought. The Company will apply for quotation of shares arising upon the exercise of options.

# Options and performance rights granted to key management personnel

Options and performance rights granted to key management personnel are as follows:

Grant date	Number	
15 December 2015	2,500,000	(i)
05 May 2016	1,047,493	(ii)
07 April 2017	545,000	(iii)
2 June 2017	3,575,863	(iv)

- (i) Options granted 15 December 2015 have been granted subject to the Company obtaining a mining licence for the Bauxite Hills Mine. The options vest in full, and are exercisable, on the date the mining licence is granted.
- (ii) Options granted on 5 May 2016 vested on grant date and are exercisable from that date.
- (iii) Options granted on 7 April 2017 vested on grant date and are exercisable from that date.

(iv) Performance rights granted on 2 June 2017 are subject to satisfaction of several individual and Company performance conditions which are assessed on 31 January 2018 (refer Remuneration Report for more detail). The rights, if any are subsequently awarded, vest on the assessment date; however employees have signed a voluntary escrow agreement prohibiting trading any shares issued from the exercise of these rights for a further 12-month period. A summary of the movements of all options and performance rights issued is as follows:

Grant Date 2017	Expiry Date	Exercise Price	Balance at the Start of the Year	Granted	Exercised	Expired/ Forfeited/ Other	Balance at the End of the year
12/01/2015	11/01/2017	\$0.06	10,750,000	-	(10,750,000)	-	-
15/12/2015	14/12/2017	\$0.15	2,500,000	-	-	-	2,500,000
05/05/2016	05/05/2018	\$0.03	1,047,493	-	-	-	1,047,493
04/01/2017	23/12/2019	\$0.08	-	4,000,000	-	-	4,000,000
07/04/2017	07/04/2019	\$0.137	-	545,000	-	-	545,000
02/06/2017	31/07/2018	-	-	3,575,863	-	-	3,575,863
Total options an	nd performance rig	ghts	14,297,493	8,120,863	(10,750,000)	-	11,668,356

The prior year summary of the movements of all options and performance rights issued to 30 June 2016 is as follows:

Grant Date 2016	Expiry Date	Exercise Price	Balance at the Start of the Year	Granted	Exercised	Expired/ Forfeited/ Other	Balance at the End of the year
20/11/2012	11/07/2015	\$0.235	1,000,000	-	-	(1,000,000)	_
20/11/2012	11/07/2015	\$0.50	500,000	-	-	(500,000)	-
12/01/2015	11/01/2017	\$0.06	10,750,000	-	-	-	10,750,000
15/12/2015	14/12/2017	\$0.15	-	2,500,000	-	-	2,500,000
05/05/2016	05/05/2018	\$0.04	-	1,047,493	-	-	1,047,493
Total options an	d performance rig	ghts	12,250,000	3,547,493	-	(1,500,000)	14,297,493

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.60 years (2016: 0.8 years). 5,592,493 options are exercisable at the end of the financial year. No performance rights are exercisable at the end of the financial year.

For options and performance rights granted during the current financial year the valuation model inputs used to determine the fair value at the grant date are as follows:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Expected Volatility	Dividend Yield	Risk-free Interest Rate	Fair Value at Grant Date
04/01/2017	23/12/2019	\$0.149	\$0.08	98.108%	-	2.00%	\$0.114
07/04/2017	07/04/2019	\$0.145	\$0.137	85.748%	-	1.74%	\$0.06
02/06/2017	31/07/2018	\$0.125	\$0.00	85.748%	-	1.71%	\$0.087

Included under employee benefits expense in the statement of comprehensive income is \$137,932 (2016: \$67,885) which relates to equity-settled share-based payment transactions.

### Note 28. Related party transactions

### Parent entity

Metro Mining Limited is the ultimate parent entity.

# Key management personnel

The totals of remuneration paid to key management personnel of the Company and the consolidated entity during the year are as follows:

Short-term employee benefits Post-employment benefits Share-based payments

Total compensation to directors and KMP

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the consolidated entity's key management personnel for the year ended 30 June 2017.

# Short-term employee benefits

These amounts include fees and benefits paid to the board of directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other key management personnel.

### Joint arrangements

Interests in joint arrangements are set out in note 30.

### **Subsidiaries**

Interests in subsidiaries are set out in note 29.

Consolidated				
	2017	2016		
	\$	\$		
	1,152,572	1,121,241		
	42,805	30,399		
	126,412	67,885		
	1,321,789	1,219,525		

## Post-employment benefits

These amounts are superannuation contributions made during the year.

### Share-based payments

These amounts represent the expense related to the participation of key management personnel in equity-settled benefit schemes as measured by the fair value of options or performance rights granted on grant date.

### Note 29. Interests in subsidiaries

### Information about principal subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1.

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the consolidated entity. The proportion of ownership interests held equals the voting rights held by the consolidated entity. Each subsidiary's country of incorporation is also its principal place of business.

Name of Entity	Country of Incorporation	2017 %	<b>2016</b> %
Aldoga Minerals Pty Ltd	Australia	100	100
Bundi Coal Project Pty Ltd	Australia	100	100
Cape Alumina Pty Ltd	Australia	100	100
Metrostructure Pty Ltd	Australia	100	100
Metro International Holding Pty Ltd	Australia	100	100
Metro Bauxite Hills Operations Pty Ltd	Australia	100	100
Metro Bauxite Hills Holding Pty Ltd	Australia	100	100
Metro Bauxite Hills Sales Pty Ltd	Australia	100	100
Metro Mining Singapore Pte. Limited	Singapore	100	100
Metro Resources and Exploration Co., Ltd.	Myanmar	100	100
Gulf Alumina Pty Ltd (i)	Australia	100	21.8

(i) Following the acquisition of 100% of the issued share capital of Gulf Alumina Limited, the consolidated entity resolved to change the status of Gulf Alumina Limited from a public company limited by shares to a proprietary company limited by shares. The name of the company was changed from Gulf Alumina Limited to Gulf Alumina Pty Ltd from 4 May 2017, the date on which the change of company status took effect.

# Note 30. Interests in joint arrangements Interests in joint operations

Columboola joint operation

In April 2010, the Company entered into a Joint Venture Agreement ('JVA') with China Coal Import & Export Company ('CCIEC'), a wholly-owned subsidiary of China National Coal Group Corp. Under the terms of the JVA, CCIEC acquired a 51% interest the consolidated entity's EPC 1165 Columboola in the Surat Basin, Queensland, for an agreed expenditure commitment of A\$30 million on EPC 1165. The funds will be used for exploring and evaluating the potential for future commercialisation options within the Columboola tenement. The opportunity also exists for participation in the consolidated entity's other tenements. Exploration was commenced in 2011. The Columboola JVA requires a minimum expenditure of A\$4 million within the first two years of the JVA and this amount has been expended. Approximately A\$25 million has been expended on this project to date.

# Mahar San joint operation

On 12 May 2016, Metro Resources and Exploration Co. Limited ('Metro Resources'), a wholly-owned subsidiary of the Company, entered into a Joint Venture Agreement ('Agreement') with Mahar San Group Company Limited ('Mahar San') to jointly undertake copper exploration and mining activities at the Yar Taung mine, located in the Sagaing region of Upper Myanmar (the 'Project').

The terms of the Agreement required Metro Resources and Mahar San to establish a joint venture company. Accordingly, Mahar San Metro Company Limited ('Mahar San Metro') was incorporated in Myanmar on 27 July 2016. As Mahar San Metro has no output and is dependent on the parties to the arrangement for funding, the arrangement is accounted for by the consolidated entity as a joint operation.

During the financial year, Metro Resources contributed US\$50,000 to acquire an 80% interest in the ordinary share capital of Mahar

San Metro and Mahar San contributed its interest in the Yar Taung copper mine and exploration concession. Under the terms of the Joint Venture Agreement dated 12 May 2016, Metro Resources made a loan of US\$12,500 available to Mahar San to enable Mahar San to subscribe for a 20% interest in the ordinary share capital of Mahar San Metro.

On 7 December 2016, the consolidated entity entered into a farm-out arrangement with PanAust Limited ('PanAust') in relation to its interest in the Mahar San joint operation. Under the terms of the arrangement:

- PanAust has the exclusive option to explore the Project for one year in exchange for funding all operating costs including an agreed drilling program,
- PanAust has an option to acquire 63.75% of the consolidated entity's interest in the Project for a further US\$3 million expenditure on agreed exploration programs plus reimbursement of US\$500,000 of the consolidated entity's historical costs.
- PanAust has an option to acquire an additional 18.75% of the consolidated entity's interest in the Project for a further US\$5 million expenditure on exploration; and
- PanAust has the option to purchase the remaining 17.5% of the consolidated entity's interest in the Project for U\$\$9.5 million. If PanAust does not exercise its option, the consolidated entity may elect to either contribute its share of Project expenditure or convert its interest to a 2% net smelter royalty over production. This phase must be completed within ten and a half years from the date of execution of the farm-out agreement.

### Note 31. Parent entity information

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

		Parent
Statement of comprehensive income	2017 \$	2016 \$
Loss after income tax	(1,975,164)	(7,297,853)
Total comprehensive income	(1,975,164)	(7,297,853)
Statement of financial position		
Total current assets	15,621,018	2,426,748
Total non-current assets	84,939,646	17,330,225
Total assets	100,560,664	19,756,973
Total current liabilities	17,131,121	1,092,699
Total non-current liabilities	17,991	-
Total liabilities	17,149,112	1,092,699
Net assets	83,411,552	18,664,274
Contributed equity	122,187,029	56,105,993
Reserves	6,424,717	5,783,311
Accumulated losses	(45,200,194)	(43,225,030)
Total equity	83,411,552	18,664,274

### **Contingent liabilities**

Refer to note 25 for details of contingent liabilities.

### Capital commitments - property, plant and equipment

The parent entity had no capital commitments at 30 June 2017 (30 June 2016 \$Nil).

### Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity which are disclosed in note 1.

# Note 32. Events occurring after the reporting date Share placement

On 19 July 2017, the Company announced a successful share placement to raise funds for the construction of the Bauxite Hills Mine. A total of \$38 million, before costs, was raised through the issue of two tranches of new ordinary shares to institutional and sophisticated investors. A total of 251,005,544 (Tranche 1) shares were issued on 27 July 2017 and 8 August 2017 under the Company's existing placement capacity. Shareholders approved the issue of a further 30,475,937 ordinary shares at an extraordinary general meeting of the Company on 21 August 2017.

### Final investment decision

On 20 July 2017, following the successful capital raising, the Board resolved to proceed with the construction of the Bauxite Hills Mine.

## Signing of debt agreements and refinancing

On 1 August 2017, the Company announced it had executed loan agreements for the previously announced A\$40 million³ Project debt facility with lenders Sprott Private Resource Lending and Ingatatus AG Pty Ltd (the 'Ingatatus Facility'). Sprott Private Resources is the senior secured lender and Ingatatus AG Pty Ltd has second ranking security. A US\$5 million drawdown occurred on execution and the remaining US\$10 million is contingent on permitting being completed on or before 31 March 2018.

The Ingatatus Facility satisfied all conditions precedent as of 2 August 2017, and the facility provided by Namrog Investments Pty Ltd was repaid and refinanced with the Ingatatus Facility on this date. The term of the Ingatatus Facility is 3 years from the date of final drawdown. \$15 million is drawn down as at the date of this report.

Except as noted above, no matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results

of those operations, or the consolidated entity's state of affairs in future financial years.

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### **Metro Mining Limited**

### Directors' declaration

In accordance with a resolution of the directors of Metro Mining Limited, the directors of the Company declare that:

- the financial statements and notes, as set out in notes 1 to 32, are in accordance with the Corporations Act 2001 and:
  - a. comply with Australian Accounting Standards which, as stated in accounting policy note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards;
  - b. give a true and fair view of the financial position as at 30
     June 2017 and of the performance for the year ended on that date of the consolidated entity;
- in the directors' opinion 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
- the directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial Officer.

On behalf of the board of directors





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# INDEPENDENT AUDITOR'S REPORT

To the members of Metro Mining Limited

## Report on the Audit of the Financial Report

## Opinion

We have audited the financial report of Metro Mining Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

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

### Basis for opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



# Accounting for the acquisition of Gulf Pty Alumina Pty Ltd (Gulf)

## Key audit matter

As disclosed in note 6 of the financial report, the company acquired Gulf Alumina Pty Ltd (Gulf) during the year ended 30 June 2017.

The accounting for this transaction is a key audit matter as this represents a significant transaction during the year.

### How the matter was addressed in our audit

Our procedures included, amongst others:

- Obtaining an understanding of the transaction including an assessment of whether the transaction constitutes a business or an asset acquisition.
- We assessed managements' identification of intangible assets acquired, including exploration and evaluation assets and other mineral assets, along, with the valuation methodologies used to value those assets.
- Assessing the competency and objectivity of external experts management engaged to assist with determining the fair value of the assets and liabilities acquired.
- Evaluating the assumptions made by management, and the independent experts they engaged, in determining the fair value of the assets and liabilities acquired, with a specific focus on exploration and evaluation assets, and other mineral assets.

## Other information

The directors are responsible for the other information. The other information comprises the directors' report and shareholder information for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

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

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

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.



## Responsibilities of the directors for the Financial Report

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

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

# Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<a href="http://www.auasb.gov.au/Home.aspx">http://www.auasb.gov.au/Home.aspx</a>) at:

http://www.auasb.gov.au/auditors\_responsibilities/ar1.pdf

This description forms part of our auditor's report.

# Report on the Remuneration Report

# Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 9 to 16 of the directors' report for the year ended 30 June 2017.

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

# Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**BDO Audit Pty Ltd** 

BDO

A J Whyte Director

Brisbane, 22 August 2017

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The shareholder information set out below was applicable as at 21 August 2017.

## a) Distribution of equitable securities

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

Category (size of holding):	Number of holders of ordinary shares
1 to 1,000	121
1,001 to 5,000	206
5,001 to 10,000	327
10,001 to 100,000	1,069
100,001 and over	440
	2,163

The number of shareholdings held in less than marketable parcels is 170.

# b) 20 largest shareholders – ordinary shares

	Ordinary shares	
		% of total
	Number held	Shares Issued
Greenstone Management (Delaware) II Llc	249,276,840	19.86
HSBC Custody Nominees (Australia) Limited	170,077,961	13.55
Balanced Property Pty Ltd	168,301,124	13.41
Netwealth Investments Limited	38,546,722	3.07
Balanced Property Pty Ltd	32,402,909	2.58
Mr Gregory Ian Willims	32,262,623	2.57
Dadi (Australia) Engineering Co Pty Ltd	30,918,678	2.46
Joyday Pty Ltd	30,771,040	2.45
Dadi Engineering Development (Group) Co. Ltd.	28,800,000	2.29
China Xinfa Group Corporation Limited	20,327,883	1.62
Citicorp Nominees Pty Ltd	18,614,749	1.48
Edale Capital Pty Ltd	18,465,247	1.47
Dadi Engineering Development (Group) Hong Kong Co. Ltd	18,450,000	1.47
J P Morgan Nominees Australia Limited	17,254,091	1.37
BNP Paribas Noms Pty Ltd	17,051,656	1.36
Bondline Limited	16,050,223	1.28
BNP Paribas Nominees Pty Ltd	15,816,202	1.26
Ms Qing Xia	14,550,211	1.16
Agile Royal Superannuation Pty Ltd	12,169,903	0.97
Equity & Permanent Investment Capital Limited	11,550,000	0.92
	961,658,062	76.62

# c) Unquoted equity securities

Options over unissued shares	Number on issue	Number of holders
Options issued under the Metro Mining Employee Share Option Plan	11,668,356	21

# d) Substantial holders

The names of the substantial shareholders listed in the Company's register are:

	% of total
Number	Shares
held	Issued
9,278,840	19.86
0,704,033	15.99
4.000.477	7.00

**Ordinary shares** 

	held	Issued
Greenstone Management (Delaware) II Llc	249,278,840	19.86
Balanced Property Pty Ltd	200,704,033	15.99
BlackRock Group (BlackRock Inc and related entities)	94,092,466	7.80
Commonwealth Bank of Australia and related entities	86,991,030	7.22
Dadi Engineering Development (Group) Co. Ltd and related entities	76,168,678	6.07

# e) Voting rights

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

Ordinary shares

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

There are no other classes of equity securities.



