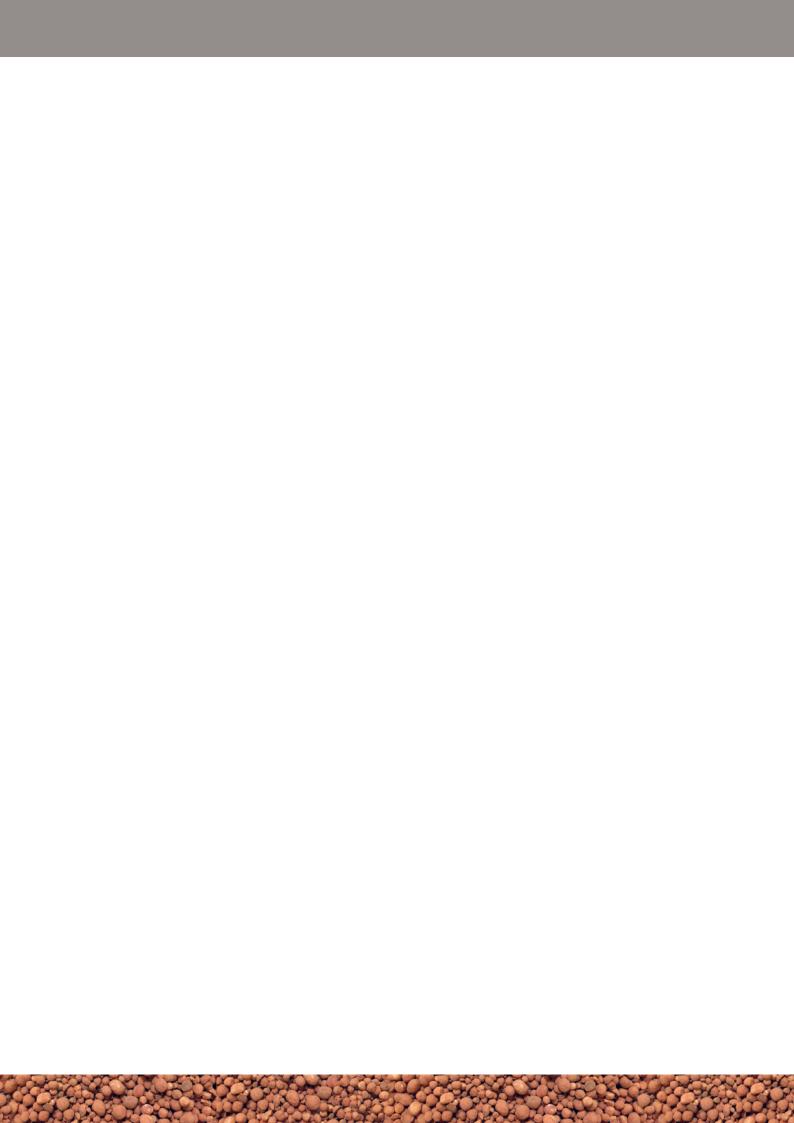


## ANNUAL REPORT 2018

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2018





### Chairman's Report



..... We are proud to be recognised as a company that does what it says it is going to do!

#### My Fellow Shareholders,

Metro's shift to calendar financial year reporting requires us to publish this Annual Report very recently after the FY 2018 Annual Report and convene our AGM on 23 May.

We have moved to reporting on a calendar year basis as it captures a full mine operating year at Bauxite Hills. Previously we have had to spread annual results over two Annual Reports.

In my last written report, I said we expected to achieve targeted production of 2.0M Wet Metric Tonnes (WMT) for the 2018 calendar year.

On 31 December we announced production guidance had been achieved. We shipped 2.037M WMT on 33 vessels. This was a great result for Metro!

Not only did we achieve guidance in our first operational year, we did so after operations at Bauxite Hills were twice disrupted by cyclones that interrupted mining and ship loading activities.

It is testament to our dedicated people, both on and off site, that we maintained focus and achieved our goals.

Based on our success in 2018, and the strong demand for Metro bauxite, we carried out some upgrades on site and increased the production guidance for the 2019 calendar year to 3.5M WMT.

Of course, mining and shipping the Bauxite is just part of the process; product sales are equally important.

While we continue to engage with potential new customers, we are delighted to have already shipped to five different Chinese refineries. I would like to take this opportunity to thank all the Chinese companies who continue to support Metro and particularly Xinfa who remain our major offtake partner.

Although the price of aluminium has dropped during the period covered by this report the bauxite price over the same time remained relatively strong.

Declining grades of bauxite from the Chinese domestic market, particularly that available to inland refineries, has resulted in continued demand for Metro product.

## We are proud to be recognised as a company that does what it says it is going to do!

Our performance during 2018 demonstrates this and receiving the "Emerging Miner Award" at the 2018 Diggers and Dealers Forum is another example.

Metro continues to value highly its constantly developing and strengthening relationship with our traditional owners. It is pleasing to see the continuing high percentage of Aboriginal and Torres Strait islanders in the Bauxite Hills Mine workforce. We currently exceed expectations and will work hard to ensure this continues.

Again, I congratulate our Managing Director, Simon Finnis, and his team. At times many people have worked under difficult and demanding circumstances. The Board acknowledges and appreciates all of those efforts. I also thank our contractors who continue to provide their services and our suppliers, many of whom are in Far North Queensland.

Your Board has seen some changes in its composition. I thank all my fellow Board Members for their efforts. We continue to focus on our social, cultural and commercial aims in order to add value to your company and your investment.

Finally, I thank all our shareholders for your ongoing support. I am very proud of the progress of Metro Mining and that we have delivered a successful mining project at Bauxite Hills. We remain committed to delivering the strategy and continuously strive to deliver on our promises.

Thank you for your confidence in us.

Sincerely

Stephen Everett

Chairman

## Managing Director's Report



.....in 18 months we funded our project, constructed a mine, commenced operations and shipped our production guidance.

Dear Shareholders.

Welcome to another Annual Report and if it seems like it's come round quickly; you're right! Our decision to move to calendar year reporting necessitated that we produce an Annual Report at this time; which gives us another opportunity to communicate with our shareholders; always a good thing!

In my last report, I highlighted the sustained and unrelenting effort all the Metro team were devoting to ensuring we met our 2018 guidance. A focus which required us to work very late into 2018. We virtually had no spare days in the shipping program through to our last ship leaving on 28 December and it is a credit to all those involved that we achieved our goals safely and in good spirits! On 31 December we announced Metro had shipped 2.037M WMT on 33 vessels, met our 2018 production guidance and delivered on our promise. I sincerely thank the team that made this happen.

We should not lose sight of the fact that in 18 months we funded our project, constructed a mine, commenced operations and shipped our 2018 production guidance.

In November we announced our decision to increase the Bauxite Hills Mine 2019 output to 3.5M WMT, an increase of 17% on our previous 3M WMT target. The decision was in response to strong demand for our bauxite from China. To implement this increase a number of changes were made to the operational model. We have supplemented the mining and haulage equipment, added a crusher for oversize material, duplicated our screening facilities and augmented the transhipping fleet. All these activities have progressed in parallel and are on schedule.

We also announced the logical progression to owner/ operator mining at Bauxite Hills. A significant part of this transition was recruitment of the mining team and our HR team has met the challenge and recruitment is almost complete.

Over the "wet season" we maintained a small crew on-site and the new operating teams began arriving on site in early March according to their work rosters. The updated Definitive Feasibility Study for the Stage 2 expansion to 6.0M WMT is almost complete and will be presented to the Board in the 2019 June Quarter.

Establishing a customer base is vital to our success and I was particularly pleased that by years' end we had shipped our product to five different Chinese companies. I sincerely thank all our customers for their support and I particularly acknowledge and thank our foundation customer Xinfa with whom we have built, and continue to build, an excellent working relationship.

The seaborne bauxite market continues to grow with 81.0M WMT shipped to China in calendar year 2018 and January 2019 was another record month. The supply side has responded well to continued demand and, despite challenges from Guinean bauxite, Metro is well placed to take advantage of the strong demand for the raw material so integral to the Aluminium business.

We have a mutually supportive relationship with our traditional owners, many of whom are employed by Metro. They are an integral part of our ongoing plans and contribute strongly to the mine, to workplace culture and to their communities. I particularly recognise the work of our Liaison Committee in ensuring this relationship remains strong.

We continue to be diligent in our charter to shareholders to maximise profit and return while building and strengthening the business. We do this by working safely, respecting our environment and fostering the cultural and social aspect of the business.

Our Metro family is growing. I am proud of our team on site, in Cairns, in Brisbane and of course our marketing team in China. I thank our contract partners and suppliers for their efforts and support.

Finally, I thank my fellow Directors for their support, guidance and commitment throughout the year.

I will expand upon our progress in my AGM presentation and I look forward to seeing you there.

Simon Finnis | Managing Director & CEO

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

Stephen Everett has more than 40 years Board and management experience in resources both in Australia and overseas.

Stephen is former Chair of Agrimin Ltd, IronRidge Resources Ltd, Australian Solomons Gold Ltd, BeMaX Resources NL and JMS Civil and Mining Pty Ltd.



## **Simon Finnis**Managing Director

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



### Mark Sawyer

Non-Executive Director

Mark Sawyer is Senior
Partner and co-founder of
Greenstone Capital LP.
Mark joined the Metro
Board July 2016.
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.



Fiona Murdoch

Non-Executive Director

Fiona Murdoch has 28+ years resource experience in Australia and overseas holding senior operational roles with MIM Holdings and Xstrata Qld. Fiona is a NED for KGL Resources Ltd and Chairs KGL's Risk and Audit Committee. She is also a Director of Core Resources. Fiona joined the Board on 11 March 2019



# Philip Hennessy AO 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 experience in a wide range of industries including mining, exploration, mineral processing and ports serving at CEO, MD, Director and Chair level. Lindsay is currently CEO of Palisade Asset Management. Lindsay resigned from the Board 26 February 2019



## Corporate News | Finance & Marketing

2018 represented Metro Mining's first full (six monthly) period as an operating company which is reflected in the strong financial results and year-end balance sheet.

#### **OPERATING RESULTS**

During the six months to December 2018, the Bauxite Hills mine shipped and sold 1.638M WMT of bauxite at an average price of A\$56.55/t, generating A\$92.3M of revenue. For the first full year of operations (April 2018 to December 2018) Bauxite Hills Mine shipped and sold a total of 2.037M WMT of bauxite at an average price of A\$58.20/t generating revenue of A\$115.7M.

The site operating costs were A\$24.23/t and total operating costs, after including non-site costs (i.e. freight costs and royalty payments), were A\$48.03/t. This resulted in an operating margin of A\$8.52/t.

Gross profit (after depreciation and amortisation) from the Bauxite Hills Mine during the six month 2018 period totalled A\$9.6M and group profit before tax was A\$2.19M. Following the successful transition to an operating company Metro partially recognised its carry-forward tax losses during the period resulting in a net profit after tax of A\$9.27M

#### **BALANCE SHEET**

Metro maintained a strong financial position during this 6-month period. Cash on hand and trade receivables totalled \$40.5M at the end of the 2018 calendar year. In addition, Metro held A\$6.9M of restricted cash comprising financial assurance and other security deposits.

Metro's finance facilities totalled A\$41.8M with Sprott Private Resource Lending (US\$15.0M) and Ingatatus AG Pty Ltd (a related party of Balanced Property) (A\$20.0M). These facilities have been structured with maturity profiles to match the anticipated increase in cashflow from Bauxite Hills over the next two years.

- Repayments for the Sprott facility commence in July 2019 with 14 equal monthly instalments out to maturity in August 2020.
- The Ingatatus facility is due to be repaid through a bullet repayment in September 2020.

#### **BAUXITE SALES**

Metro experienced strong appetite for its bauxite following the initial shipments into China. The company executed sales agreements with five different customers and all shipments were delivered within contractual specifications. Metro currently has sales contracts in place to cover approximately 75% of the upgraded 2019 production and shipments of 3.5M WMT.

Metro is also experiencing strong demand for its bauxite from refineries located in inland Chinese provinces where supply of domestic bauxite has been hindered by resource depletion, recent mine closures and environmental audits. Bauxite Hills' product specifications are well suited to the processing requirements of these refineries.

Approximately 2.2M WMT of planned 2019 production will be sold under a long–term off-take to Xinfa. Under this contract, prices received are linked to an RMB denominated alumina price index. Pricing of the remainder of product sales in 2019 are expected to be linked to the prevailing market price. This provides good exposure to both bauxite and alumina prices.

The price outlook for bauxite continues to remain positive. Chinese bauxite imports hit a record level in 2018 of over 81.0Mt and bauxite prices have remained strong at the end of 2018 and into the new year. Market predictions are for China to continue to import record levels of bauxite in 2019 due in part to continued environmental sanctions on mines in China which have led to a tightening of domestic bauxite supply in the inland provinces.





### Bauxite Hills Mine



#### THE BAUXITE HILLS MINE

The Bauxite Hills Mine is located 95 kilometres north of Weipa on Western Cape York in Queensland.

The mine is a Direct Shipment Ore (DSO) mining operation in the internationally acclaimed Weipa bauxite region. Mining operations commenced mid-April 2018 and up until when operations ceased on 28 December 2018, as planned for far North Queensland's "wet season", production was 2.037M WMT.

In calendar year 2019 the mine is planned to increase production to 3.5M WMT. In early 2019 Metro is updating the 2017 Definitive Feasibility Study (DFS) to assess the

options to expand the operations to 6.0Mtpa by calendar year 2021. The DFS will also update the Resource and Reserve and renew the mine plan while also critically assessing operations to date and allow for any identified improvements to be built into the expansion plan. The DFS has a strong focus on marketing aspects as well as transhipping and ship loading functions

The Bauxite Hills Mine is a surface mining operation. The mine uses bulldozers to clear trees, remove soil and minimal overburden layers then, after mining is complete, returns overburden to the mined areas. Soil is returned progressively using smaller specialised equipment to ensure the integrity of the soil and maximise the success of rehabilitation. No blasting is required with front-end loaders used to mine the bauxite and load directly into road trains. Bauxite is hauled to the port area via dedicated haul roads, screened to a maximum product size of 100mm, and then fed into the Barge Loading Facility (BLF) and onto barges. Any oversize material from the screening process is crushed and also loaded onto barges. Specialist Tugboats tow the barges down the Skardon River to an anchorage point beyond the river mouth where ocean going vessels (OGVs) are anchored. The OGVs are loaded using their own onboard cranes.

Mining operations are conducted only in the dry season; a notional 9-month period from April to December.

### Bauxite Hills Mine

#### **SAFETY**

The Bauxite Hills Mine has an excellent safety culture with all personnel and contracting partners embracing a safe working environment. In the first year of operations no Lost Time Incidents were recorded. This achievement is due to the strong commitment to safety that is instilled and supported at all levels at the Bauxite Hills Mine.

#### LOCAL EMPLOYMENT FOCUS

The Bauxite Hills Mine employs approximately 200 people (including contractors) and has an indigenous workforce of approximately 40%\* with about 95 –100 people on-site at any one time.

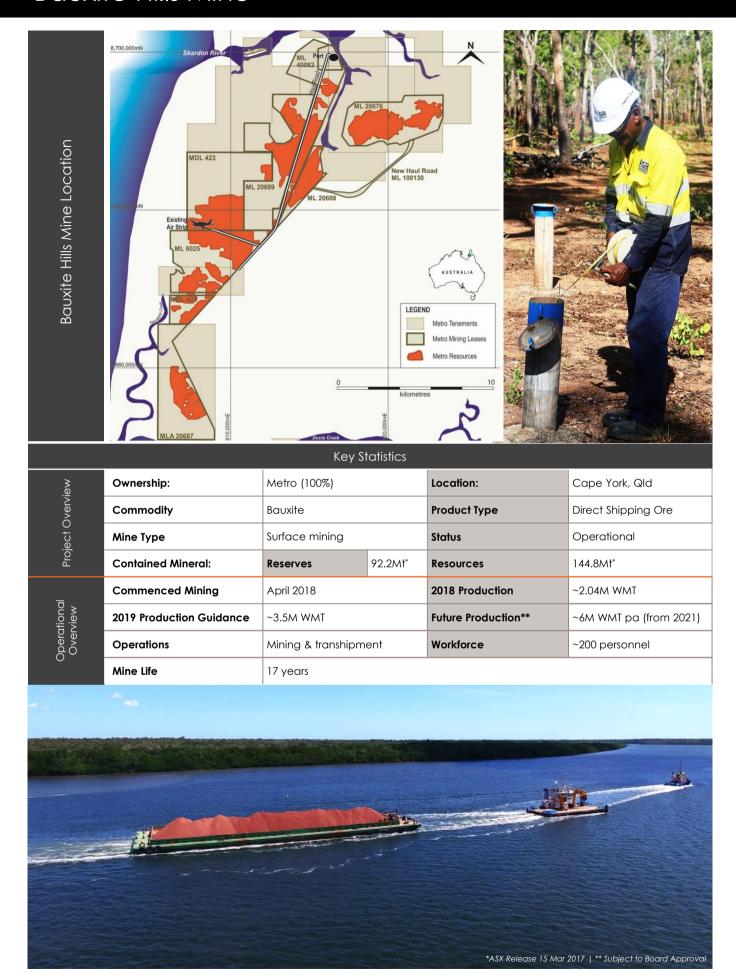
Metro provides regular direct charter flights, from Cairns and Injinoo, for all site personnel, visitors and contractors. The Bauxite Hills Mine continues to easily exceed the Traditional Owner employment targets identified in the ancillary agreement.

Metro is committed to our Traditional Owners and local communities who we regard as partners in this business.





## Bauxite Hills Mine



## Bauxite Hills Mine | Community & Traditional Owners

Metro and the Bauxite Hills Mine are committed to achieving positive social and economic outcomes for the Cape York region. We recognise and understand our licence to operate rests on our sustainable performance in the environment and our engagement with the community.

#### **COMMUNITY AND TRADITIONAL OWNERS**

The Bauxite Hills Mine Liaison Committee is made up of representatives from the Ankamuthi People, the Old Mapoon Aboriginal Corporation (OMAC) and Metro. The Liaison Committee met 3 times in 2018. These meetings provide information flow between the mine, landowners and the Native Title holders on employment and business opportunities and the environmental and Cultural Heritage activities at the mine.

From 2 – 4 October, the Liaison Committee undertook the required Ancillary Agreement and Cultural Heritage Management Agreement review process. The review was professionally facilitated by Dr Valerie Cooms, an Indigenous woman of the Nunukul people, with each party having legal representation to address any concerns. Both reviews were undertaken with goodwill between all parties and were generally positive of the work undertaken. A number of follow-up actions were agreed upon with progress against these actions to be reported at each Liaison Committee meeting.

Community Liaison Officers (CLO) were employed from the Ankamuthi people, and were based in Mapoon and Injinoo through most of the year, providing immediate communication pathways back to the communities. In October 2018 Metro sadly acknowledged the passing of our Injinoo-based CLO. The CLO role has since been reviewed by the Liaison Committee and new CLO's will commence their duties in 2019.

During the year, Metro was proud to sponsor two significant Indigenous Cultural Festivals, the Northern Peninsula Area Regional Council's "Keep the Flame of Culture Burning" Festival and the Mapoon Aboriginal Council's Paanja Festival "Strength in Unity". The Peninsula Area Regional Council's "Keep the Flame of Culture Burning" Festival and the Mapoon Aboriginal Council's Paanja Festival "Strength in Unity". The sponsorship of these Festivals complements Metro's corporate standards and specifically acknowledges that around 40% our employees identify as having Indigenous or Torres Strait Island heritage.

As the mine operates on Ankamuthi People traditional land, appropriate Cultural Heritage awareness for all Metro Mining employees and contractors is considered a basic requirement. Over the year, Metro Mining worked with a wide cross-section of the Ankamuthi people to develop a full day cultural awareness training session that has been accepted by the Ankamuthi people and will be rolled out from the start of 2019.

Metro also meets with interested stakeholders throughout the year as required, and produces a bi-annual newsletter to keep interested stakeholders updated on all mining activities.



## Bauxite Hills Mine | Environmental

On-site environmental performance has progressed and developed during first year of operations strengthening Metro commitment to continual improvement.

Particular focus has been given to consolidating environmental monitoring responsibilities, improving site waste management practices and coordinating mine planning with environmental and cultural heritage requirements.

Requirements under State and Commonwealth environmental licences have been met and Metro continues to work on EA amendments to simplify the duplicated licences across the operation.

A compliance inspection carried out by Department of Environment & Science (DES) officers on 28 – 29 November highlighted a small number of potential compliance issues predominantly focused around the sewage treatment plant and chemical management. Metro continues to action and implement all issues identified by DES.

Metro also self-reported to the DES pollution hotline the uncontrolled release of pit water during the 2017/2018 wet season, along with a fuel spill into water, which was subsequently contained and cleaned-up with no discernible environmental impacts.

After only a year of operations, on-site rehabilitation planning is well advanced with progressive rehabilitation of approximately 80ha proposed for 2019. In 2018, site began preparations for rehabilitation including partnering with local seed collection services and developing locations for rehabilitation trial plots. In addition to the bauxite mine rehabilitation a detailed plan is underway for the historic kaolin mine pit, located beside Namaleta Creek, to be fully rehabilitated over the next 2 years in accordance with our licence conditions.

Mid-year an Environmental Workshop was held in Cairns with site and corporate environmental teams developing environmental priorities and targets for 2019. Identified environmental priorities will be reported through the Site Environment Committee (SEC) meetings regularly held onsite. SEC meetings are chaired by the corporate Manager Environment and Communities, with representatives from all relevant contractors and operational areas

present, to ensure environmental management is maintained as a focus throughout the year.

Metro Mining's environmental risk management system is in accordance with Australian Standards and was developed prior to construction of the mine. A risk management workshop and review was held in November to refocus on operational risks and implementation of controls.

A Marine Spill First Responders Basic Operators Course was undertaken on site in November, in cooperation with Ports North and Maritime Safety Queensland. The course covered deployment, operation and recovery of hydrocarbon spill response equipment with practical training provided. Site personnel are now well-prepared to respond to any spill response situation.

The Environmental team numbers have fluctuated between 3-5 over the year, sometimes incorporating short-term consultant assistance to meet targets. A permanent site team of 5 was determined to be the appropriate resourcing level and is now in place.





### Bauxite

Metro Mining Limited holds a total tenement package covering approximately 1,900sq kilometres of bauxite exploration tenements in western Cape York in Queensland. Western Cape York is a region that is world-renowned for its high-quality, export-grade bauxite.

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

Over the past eleven years, Metro has undertaken systematic exploration programs over a number of bauxite plateaus. It was this exploration work that led to both the discovery of export-grade DSO bauxite at Bauxite Hills as well as the delineation of large resources of beneficiated bauxite at Pisolite Hills. (Much of the Pisolite Hills resource has been sterilised by the gazetting of a nature reserve).

Within the area of its tenements Metro has identified 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 Musarave. Others have bauxite present and require further work while some plateaus require first-pass exploration.

Metro Mining's future exploration strategy will primarily focus on delineating near-mine bauxite resources that can be developed and shipped via the Bauxite Hills Mine infrastructure. Initial reconnaissance-style exploration will be undertaken over areas more remote from the mine.

In addition the Company will continue to look for new



# Bauxite

Tenement	Project Name	Tenement Scheo	Status (Expiry date)	Area Ha (MLAs) No Sub Block (EPM)	Commodity Targeted
ML 6025	Skardon River No 1	Gulf Alumina P/L	Granted (29/02/2036)	1867	Bauxite-Kaolin
ML 40069	Skardon Pipeline	Gulf Alumina P/L	Granted (29/02/2036)	234.2	Bauxite-Kaolin
ML 40082	Skardon Buffer	Gulf Alumina P/L	Granted (29/02/2036)	1300	Bauxite-Kaolin
ML 20676	Bauxite Hills 1	Aldoga Minerals P/L (99%) Cape Alumina P/L (1%)	Granted (31/08/2042)	1629	Bauxite
ML 20689	Bauxite Hills 6 West	Aldoga Minerals P/L (99%) Cape Alumina P/L (1%)	Granted (31/08/2042)	1838	Bauxite
ML 20688	Bauxite Hills 6 East	Aldoga Minerals P/L (99%) Cape Alumina P/L (1%)	Granted (31/08/2042)	461.8	Bauxite
ML 100130	BH1 Haul Road	Aldoga Minerals P/L (99%) Cape Alumina P/L (1%)	Granted (30/11/2042)	130.73	Infrastructure
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 (99%) Cape Alumina P/L (1%)	Application	1647	Bauxite
MDL 423	Skardon North	Gulf Alumina P/L (95%) ACC Ecominerals Ltd (5%)	Granted (30/09/2021)	2162.5	Bauxite
MDL 425	Skardon South	Gulf Alumina P/L (95%) ACC Ecominerals Ltd (5%)	Granted (30/09/2021)	363.3	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 (29/09/2019)	53	Bauxite
EPM 15376	Ducie River	Cape Alumina P/L	Granted (29/09/2019)	29	Bauxite
EPM 15984	Port Musgrave	Cape Alumina P/L	Granted (23/02/2019)	4	Bauxite
EPM 15985	Penefather	Cape Alumina P/L	Granted (23/07/2022)	45	Bauxite
EPM 16753	Jackson River	Gulf Alumina P/L	Granted (24/10/2022)	59	Bauxite
EPM 16755	Skardon River North	Gulf Alumina P/L	Granted (16/9/2023)	12	Bauxite
EPM 16899	Skardon River	Cape Alumina P/L	Granted (16/12/2019)	8	Bauxite
EPM 17499	Eucid	Cape Alumina P/L	Granted (30/10/2021)	3	Bauxite
EPM 18242	Skardon River Gap	Gulf Alumina P/L (95%) ACC Ecominerals Ltd (5%)	Renewal lodged (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 (29/05/2021)	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 (29/01/2022)	8	Bauxite
EPM 26198	Skardon Gap West	Gulf Alumina P/L	Granted (5/12/2021)	1	Bauxite



#### Coal Assets

Metro Mining holds substantial coal assets in the Surat Basin in the Bundi Project (100% owned by Metro Mining) and the Columboola and Goombi Projects (49% owned by Metro, 51% owned by China Coal). Both projects contain significant high energy thermal coal Resources.

Given the company's focus on the Bauxite Hills project, no exploration or field work was undertaken during 2019. All coal tenements are in good standing and the company is actively seeking opportunities to create value from these assets.



Drainak	Metro Mining	F	Reserves	IODC		
Project	Ownership	Indicated	Inferred	Total	(Mt)	JORC
Bundi (incl Juandah)	100%	296	1705.6	2001.6		2012
Columboola*	49%	242.6	974.0	1216.6		2012
Goombi	49%	4.9	13.8	18.7	26.2	2004
TOTAL		543.5	2693.4	3236.9	26.2	

\*Resource updated at Columboola May 2018 following the partial relinquishment of EPC1165 | ASX Release 24 Oct 2013 – Bundi Project Update ASX Release 19 July 2012 – Bundi Resource Upgrade & Project Update | ASX Release 19 Dec 2012 – Goombi Maiden Reserve Announced

#### Disclaimer

Forward-Looking Statement: Statements & 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 Ltd, industry growth or other trend projections are, or may be, forward looking statements. Such statements relate to future events & 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 jurisdictio 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 'Australas<mark>ian Code for Reporti</mark>ng 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 Bauxite Hills Mine Mining & Reserves is based on information compiled by MEC Mining & reviewed by Edward Bolton, 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 relevant to the style of mineralization, type of deposit under consideration & 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 & Ore Reserves'. Edward Bolton consents to the inclusion in the report of the matters based on his information in the form & 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 Australian 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 Report the matters based on the information in the form and context 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 Report the matters based on the information in the form and context it appears.



Directors Mr Stephen Everett Independent Non-Executive Chairman

Mr Simon Finnis Executive Managing Director

Mr Philip Hennessy Independent Non-Executive Director

Mr Lindsay Ward Independent Non-Executive Director - Resigned 26 Feb 2019

Mr Mark Sawyer Non-Executive Director

Mr Michael Haworth Alternate Director for Mark Sawyer

Mr Dongping Wang Non-Executive Director - Retired 27 Jul 2018

Mr George Lloyd Independent Non-Executive Director - Resigned 26 Sep 2018

Mr Xiaoming Yuan Non-Executive Director

Appointed Director 27 Jul 2018 - Resigned 20 Nov 2018

Company secretary

Notice of annual general meeting

Ms A Treble

The annual general meeting of Metro Mining Limited will be held at 11am, Thursday 23 May 2019 at the office of McCullough Robertson, Level 11, 66 Eagle Street, Brisbane, QLD 4000.

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 21, 10 Eagle Street Brisbane, Queensland 4000

Auditor Ernst & Young

111 Eagle 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



Your 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 six-month period ended 31 December 2018. All amounts are in Australian Dollars unless otherwise stated. In July 2018, the Board resolved to change the financial year end of the Group to 31 December, to better align with the operating season of its main income producing asset, the Bauxite Hills Mine.

#### **DIRECTORS**

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

Mr S. Everett	Mr M. Haworth (Alternate for Mr M Sawyer)
Mr S. Finnis	Mr D. Wang (Retired 27 Jul 2018)
Mr P. Hennessy	Mr G. Lloyd (Resigned 26 Sep 2018)
Mr M. Sawyer	Mr X. Yuan (Appointed Director 27 Jul 2018, Resigned 20 Nov 2018)
Mr L. Ward	(Resigned 26 Feb 2019)

#### **OPERATING AND FINANCIAL REVIEW**

The six months to 31 December 2018 have been an historical period for the Group with the first full operational season of its flag-ship Bauxite Hills Mine on Western Cape York completed. During the six months to 31 December 2018, 1.60 million wet metric tonnes (WMT) of Direct Shipping Ore (DSO) bauxite was mined and 1.64 million WMT was shipped. This was an excellent result given the weather impact from ex Tropical Cyclone Owen in mid-December suspended transhipment operations for six days. The Group has recorded record revenue of \$93,235,000 and a maiden profit before tax of \$2,192,000.

#### Bauxite Hills Project - Cape York, Queensland

#### Overview

Development of the Bauxite Hills Mine commenced in the September 2017 quarter following the awarding of contracts for construction of mine, marine and other site-based infrastructure.

The Bauxite Hills Mine has a simple operating plan. Following clearing of trees and removal of topsoil and overburden, bauxite ore is mined using front end loaders and hauled via dedicated haul roads to the Port of Skardon River. The ore is screened to 100mm maximum size and then loaded into barges utilising the purpose-built Barge Loading Facility (BLF). Any oversize material from the screening process is crushed and then returned to the product stream. The barges are towed down the Skardon River by tugs to an anchorage point in the Gulf of Carpentaria, where the ore is loaded into Ocean Going Vessels (OGVs) using the vessels' cranes and grabs.

During the financial period a total of 27 vessels were successfully loaded containing 1,646,000 Wet Metric Tonnes of bauxite. This was part of Bauxite Hill's first full operating year (April to December 2018) when 2,037,000 Wet Metric Tonnes were loaded into 33 vessels and shipped to customers in China. As planned the final vessel for the 2018 season completed loading on 28 December 2018, although during mid-December ex Tropical Cyclone Owen suspended operations for six days. The mine does not operate during the wet season (notionally January to March each year) due to the sea state in the Gulf of Carpentaria making it unsuitable for transhipping.

Based on the strong operating performance and customer demand for its bauxite in 2018, the Company decided in late 2018 to implement a series of low-cost operational improvements and upgrade initiatives to expand production in 2019 from the originally planned 3.0 million to 3.5 million Wet Metric Tonnes, an increase of approximately 17%.

Long lead-time items have been ordered and works on site have begun in order to implement the changes required to meet the expanded production forecast. Most of the work will take place on site during the planned wet season shutdown at Bauxite Hills and will not impact the planned re-commencement of operations in April 2019 at the start of the dry season. Much of the existing plant and infrastructure at Bauxite Hills has been designed to accommodate higher production levels so the initiatives to incrementally increase production are both easy to implement and low cost. Many of these initiatives were part of the long-term Stage 2 expansion to 6 million Wet Metric Tonnes.

A jaw crusher was installed and commissioned in late 2018 as part of the improvement and expansion initiative. This provides considerable benefit as oversized material can be processed after screening, reducing stockpiling requirements at the port and improving quality management systems.

The transhipment activities performed strongly and in line with expectations with no significant operational issues recorded. As the mining rates increased, initiatives were implemented to optimise tug and barge movements in line with tide windows on the Skardon River.

For the operating six months, the Bauxite Hills Mine generated a pre-tax profit of \$2,192,000 after depreciation and amortisation. The Directors are pleased to report that mining and transhipping have achieved budgeted operating levels, and that unit costs compare favourably to expectations.

An excellent safety culture has always prevailed on site with all personnel and contracting partners embracing a safe working environment. Accordingly, the six months of operations resulted in a total of 263,144 working hours without a Lost Time Injury being recorded. Unfortunately, the operations experienced three incidents involving the truck and haulage operations. All these incidents have been fully investigated and definitive actions put in place to prevent reoccurrence.

#### **Major Contracts**

During the six months no new major contracts were awarded. However, in December 2018 the Board of Directors of the Company made the decision to transition to an owner operator model for the mining and haulage operations and, as a result, notice was provided to SAB Mining to terminate the Mining Services Agreement. The decision to transition to owner operator is logical, given the strong and experienced site management team in place, and facilitates the ability to increase production efficiencies and reduce operating costs.

#### Indigenous Engagement

The Group continues to promote engagement with the local communities in which it operates and is pleased to sponsor community events that encourage and maintain the cultural heritage of the region.

The Group maintains strong ties to the traditional owners and the landholders and strives to maximise its opportunities to improve engagement with these important stakeholders. The Group meets with the Bauxite Hills Mine Liaison Committee quarterly. The committee consists of representatives from the Group and the Ankamuthi people and Old Mapoon Aboriginal Corporation (OMAC).

The Bauxite Hills Mine Ancillary Agreement and the Cultural Heritage Management Agreement were reviewed and updated during the period as part of the ongoing process to maximise the opportunities to improve indigenous engagement.

Sponsorships provided during the period included:

- The Northern Peninsula Area Regional Council Biennial Cultural Festival "Keep the Flame of Culture Burning" held in Injinoo; and
- The Mapoon Aboriginal Shire Council Paanja Festival "Strength in Unity".

As at 31 December 2018, the traditional owners of the land, the Ankamuthi people, and other indigenous employees, held approximately 40% of the positions created by the development and operation of the Bauxite Hills Mine. This exceeds the Group's indigenous workforce target of 20% during the 2018 operating year.

#### **Bauxite Sales**

The Group's marketing program was successful with all of the 2018 production sold into the Chinese market. In addition, approximately 75% of 2019 production has been committed to customers.

The Group's product was well accepted in China with sales being made to a total of five separate customers with growing demand for the Group's bauxite from existing and potential new customers. In particular, the Group is seeing strong demand for its bauxite from refineries located in inland Chinese provinces where supply of domestic bauxite has been hindered by recent mine closures and environmental audits. Bauxite Hills product specifications are well suited to the processing requirements of these refineries.

Feedback from refiners highlights that the Group's bauxite refines as anticipated and is similar to other products mined from the Weipa region, although being a direct shipping ore product results in different material handling characteristics.

#### **OPERATING AND FINANCIAL REVIEW (continued)**

The Group's marketing strategy is focused on taking advantage of the increased demand for imported bauxite into China and executing long-term offtake agreements to support its goal to expand the Bauxite Hills Mine to a 6 million WMT per annum project.

#### **Exploration**

A drilling program around the Bauxite Hills Mine was completed during the six months covered by this report. Drilling was undertaken on a 160m by 160m grid with the majority of holes designed to upgrade selected areas of the existing bauxite resource from the Inferred category to the Indicated and / or Measured categories. A small proportion of the drilling tested for bauxite within an area located at the southern end and outside of the existing resource. Altogether 221 holes were complete for a total of 893m. A total of 3,570 samples were collected. Assays are expected during the March quarter of 2019 and will form the basis of an updated Resource/Reserve Statement.

#### OTHER ASSETS

#### **Bundi Coal Assets (Surat Basin, Queensland)**

For several years, limited expenditure has been incurred on the Group's Bundi coal assets while the Group's attention has been focussed on the development of the Bauxite Hills Mine. Consistent with this strategic focus, it is unlikely the Group will engage in any substantial exploration and evaluation activity at its Bundi coal tenements in the short to medium term. At 31 December 2018, the Group regard the most likely manner of recovering value from the Bundi coal tenements to be through a transaction in which the Group disposes of an interest in the tenements (e.g. through trade sale, farm-out or joint venture arrangement). The Bundi Coal tenements were impaired to \$nil at 30 June 2018 and no further material expenditure has occurred on the tenements.

#### Mahar San Copper Project (Upper Myanmar)

The Group had previously entered into a farm-out arrangement with PanAust Limited (PanAust) in relation to the Group's interest in the Mahar San joint venture. Under the terms of the arrangement, PanAust had the exclusive option to explore the Mahar San Copper Project for one year in exchange for funding all operating costs including an agreed drilling program. In June 2018, following completion of its initial exploration program, PanAust advised the Group of its intention to terminate the

farm-out arrangement as allowed under the terms of the agreement. The Group is in the process of de-registering both its Myanmar incorporated subsidiary, Metro Resources and Exploration Co., Ltd, and the Mahar San joint venture vehicle, Mahar San Metro Company Ltd.

#### **CORPORATE**

#### Award

Metro Mining Limited has been recognised as a leading Australian Emerging Mining Company. The award was received at the internationally recognised Diggers & Dealers Mining Forum in Kalgoorlie in August 2018.

#### Staff and Board Changes

During the six months, the Board has undergone significant changes with three Board members, Mr George Lloyd, Mr Dongping Wang, and Mr Xiaoming Yuan, resigning from their positions. Subsequent to the period end, Mr Lindsay Ward announced his resignation with effect from 26 February 2019. The Board acknowledges the significant contributions made by all four members. Recruitment is currently underway to engage an additional Non-Executive Director.

#### **FINANCIAL PERFORMANCE**

In July 2018, the Company received the settlement of \$3,458,000 in placement funding that had been subscribed for, but was outstanding, at 30 June 2018. The debt facilities the Company has in place remain unchanged. The debt financing package comprises a US\$15 million facility with Sprott Private Resource Lending (Sprott) and a A\$20 million facility with Ingatatus AG Pty Ltd. During the year, the repayment term for the existing USD\$15M Sprott facility was extended by 5 months with repayments now commencing in July 2019. The facility is expected to be fully repaid by August 2020.

#### MATERIAL BUSINESS RISKS

The Group prepares its business plans using estimates of production and financial performance based on a range of assumptions and forecasts. There is uncertainty in these

assumptions and forecasts, and a risk that variation from them could result in actual performance being different to expected outcomes. The uncertainties arise from a range of factors, including the nature of the mining industry and general economic factors. The material business risks faced by the Group that may have a material impact include the following:

#### Fluctuation in Commodity Prices and the Australian Dollar

The Group is not currently able to manage commodity price exposures directly as there are no bauxite derivative products available in the market. In order to manage United States (US) dollar exposures, which include US dollar revenues, ocean freight expense, interest costs and debt repayments, the Group's risk management framework incorporates the implementation of a currency hedging program to manage the risks to sales revenue associated with a strengthening of the Australian dollar against the United States dollar.

As part of this strategy, the Company holds US\$/A\$ put options totalling US\$17,500,000 at an average strike price of US\$0.85 with expiry dates staggered monthly during 2019. The options protect revenue should the Australian dollar strengthen above US\$0.85. The Board approved strategy also includes managing the Group's short-term currency exposure through hedging (via forward sales) of any confirmed US\$ sales receipts on a rolling short-term basis.

At the end of the period, the Group had in place two forward sale A\$/US\$ contracts totalling US\$10,000,000 expiring in January 2019 at an average exchange rate of 0.7176. The Group continues to monitor currency markets and may look to increase its current hedging position if attractive pricing opportunities arise within these strategic guidelines.

#### Mineral Resources and Ore Reserves

The Group's mineral resources and reserves are estimates and no assurance can be given that the estimated reserves and resources are accurate or that the indicated level of bauxite or any other mineral will be produced. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual geological conditions may be different from those predicted. No assurance can be given that any part, or all, of the Group's mineral resources constitute or will be converted into ore reserves.

Market price fluctuations of bauxite, as well as increased global supply and capital costs may render the Group's ore reserves unprofitable to develop for periods of time or may render ore reserves containing relatively lower grade material uneconomic. Estimated reserves may have to be re-estimated based on actual production experience. Any of these factors may require the Group to reduce its mineral resource and ore reserves, which could have a negative impact on the Group's financial results.

#### **Replacement of Depleted Reserves**

The Group must continually replace reserves depleted by production to maintain production levels over the long term. Reserves can be replaced by expanding known ore bodies, locating new deposits or making acquisitions. Exploration is highly speculative in nature. The Group's exploration projects involve many risks and are frequently unsuccessful. Once a site with mineralisation is discovered, it may take several years from the initial phases of drilling until production is possible.

There is no assurance that current or future exploration programs will be successful. There is a risk that depletion of reserves will not be offset by discoveries or acquisitions. The mineral base of the Group may decline if reserves are mined without adequate replacement and the Group may not be able to sustain production beyond current mine life, based on current production rates.

#### Mining Risks and Insurance Risks

The mining industry is subject to significant risks and hazards, including environmental hazards, industrial accidents, unavailability of material and equipment and weather conditions (including flooding, cyclones and bush fires), most of which are beyond the Group's control. These risks and hazards could result in significant costs or delays that could have a material adverse effect on the Group's financial performance, liquidity and results of operation.

The Group has a policy to maintain insurance to cover the most common of these risks and hazards, where available. The insurance is maintained in amounts that are considered reasonable depending on the circumstances surrounding each identified risk. However, property, liability and other insurance may not provide sufficient coverage for losses related to these or other risks or hazards.

#### **MATERIAL BUSINESS RISKS (continued)**

#### **Production and Cost Estimates**

The Group prepares estimates of future production, site costs and capital costs of production for its operations. No assurance can be given that such estimates will be achieved. Failure to achieve production or cost estimates, or material increases in costs, could have an adverse impact on the Group's future cash flows, profitability, results of operations and financial condition.

The Group's actual production and costs may vary from estimates for a variety of reasons, including; actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; revisions to mine plans; risks and hazards associated with mining; natural phenomena such as inclement weather conditions, and unexpected labour shortages.

#### Sovereign Risk and Concentration of Customers

The Group currently ships all of its bauxite production to China and is therefore exposed to the sovereign risks of China. There could be changes to Chinese government policy outside of the Group's control which could materially affect the operations and profitability of the business. The Group maintains local agents who advise on any material changes to the operating environment in China.

The Group also has a concentration of revenue with one customer and is therefore exposed to the counter-party risk and credit risk of this major customer. The Group manages this risk with customer diversification through its marketing strategy, dealing with credit worthy customers and sales made through irrevocable letters of credit.

#### **Marketing Risk**

The Group has approximately 756% of 2019 operating production sold either under the existing binding offtake agreement or through contracted spot sale agreements. There is a risk that the uncontracted planned production may not be sold. After fully selling the 2018 production, the risk is considered low, and the Group manages this risk with customer diversification through its marketing strategy.

#### Environmental, Health and Safety, and Permits

The Group's mining operations and exploration activities are subject to extensive laws and regulations governing the protection of the environment, waste disposal, worker safety, mine development and protection of endangered and other special status species. The Group's ability to obtain permits and approvals may adversely affect the Group's mining operations, including its ability to continue operations.

While the Group has implemented health, safety and community initiatives at its site to ensure the health and safety of its employees, contractors and members of the community affected by its operations, there is no guarantee that such measures will eliminate the occurrence of accidents or other incidents which may result in personal injuries or damage to property, and in certain instances such occurrences could give rise to regulatory action or fines and / or civil liability.

#### **Community Relations**

The Group has an established community relations function which manages the community engagement, local employment, indigenous business opportunities, and sponsorships. The Group meets with representatives of the Bauxite Hills mine native title holders, the Ankamuthi people, and the trustee owners of the land, OMAC, on a quarterly basis. The Group recognises that a failure to appropriately manage local community stakeholder expectations may lead to dissatisfaction which has the potential to disrupt production and exploration activities.

#### **DIVIDENDS PAID OR RECOMMENDED**

There were no dividends paid or returns of capital by the Group during the financial period ended 31 December 2018. The Directors do not recommend the payment of a dividend and no amount has been declared or paid by way of a dividend since 31 December 2018 and to the date of this report.

#### **Additional Information**

The earnings of the Group for the five periods / years to 31 December 2018 are summarised below:

	31 Dec 2018 6 months	30 Jun 2018	30 Jun 2017	30 Jun 2016	30 Jun 2015
	\$'000	\$'000	\$'000	\$'000	\$'000
Income	93,747	25,838	9,033	1,114	473
Net profit /					
(loss) after tax	9,357	(17,378)	(2,372)	(6,834)	(2,773)

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

	31 Dec 2018 6 months Cents per share	30 Jun 2018 Cents per share	30 Jun 2017 Cents per share	30 Jun 2016 Cents per share	30 Jun 2015 Cents per share
Share price at financial period / year end	16.0	21.5	14.5	7.0	6.0
Basic profit / (loss) per share	0.677	(1.38)	(0.33)	(1.83)	(1.07)

#### 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 04/01/2017	23/12/2019	\$0.080	4,000,000
Options granted 07/04/2017	07/04/2019	\$0.137	545,000
Options granted 28/08/2017	27/08/2019	\$0.150	10,000,000
Options granted 28/08/2017	28/08/2022	\$0.183	11,100,000
Options granted 25/10/2017	25/10/2021	\$0.250	4,414,610
Performance rights granted 01/02/2018; issued 31/07/2018	31/07/2019	n/a	1,210,488
Performance rights granted 02/07/2018; issued 31/07/2018	31/07/2019	n/a	174,516
Total shares under option or subject to performance rights			31,444,614

No shares relating to the exercise of options have been issued since the end of the reporting period. No amounts are unpaid on any shares. 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 period ended 31 December 2018, ordinary shares in the Company were issued on exercise of options granted, as follows:

Description	Grant Date	Exercise Price	Exercise Date	Number of Shares Issued
Options granted to primary lender	28 Aug 2017	\$0.183	10 July 2018	3,900,000

#### Indemnity and Insurance of Officers

Each of the Directors and the secretary of the Company has entered into a deed of indemnity and access 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 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

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young Australia during or since the financial period end.

#### 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.

#### **Environmental Regulation and Performance**

The Group holds all necessary licences issued by the relevant State and Commonwealth environmental protection authorities. These licences specify environmental management standards to be achieved, and put limits on any emissions to the air, land and water. In accordance with these licences, the Group has developed and implemented environmental management plans

for all operations associated with the Bauxite Hills Mine.

The Group maintains awareness of current environmental management standards, changes to existing legislation and incoming environmental regulations through representation on the Queensland Resource Council Environment Committee and Environmental Strategic Advisory Group.

The Group has reported to the Department of Environment and Science (DES) Pollution Hotline a number of minor non-compliances with licence conditions relating to effluent irrigation triggers, a small release of hydrocarbon to water that did not result in any off-lease impacts and the release of water from mine storages over the 2017-2018 wet season. No environmental harm has been recorded as a result of these non-compliances and DES have not requested any additional action following these reports.

#### **Non-Audit Services**

No amounts have been paid or are payable to the auditor for non-audit services provided during the financial period. Refer to note 28 to the financial statements.

### Officers of the Company who are Former Audit Partners of Ernst & Young

There are no officers of the Company who are former audit partners of Ernst & Young.

#### 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 19 of the financial report.

INFORMATION ON DIRECTORS	
Name:	Stephen Everett
Title:	Independent Non-Executive Chairman, appointed 12 July 2012
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):	<ul> <li>Chairman of Agrimin Limited (formerly Global Resources Corporation Limited) Appointed April 2009, Resigned April 2016.</li> </ul>
Special responsibilities:	Member of the Audit and Risk Committee and Member of the Remuneration and Nomination Committee.
Interests in shares:	4,391,078 ordinary shares.
Interests in options:	None.
Name:	Simon Finnis
Title:	Managing Director, appointed 6 January 2017
Qualifications:	Master 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 the commencement of production 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:	4,524,581 ordinary shares.
Interests in options:	2,538,836 options.
Interests in performance rights:	455,967 performance rights (issued 31 July 2018).
Name:	Philip Hennessy, AO
Title:	Independent Non-Executive Director, appointed 30 September 2014
Qualifications:	Bachelor of Business (Accountancy) and Fellow, Chartered Accountants Australia and New Zealand
Experience and expertise:	Over the past 30 years, Mr Hennessy has been involved in corporate insolvency and reorganisation across a variety of industries including construction, real estate, mining, manufacturing, professional services, hospitality, tourism, agriculture and financial services. He has served as a Chairperson and Director of a number of Government owned corporations focussed on water storage, treatment and transport services to industrial and mining customers and for household use, and also involving the construction of pipelines, dams and other infrastructure. Mr Hennessy has been a Director of various not-for-profit organisations serving intellectually disabled women, children with chronic health issues, hospitals and education. He is currently an Independent Director and advisor to public, private and not-for-profit organisations.
Other current Directorships:	None.
Former Directorships (in the last 3 years):	<ul> <li>Blue Sky Alternative Investments Limited. Appointed February 2017. Resigned 10 December 2018;</li> <li>Blue Sky Alternatives Access Fund Limited. Appointed 15 April 2014. Resigned May 2017; and</li> <li>Collection House Limited. Appointed 28 August 2013. Ceased 28 November 2017.</li> </ul>
Special responsibilities:	Chairman of the Audit and Risk Committee and Member of the Remuneration and Nomination Committee.
Interests in shares:	3,178,573 ordinary shares.
Interests in options:	None.

#### **INFORMATION OF DIRECTORS (continued)**

Interests in options:

Name: Mark Sawyer Title: Non-Executive Director, appointed 28 July 2016 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 program (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 holds 273,388,740 ordinary shares in the Company. Other current Directorships: North River Resources Plc; Heron Resources Ltd: Serabi Gold (AIM/TSV); and Northern Vertex Mining Corp. Former Directorships None. (in the last 3 years): Special responsibilities: Member of the Audit and Risk Committee and Member of the Remuneration and Nomination Committee. Interests in shares: None other than as noted above. Interests in options: None Name: **Lindsay Ward** Title: Independent Non-Executive Director, appointed 4 October 2011, resigned 26 February 2019 Qualifications: Graduate Diploma of Business Management, Bachelor of Applied Science (Geology), Diploma of Mining, Graduate Member of the Australian Institute of Company Directors. Mr Ward is an experienced senior executive having worked for over 30 years in a broad range Experience and expertise: 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: Whitehaven Coal Ltd, appointed 6 February 2019. Former Directorships None. (in the last 3 years): Special responsibilities: Member of Audit and Risk Committee and Chair of the Remuneration and Nomination Interests in shares: 1,330,358 ordinary shares. Interests in options: None. **Michael Haworth** Name: Title: Alternate Director for Mr Mark Sawyer, appointed 1 September 2016 Qualifications: Chartered Accountant (SA) Mr Haworth co-founded Greenstone Resources in 2013 after a 20-year career in the mining Experience and expertise 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 holds 273,388,740 ordinary shares in the Company. Other current Directorships: Excelsior Mining (TSX); Coro Mining (TSX); Adventus Zinc (TSX); Northern Vertex (TSX); and Ncondezi Energy Ltd (AIM). Former Directorships (in the last 3 years): Zanaga Iron Ore Co (AIM) (retired 5 Sep 2018); Member of the Audit and Risk Committee and the Remuneration and Nomination Committee Special responsibilities: both as Alternate for Mr Mark Sawyer. Interests in shares: None other than as noted above.

None.

#### **INFORMATION OF DIRECTORS (continued)**

**Xiaoming Yuan** Name: Title: Independent Non-Executive Director, appointed alternate for Mr Dongping Wang on 1 December 2014, appointed Director on 27 July 2018, resigned 20 November 2018 Qualifications: Bachelor of Mining Engineering Mr Yuan is Managing Director of Dadi Australia and Chairman of Aury Australia. As the Experience and expertise: representative of the Dadi Engineering Development Group Mr Yuan delivered support and assistance to the Board and Company from a substantial 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. Mr Yuan remains a Director of the Group's wholly-owned subsidiary, Coal International Pty Ltd. Other current Directorships: Former Directorships None. (in the last 3 years): Special responsibilities: None. Interests in shares: None. Interests in options: None. Name: George Lloyd Independent Non-Executive Director, appointed 8 April 2015, resigned 26 September 2018 Title: 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 in 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). Other current Directorships: Ausenco Pty Limited (Chairman). Appointed 13 May 2005; and Melior Resources (TSX: MLR). Appointed 22 June 2018. Former Directorships None (in the last 3 years): Special responsibilities: None. Interests in shares: 1,806,437 ordinary shares. Interests in options: None.

Name:	Donapina Wana

Title: Non-Executive Director, appointed 8 December 2011 and retired on 27 July 2018

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's 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.

Other current Directorships: None. Former Directorships None.

(in the last 3 years):

None.

Special responsibilities:

Interests in shares 500,000 ordinary shares and those noted above.

Interests in options None.

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

#### **INFORMATION OF DIRECTORS (continued)**

#### **Company Secretary**

Ms A Treble was appointed as Company Secretary on 23 February 2018. Ms Treble is a Chartered Accountant and Chartered Secretary, with over 17 years' experience as a senior finance professional delivering finance services and providing advice to managers, executives, committees and boards of ASX listed companies. This includes 12 years in the mining sector and 5 years within the Big 4 professional accounting firms both internationally and within Australia.

#### Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board committee held during the period ended 31 December 2018, and the number of meetings attended by each Director were:

	Full Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr S Everett	5	5	2	2	3	3
Mr S Finnis	5	5	-	-	-	=
Mr P Hennessy	5	5	2	2	-	-
Mr M Sawyer	4	5	2	2	3	3
Mr L Ward	5	5	2	2	3	3
Mr M Haworth (alternate for Mr M Sawyer)	-	-	-	-	-	-
Mr X Yuan	5	5	-	-	-	-
Mr G Lloyd	3	3	-	-	1	1
Mr D Wang	-	1	-	-	-	-

<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 - AUDITED**

The remuneration report, which has been audited, outlines the Director and executive remuneration arrangements for the Group 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 Remuneration Overview
- B Remuneration Governance
- C Principles Used to Determine the Nature and Amount of Remuneration
- D Details of Remuneration
- E Service Agreements
- F Cash Bonuses and Share-based Payments
- G Options and Performance Rights Granted as Remuneration
- H Key Management Personnel Shareholdings
- Other Transactions with Key Management Personnel

#### A. Remuneration Overview

#### i) Key Management Personnel

The Key Management Personnel (KMP) of the Group consists of the Directors of the Company and the executives listed below who have significant influence over the Group's operating performance.

Name	Role	Changes in Tenure
Mr S Finnis	Managing Director	-
Mr D Woodbury	Chief Financial Officer	-
Mr G Tanner	General Manager – Bauxite Hills Mine	Commenced 2 July 2018

#### (ii) Key Remuneration Outcomes

Key remuneration outcomes for the 31 December 2018 operating period are summarised below:

Remuneration	Description
Short Term Incentive Program (STIP) Outcomes	The average STIP outcome for the KMP for the 2018 Calendar year was 66% of the maximum opportunity based on assessment of Group and the KMP's personal Key Performance Indicators (KPIs). This reflects the Company's achievements in ramping-up the production at the Bauxite Hills Mine during the operating period. Shares issued upon exercise of performance rights are subject to 12-month escrow.
Long Term Incentive Program (LTIP) Outcomes	For the 2017 LTIP, 20% of this award vested during the period. This award is to be held in escrow until July 2020. No new LTIPs were issued in the 2018 year, pending re-design of the scheme following stakeholder feedback (refer to Item (iii) below).
KMP Remuneration	The Managing Director's fixed remuneration was increased to \$435,000 exclusive of superannuation. This is reflective of the Company's transition from developer to producer during the past 12 months and is reflective of the median fixed remuneration of peer group mining companies, as assessed by an independent remuneration report obtained by the Board from Alto Partners during the period. Other KMP remuneration remains unchanged.
Non-Executive Director (NED) Remuneration	The Non-Executive Director fees were increased during the period, from a range of \$55k-\$90k to \$72.5k-\$148k, depending on the role and extra duties of these Directors. This is reflective of the Company's transition from developer to producer during the past 12 months, and the reduction in overall board size from 7 Non-Executive Directors to 4 in calendar year 2018. The fees were increased in line with an independent remuneration report obtained by the Board from Alto Partners during the period.

(iii) Changes Planned for the 2019 Financial Year (1 January 2019 – 31 December 2019)

The LTIP will be altered to be a 3-year rolling plan, with 2 to 3 rolling KPI measures, one of which will be Total Shareholder Return measured against the Company's index (GICs code: Materials). All LTI KPIs will be measurable over a minimum period of 3 years. This scheme is open to the Managing Director and his direct reports. The contractual level of remuneration is as follows:

	Annual STI Grant	Annual LTI Grant
Managing Director	35% of Base Salary(*)	35% of Base Salary(*)
KMP who report to the Managing Director	25% of Base Salary(*)	25% of Base Salary(*)

(\*) Base salary is fixed fee cash remuneration inclusive of statutory super entitlements

#### **B.** Remuneration Governance

In accordance with ASX Corporate Governance Principle 8, 'Remunerate Fairly and Responsibly' the Company has a Remuneration and Nominations Committee made up of a majority of Independent Non-Executive Directors with an Independent Chair. The Committee has delegated responsibility to report on and make recommendations to the Board on:

- The remuneration levels of the Board and senior management and changes as appropriate, in line with peer group companies, current remuneration trends, stakeholder expectations and HR retention strategies;
- Employee incentive schemes including employee short-term and long-term incentives; and
- Setting of measurement criteria for STI and LTI awards and assessment of performance of the Managing Director and executives against these performance hurdles.

### C. Principles Used to Determine the Nature and Amount of Remuneration

The Group's policy for determining the nature and amounts of emoluments of Board members and other key management personnel of the Group is set out below.

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of the strategic objectives of the Company and the creation of value for shareholders, and substantially conforms to the market best practice for delivery of executive reward. The Board ensures that the executive reward framework satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness;
- Acceptability to shareholders; and
- Transparency.

The performance of the Group 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.

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 Remuneration and Nomination Committee. It is based on a number of factors including market remuneration for comparable companies, experience of the individual concerned and overall performance of the Group. The contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are outlined on page 25. 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 E, no other termination benefits are payable under service contracts. Any options or performance rights issued which are not exercised on or before the date of termination lapse one (1) month after termination.

#### Alignment to Shareholders' Interests

The executive remuneration framework:

 Focuses on sustained growth in shareholder wealth, including growth in share price relative to peer group companies (ASX Mining and Metals Index) 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 Remuneration and Nomination Committee, who make recommendations to the Board. The Remuneration and Nomination Committee 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 of shareholders. The most recent determination was at the extraordinary general meeting held on 21 August 2017, where the shareholders approved an aggregate maximum Non-Executive Directors' remuneration pool of up to \$500,000 per annum.

#### **Executive Remuneration**

The Group aims 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:

- Fixed remuneration, compromising a base salary, employer super and non-monetary benefits;
- Share-based payments (performance rights) and/ or cash bonuses as part of a Short-term incentive (STI);
- Long-term incentives (LTI) (options and performance rights);
- Other remuneration such as long service leave. The combination of these comprises the executive's total remuneration.

#### a. Fixed Remuneration

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually by the Remuneration and Nomination Committee, 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.

#### b. Employee Incentives

The Company has established the Metro Mining Employee Incentive Plan (EIP) to enable the issue of shares, performance rights or options in the Company to employees of the Company to assist in the retention and motivation of employees. These equity incentives form part of the Company's STI and LTI remuneration.

### C. Principles Used to Determine the Nature and Amount of Remuneration (continued)

#### Group Performance and Link to Remuneration

#### (i) Short-term Incentives

Short-term incentives were introduced by the Company in the 2016/2017 financial year and are calculated over a 12-month period and include performance rights and/or cash bonuses at the election of the Board.

The STI is linked to Key Performance Indicators (KPIs), which are prepared for the Group and each employee, reviewed by the Remuneration and Nomination Committee and approved by the Board for key executives. The KPIs include groupwide specific milestones and goals that have a strong relationship to the performance and success of the Group. The Group KPIs make up at least 40% of employee KPIs, and up to 60% for executives. The Group KPIs include milestones such as progressing the Group's projects toward higher production, achieving budgeted production at better than budgeted costs, Group safety and environmental performance, achieving offtake sales for bauxite products and specific individual performance targets that are aligned with the goals of the Group. The KPIs are intended to be stretch targets and awards are assessed with the view that performance outcomes must exceed expected performance for that participant to earn the award.

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

On 26 February 2019, the Board approved approximately 66% of the STI issued for the 2018 calendar year performance for award to employees and executives, and 100% of this award was made in the form of performance rights, with the shares converted from rights subject to a 12-month voluntary escrow. The KMP KPIs against which performance was assessed are disclosed in Section F of the remuneration report.

Significant achievements in the performance year (calendar year 2018) were:

- The commencement of mining operations at the Bauxite Hills Mine (April 2018);
- Achievement of production guidance, with 2,037,000 WMT shipped for Calendar Year 2018; and
- Mine EBITDA of over \$13,000,000 for the six months ended 31 December 2018.

#### (ii) Long-term Incentives

#### 2017 LTI Grant

On 1 July 2017 a long-term incentive (2017 LTI) was put in place to ensure a direct relationship between the Group's financial performance and achievement of longer-term strategies and the level of remuneration paid to key management personnel. It also provides retention incentives for the executive management team, as is usual for a company of the size that Metro Mining Limited has become.

The 2017 LTIs were issued by the Group in the form of share-based payments (options) at a strike price with a 25% premium over the VWAP market price on date of grant.

The 2017 LTI has 60% of the incentive linked to achievement of the Company's longer-term strategic objectives and is prepared for the executive team by the Remuneration and Nomination Committee and approved by the Board of Directors.

The KPI include specific milestones and goals that have a strong relationship to the performance and success of the Company. The KPIs established in July 2017 included milestones such as progressing the Company's Bauxite Hills Mine toward production and successful commissioning; achievement of operating costs at better than forecast levels and achieving production ramp-up in years 2019-2020 (subject to Board approval).

The other 40% of the LTI is linked to Total Shareholder Return (TSR) which compares the Group share price against the ASX 300 Metal and Mining Index (ASX: XMM).

The Company's share price must increase by at least 20% above the change in the index for the full 40% TSR component to be granted. The incentive operates on a sliding scale to the point at which there are no TSR benefits to the employee if the Company share price reduces when compared to the index movement. The period for measuring the TSR component is 36 months. The final awards are at the discretion of the Board and the Board

may consider it inappropriate to award the LTI in the case where absolute TSR rather than relative TSR has declined in comparison to the ASX 300 Metal and Mining Index.

The 2017 LTI plan was limited to the Managing Director and his direct reports.

At the end of the performance year, the Board compares the actual performances of the Managing Director and the executive team against the performance criteria set by the Board for those individuals and assesses whether 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 to align Company performance and executive incentives. All bonus and incentive payments are at the discretion of the Board.

#### 2018 LTI Grant

No new LTI grants were made in calendar year 2018, due to the plan being subject to further review and redesign, to better align with the market expectations of such schemes.

#### 2019 LTI Grant

The Remuneration and Nomination Committee have agreed to restructure the LTI plan for the 2019 calendar year, such that it will run as a 3-year rolling plan, with annual grants of performance rights valued at 35% of base salary (for the Managing Director) and 25% for his direct reports.

The LTI performance hurdles will be measurable over a threeyear period, subject to a minimum performance gateway (employment, and achievement of budget) and would include relative total shareholder return measured against the ASX Materials Indices, return on capital employed and profit.

#### D. 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:

Name	Position	Changes in Tenure
Board of Directors		
Mr Stephen Everett	Independent Non-Executive Chairman	
Mr Simon Finnis	Executive Managing Director	
Mr Philip Hennessy	Independent Non-Executive Director	
Mr Mark Sawyer	Non-Executive Director	
Mr Lindsay Ward	Independent Non-Executive Director	Resigned 26 Feb 2019
Mr Michael Haworth	Alternate Director for Mark Sawyer	
Mr Xiaoming Yuan	Independent Non-Executive Director	Alternate for Mr Wang until 27 Jul 2018 Appointed Director 27 Jul 2018 Resigned 20 Nov 2018
Mr George Lloyd	Independent Non-Executive Director	Resigned 26 Sep 2018
Mr Dongping Wang Other KMP	Non-Executive Director	Retired 27 Jul 2018
Mr Duane Woodbury	Chief Financial Officer	
Mr Graham Tanner	Operations Manager	Commenced 2 Jul 2018

#### Remuneration Expense Details for the Period Ended 31 December 2018

The following tables of benefits and payments represent the components of remuneration for the six month period ended 31 December 2018 and the comparative year remuneration for each member of KMP of the Group. Amounts have been calculated in accordance with Australian Accounting Standards.

	She	ort-term Be	enefits	Post-employ	ment Benefits	Share-based	Total
6 months to	Cash Salary and Fees	Cash Bonus	Non-monetary	Termination Payment	Super- annuation	Payments Equity-settled	
31 Dec 2018	\$	\$	\$	\$	\$	\$	\$
<b>Executive Director</b>							
Mr S Finnis	217,500	-	18,989	-	16,181	127,037	379,707
Non-Executive Directors							
Mr S Everett	74,650	-	-	-	-	-	74,650
Mr P Hennessy	39,954	-	-	-	3,796	-	43,750
Mr M Sawyer	-	-	-	-	-	-	-
Mr L Ward (i)	46,000	-	-	-	-	-	46,000
Mr M Haworth	-	-	-	-	-	-	-
Mr X Yuan (ii)	20,833	-	-	-	-	-	20,833
Mr G Lloyd (iii)	13,750	-	-	-	-	-	13,750
Mr D Wang (iv)	-	-	-	-	-	-	-
Other KMP							
Mr D Woodbury	141,101	-	10,358	-	6,398	53,805	211,662
Mr G Tanner	142,380		9,634		13,481	24,772	190,267
	696,168	-	38,981	-	39,856	205,614	980,619

- (i) Resigned 26 February 2019
- (ii) Resigned 20 November 2018
- (iii) Resigned 26 September 2018
- (iv) Retired 27 July 2018

#### D. Details of Remuneration (continued)

Remuneration Expense Details for the Year Ended 30 June 2018

	Sho	Short-term Benefits			ost-employment Benefits		
	Cash Salary and Fees	Cash Bonus	Non-mone- tary	Termination Payment	Super- annuation	Share-based Payments Equity-settled	Total
30 Jun 2018	\$	\$	\$	\$	\$	\$	\$
<b>Executive Director</b>							
Mr S Finnis	350,000	91,324	17,115	-	41,926	86,363	586,728
Non-Executive Directors							
Mr S Everett	100,550	-	-	-	-	3,681	104,231
Mr P Hennessy	54,795	-	-	-	5,205	3,681	63,681
Mr G Lloyd	55,000	-	-	-	-	3,681	58,681
Mr L Ward	62,500	-	-	-	-	3,681	66,181
Mr D Wang	12,500	-	-	-	-	3,681	16,181
Mr J Liu (iv)	45,833	-	-	-	-	=	45,833
Mr M Sawyer	-	-	-	-	-	-	-
Mr X Yuan	37,500	-	-	-	-	-	37,500
Mr K Xiao	-	-	-	-	-	-	-
Mr M Haworth	-	-	-	-	-	-	-
Other KMP							
Mr M O'Brien(i)	274,100	-	-	-	-	45,252	319,352
Mr S Waddell (ii)	176,996	-	-	142,734	25,016	10,434	355,180
Mr D Woodbury (iii)	87,052	-	-	-	-	10,472	97,524
	1,256,826	91,324	17,115	142,734	72,147	170,926	1,751,072

<sup>(</sup>i) Mr O'Brien stepped down as Project Director following the successful commissioning of the Bauxite Hills Mine in the previous financial year. Mr O'Brien is not considered to be part of the Company's Key Management Personnel in the current period.

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

	Fixed Rem	uneration	At Risk	c - STI	AT Risk - LTI		
	Period Ended 31 Dec 2018 %	Year Ended 30 Jun 2018 %	Period Ended 31 Dec 2018 %	Year Ended 30 Jun 2018 %	Period Ended 31 Dec 2018 %	Year Ended 30 Jun 2018 %	
<b>Executive Directors</b>							
Mr S Finnis	67	69	10	16	23	15	
Non-Executive Directors							
Mr S Everett	100	96	-	-	-	4	
Mr P Hennessy	100	94	-	-	-	6	
Mr M Sawyer	-	-	-	-	-	-	
Mr L Ward	100	94	-	-	-	6	
Mr X Yuan	100	100	-	-	-	-	
Mr M Haworth	-	-	-	-	-	-	
Mr G Lloyd	100	94	-	-	-	6	
Mr D Wang	-	77	-	-	-	23	
Mr J Liu	-	100	-	-	-	-	
Other KMP							
Mr M O'Brien (i)	-	86	-	-	-	14	
Mr G Tanner	84	-	16	-	-	-	
Mr D Woodbury	75	89	8	-	17	11	
Mr S Waddell	-	97	-	-	-	3	

<sup>(</sup>i) Mr O'Brien stepped down as Project Director following the successful commissioning of the Bauxite Hills Mine in the previous financial year. Mr O'Brien is not considered to be part of the Company's Key Management Personnel in the current period.

<sup>(</sup>ii) Mr S Waddell resigned on 23 February 2018.

<sup>(</sup>iii) Mr D Woodbury was appointed on 23 February 2018.

<sup>(</sup>iv) Mr J Liu vacated office 30 May 2018.

#### 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.

#### E. Service Agreements

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

Name:	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	<ul> <li>The key terms of this agreement are as follows:</li> <li>The term is ongoing whilst Mr Finnis is CEO.</li> <li>Base salary of \$435,000, exclusive of superannuation, subject to annual review by the Board.</li> <li>A short-term annual incentive of up to 35% of base annual salary assessed against agreed KPI which include maximising shareholder value, project construction, and other milestones approved by the Board. The bonus is paid as 100% performance rights or options.</li> <li>A long-term annual incentive of up to 35% of base annual salary assessed against agreed KPI approved by the Board.</li> <li>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.</li> </ul>
Name:	Mr Duane Woodbury
Title	Chief Financial Officer (CFO)
Agreements commenced	From 1 July 2018 as CFO, term is ongoing.
Term of agreement	The agreement can be terminated by either party giving six (6) months' notice.
Details	<ul> <li>The key terms of this agreement are as follows:</li> <li>The term is ongoing whilst Mr Woodbury is CFO;</li> <li>Remuneration of \$295,000, inclusive of superannuation, and is subject to annual review by the Board.</li> <li>A short-term annual incentive of up to 25% of base annual salary assessed against agreed key performance indicators which include implementing a fund-raising strategy, completing funding, and designing and scheduling an investor relations strategy and other measures as approved by the Board. The bonus is paid as 100% performance rights or options.</li> <li>A long-term annual incentive of up to 25% of base annual salary assessed against agreed KPI approved by the Board.</li> <li>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.</li> </ul>
Name:	Mr Graham Tanner
Title	General Manager – Bauxite Hills Mine
Appointment commenced	25 June 2018 (start date 2 July 2018)
Term of agreement	The agreement can be terminated by either party giving one (1) months' notice.
Details	<ul> <li>The key terms of this agreement are as follows:</li> <li>The term is ongoing whilst Mr Tanner is General Manager – Bauxite Hills Mine.</li> <li>Base salary is \$250,000, exclusive of superannuation, and is subject to annual review by the Board.</li> <li>A short-term annual incentive of up to 25% of base annual salary assessed against agreed key performance indicators as approved by the Board. The bonus is paid as 100% performance rights or options.</li> <li>A long-term annual incentive of up to 25% of base annual salary assessed against agreed</li> </ul>

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

KPI approved by the Board.

bonuses that have accrued at the time of the event.

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

#### F. Cash Bonuses and Share-based Payments

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

	Remun. Type	Grant Date	Grant Value \$	Reason Granted	Percent Vested/ Paid %	Percent Forfeited %	Percent Remaining Unvested %	Expiry Date	Range for Future Payments
<b>KMP</b> Mr G Tanner	Perform Rights	02/07/18	33,540	(i)	_	_	100	31/07/19	N/A

(i) The performance rights were granted on 2 July 2018, and issued 31 July 2018, in accordance with the recipient's terms of engagement. Vesting of the performance rights is determined by measuring performance against key performance indicators set by the Board. All awards are at the discretion of the Board.

The Group KPIs for the STI for the 2018 Performance Year for all eligible executives and employees were set in February 2018. The Group KPIs that all participants were assessed against, for a total of between 45-60% of their total STI award, were:

- Health, safety and environmental criteria;
- Generation of cashflows;
- Cost control; and
- Production targets.

For an STI to be awarded, at a minimum the performance hurdle must be met, and performance criteria must be achieved. Additionally, employees must have successfully performed their roles, assessment of which is undertaken monthly in accordance with the Company's employee performance management system. All awards are made at the Board's discretion.

On 26 February 2019, the Board assessed the performance of executives and employees under the Short-term Incentive (STI)

plan KPIs for the 2018 Performance Year and a determination of the entitlement of executives and employees to performance rights for the 2018 Performance Year was made.

Overall approximately 25% of the total Group STI was awarded for achievement of these Group KPIs.

Various other individual KPIs made up the balance of the STI KPIs for KMP for 2018; these were role specific and stretch targets. For commercial reasons they are not disclosed in this report, however they aligned with the strategic objectives of the Group, and included achievement of new offtake agreements, sales targets (volume and price) and bauxite quality measures. Overall 66% of the total Performance Rights on issue for the 2018 Performance year were awarded to eligible employees, representing 6% of the total base salaries at the market share price on award date.

## G. Options and Performance Rights Granted as Remuneration Options Granted as Remuneration

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

				Granted		Exercised	Other	
	Balance at Beginning of Period Number	Issue Date	Number	Value \$	Number	Value \$	Number	Balance at End of Period Number
<b>Executive Director</b>								
Mr S Finnis	2,538,836		-	-	-	-	-	2,538,836
Non-Executive Directors								
Mr S Everett	-		-	-	-	-	-	-
Mr P Hennessy	-		-	-	-	-	-	-
Mr M Sawyer	-		-	-	-	-	-	-
Mr L Ward	-		-	-	-	-	-	-
Mr A Yuan	-		-	-	-	-	-	-
Mr G Lloyd	-		-	-	-	-	-	-
Mr D Wang	-		-	-	-	-	-	-
Other KMP								
Mr G Tanner	-		-	-	-	-	-	-
Mr D Woodbury	780,366		-	-	-	-	-	780,366
	3,319,202		-	-	-	-	-	3,319,202

#### G. Options and Performance Rights Granted as Remuneration

#### **Options Granted as Remuneration**

No options were granted as remuneration to key management personnel in the current period. The current options held by KMP are as follows: -

	Balance at	Vested	Unvested
	End of Period Number	Exercisable Number	Un-exercisable Number
Executive Director			
Mr S Finnis	2,538,836	943,767	1,595,069
Other KMP			
Mr D Woodbury	780,366	156,073	624,293

The fair value of options granted as remuneration and as shown in the preceding table was 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. Refer to note 32 for further details.

#### **Description of Options Granted as Remuneration**

In the previous financial year four tranches of options were granted to certain key management personnel and other senior executives. Each tranche is subject to vesting conditions as follows:

Tranche	Testing Period	Vesting Criteria / Assessment
Tranche 1 – 20% of award	1 Jul 2017-30 Jun 2018	Commencement of operations and loading two vessels within the first month of operation.
Tranche 2 – 20% of award	1 Jul 2018-30 Jun 2019	Sliding scale based on attainment of budgeted C1 cash cost.
Tranche 3– 20% of award	1 Jul 2018-30 Jun 2020	Sliding scale of total bauxite shipped.
Tranche 4 – 40% of award	1 Jul 2017-30 Jun 2020	Sliding scale of Total Shareholder Return (TSR) greater than 40% relative to peer group index.

During the prior financial year, the Tranche 1 vesting criteria were reviewed and assessed as having been satisfied in full. Accordingly, 554,840 options for key management personnel vested on 31 July 2018. These vested options, which can be converted into shares at the employee's request, are escrowed until 1 July 2020. Refer to note 32 for further information.

No performance hurdles were tested in the current period, and hence no further options have vested or lapsed.

#### Performance Rights Granted as Remuneration

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

	Balance at	t Granted		Exerc	cised	Lapsed (ii)	
	Beginning of Period		Value		Value		End of Period
	Number	Number	\$	Number	\$	Number	Number
Executive Director							
Mr S Finnis	455,967(i)	-	-	-	-	-	455,967
Other KMP							
Mr G Tanner (i)	-	174,516	33,540	-	-	-	174,516
Mr D Woodbury	232,636(i)	-	-	-	-	-	232,636
	688,603(i)	174,516	33,540	-	-	-	863,119

<sup>(</sup>i) Issued on 31 July 2018

#### Description of Performance Rights Issued as Remuneration

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

Grant Date	Issuer	Entitlement on Exercise	Dates Exercisable	Exercise Price	Value Per Perf. Right at Grant Date	Amount Paid / Payable By Recipient
	Madra Mining	1:1 Ordinary	From			
02/07/2018	Metro Mining Limited	Share in Metro Mining Limited	01/02/2019 - 31/07/2019	-	\$0.192	\$Nil

The performance rights vest in future periods if several pre-determined hurdles (based on Group production (volume and quality), unit costs, safety and environmental measures as well as individual performance measures) are satisfied. Performance rights values at grant date were determined using the Black-Scholes method. Refer to note 32 for further details. No performance rights are held by Non-Executive Directors.

<sup>(</sup>ii) Subsequent to the period end and following a review of the 2018 Performance Year by the Board of Directors, 227,984 of the performance rights issued to Mr S. Finnis, 59,335 of the performance rights issued to Mr G Tanner and 93,054 of the performance rights issued to Mr D Woodbury lapsed.

#### H. Key Management Personnel Shareholdings

The numbers of ordinary shares in the Company held during the financial period by each Director and other members of key management personnel of the Group, including their personally related parties, are as follows:

	Balance at Beginning of the Period	Granted as Remuneration During the Period	Issued on Exercise of Options and Performance Rights	Other Changes During the Period	Balance at the End of the Period
	Number	Number	Number	Number	Number
Executive Director					
Mr S Finnis	4,524,581	-	-	-	4,524,581
Non-Executive Directors					
Mr S Everett	4,391,078	-	-	-	4,391,078
Mr P Hennessy	3,178,573	-	-	-	3,178,573
Mr L Ward	1,330,358	-	-	-	1,330,358
Mr G Lloyd (i)	1,806,437	-	-	(1,806,437)	-
Mr D Wang (ii)	500,000	-	-	(500,000)	-
Mr K Xiao (iii)	51,491	-	-	(51,491)	-
Other KMP					
Mr G Tanner	-	-	-	-	-
Mr D Woodbury	497,174	-		392,996	890,170
	16,279,692	-	-	(1,964,932)	14,314,760

- (i) Resigned 26 September 2018.
- (ii) Retired 27 July 2018.
- (iii) Vacated office 30 May 2018.

### I. Other Transactions with Key Management Personnel and/or Their Related Parties

#### **Loan to Managing Director**

During the prior year, the Board approved an interest-bearing short-term loan of \$32,476 to the Managing Director, lent on arms' length basis terms. The loan was made to enable the Managing Director to satisfy personal tax liabilities incurred in a prior period whilst being unable to exercise his vested Metro Mining Limited share options due to the Company remaining in an extended closed trading window. The loan account balance of \$32,476 remained outstanding at 31 Dec 2018 and is due to be repaid by 1 June 2019.

Aside from the outstanding loan above, 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.

#### Remuneration Report – AUDITED Ends

#### **Events Occurring after the Reporting Date**

Amended Notice of Financial Assurance Requirement for Skardon River Mining Licences

On 22 January 2019, the Department of Natural Resources, Mines and Energy issued Gulf Alumina Pty Ltd (Gulf), a wholly owned subsidiary of the Company, with an updated Decision on the Amount and Form of Financial Assurance required to be provided by Gulf under the Environmental Protection Act 1994. The requirement is in respect of the future rehabilitation of Mining Licences 40069, 40082 and 6025 which form part of the Group's Bauxite Hills project.

As at 31 December 2018, the Group had lodged \$3,225,332 of financial assurance in respect of these Mining Licences. The updated Decision Notice lifts the financial assurance requirement to \$3,332,977. On 14 February 2019, the Group transferred a further \$107,645 to restricted cash to meet the amended obligation.

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

S Everett Chairman 27 February 2019

Brisbane



Ernst & Young 111 Eagle Street Brisbane QLD 4000 Australia GPO Box 7878 Brisbane QLD 4001 Tel: +61 7 3011 3333 Fax: +61 7 3011 3100 ey.com/au

### Auditor's Independence Declaration to the Directors of Metro Mining Limited

As lead auditor for the audit of the financial report of Metro Mining Limited for the financial year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Andrew Carrick Partner

27 February 2019



**CONTENTS PAGE** Consolidated statement of comprehensive income 21 Consolidated statement of financial position 22 Consolidated statement of changes in equity 23 Consolidated statement of cash flows 24 Notes to the financial statements 24 Directors' declaration 48 49 Independent auditor's report to the members of Metro Mining Limited

#### 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.

Following a resolution by Directors under \$323D of the Corporations Act 2001 to change the Group's financial year end from 30 June to 31 December, the Group applied for the change to be registered. On 23 July 2018, ASIC agreed to accept the Directors' resolution. Accordingly, these financial statements are for the six-month period ended 31 December 2018.

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 26 February 2019. The Directors have the power to amend and reissue the financial report.

		Consolidated	
	Note	6 months 31 Dec 2018 \$'000	12 months 30 Jun 2018 \$'000
Revenue from contracts with customers	4	93,235	25,304
Cost of sales	5	(83,599)	(29,881)
Gross profit / (loss)		9,636	(4,577)
Other income	6	53	229
Impairment expenses	7	-	(5,120)
Exploration expenses		(86)	(128)
Administrative expenses	8	(3,389)	(5,094)
Operating profit / (loss)		6,214	(14,690)
Finance costs	9	(4,020)	(2,058)
Finance income	10	179	305
Foreign exchange gains and losses - Realised		280	_
Foreign exchange gains and losses - Unrealised		(461)	(935)
Profit / (loss) before tax from continuing operations		2,192	(17,378)
Income tax benefit	11	7,165	-
Profit / (loss) for the year from continuing operations		9,357	(17,378)
Other comprehensive income/ (loss)			
Items that will be reclassified to profit or loss when specific conditions are met:			
Change in fair value of cash flow hedges		(85)	(264)
Foreign currency translation differences		1	2
Profit /(loss) for the year		9,273	(17,640)
Attributable to:			
Owners of the Company		9,273	(17,640)
		9,273	(17,640)
		Cents	Cents
Basic earnings /(loss) per share	26	0.677	(1.38)
Diluted earnings /(loss) per share	26	0.674	(1.38)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

		Consolidated	
		6 months 31 Dec 2018	12 months 30 Jun 2018
	Note	\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	12	23,367	23,295
Inventories	13	1,940	1,868
Trade and other receivables	14	20,651	12,451
Financial assets	21	-	57
Other assets	15	6,963	7,491
Total current assets		52,921	45,162
Non-current assets			
Property, plant and equipment	16	138,801	136,825
Exploration and evaluation assets	18	1,979	1,843
Deferred tax assets	11	7,165	
Total non-current assets		147,945	138,668
Total assets		200,866	183,830
Liabilities			
Current liabilities			
Trade and other payables	19	20,328	15,622
Lease liabilities	20	3,060	3,135
Borrowings	20	8,104	8,138
Other financial liabilities	21	242	-
Provisions	22	206	161
Total current liabilities		31,940	27,056
Non-current liabilities			
Lease liabilities	20	1,953	3,410
Borrowings	20	31,163	29,256
Provisions	22	6,315	5,173
Total non-current liabilities		39,431	37,839
Total liabilities		71,371	64,895
Net assets		129,495	118,935
Equity			
Contributed equity	23	176,106	171,810
Other shares subscribed	14	-	3,458
Reserves	24	9,237	8,872
Accumulated losses		(55,848)	(65,205)
Total equity		129,495	118,935

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

	Contributed Equity	Other Shares Subscribed	Translation Reserve	Cash Flow Hedge Reserves	Options Reserve	Accumulated Losses	Total Equity
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017	122,187	-	(7)	-	6,424	(47,827)	80,777
Comprehensive income for the year							
Loss after income tax expense	-	-	-	-	-	(17,378)	(17,378)
Other comprehensive income, net of tax	-	-	2	-	-	-	2
Fair value changes in cash flow hedges	-	-	-	(264)	-	-	(264)
Total comprehensive income for the year	-	-	2	(264)	-	(17,378)	(17,640)
Transactions with owners in their capacity as owners							
Shares issued during the year	52,413	-	-	-	-	-	52,413
Shares subscribed for but not yet paid	-	3,458	-	-	-	-	3,458
Transaction costs	(2,790)	-	-	-	-	-	(2,790)
Share-based payments – employees	-	-	-	-	285	-	285
Share-based payments – other	-	-	-	-	2,432	-	2,432
Total transactions with owners	49,623	3,458	-	=	2,717	-	55,798
Balance at 30 June 2018	171,810	3,458	(5)	(264)	9,141	(65,205)	118,935
			<i>(</i> =)	(2.1.1)			
Balance at 1 July 2018	171,810	3,458	(5)	(264)	9,141	(65,205)	118,935
Comprehensive income for the period							
Profit after income tax expense	-	-	-	-	-	9,357	9,357
Other comprehensive income, net of tax	-	-	1	-	-	-	1
Fair value changes in cash flow hedges	-	-	-	(85)	-	-	(85)
Total comprehensive income for the period	-	-	1	(85)	-	9,357	9,273
Transactions with owners in their capacity as owners							
Shares issued during the period	4,313	(3,458)	-	-	-	-	855
Transaction costs	(17)	-	-	-	-	-	(17)
Share-based payments – employees	-	-	-	-	449	-	449
Total transactions with owners	4,296	(3,458)	-	-	449	-	1,287
Balance at 31 December 2018	176,106	-	(4)	(349)	9,590	(55,848)	129,495

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

		Consolid	atea
	Note	6 months 31 Dec 2018 \$'000	12 months 30 Jun 2018 \$'000
Cash flows from operating activities			
Receipts from customers		83,937	18,241
Payments to suppliers and employees		(80,321)	(23,119)
Interest received		206	383
Net cash provided by / (used in) operating activities	27	3,822	(4,495)
Cash flows from investing activities			
Payments for plant and equipment		(1,136)	(1,903)
Payments for exploration and evaluation assets		(261)	(269)
Payments for assets under construction		(2,412)	(47,080)
Return of / (payments for) financial assurance and other security bonds		123	(5,773)
Proceeds from sale of exploration and evaluation assets		1	
Net cash used in investing activities		(3,685)	(55,025)
Cash flows from financing activities			
Proceeds from issue of shares		4,313	52,042
Share issue transaction costs		(17)	(2,790)
Proceeds from exercise of options		-	371
Proceeds from borrowings		-	39,205
Interest paid		(2,413)	(2,849)
Finance lease payments		(1,853)	(2,144)
Finance costs paid		(318)	(1,492)
Repayment of borrowings		-	(15,000)
Loans advanced			(41)
Net cash provided by / (used in) financing activities		(288)	67,302
Net increase / (decrease) in cash and cash equivalents		(151)	7,782
Net foreign exchange difference		223	167
Cash and cash equivalents at the beginning of the financial period / year		23,295	15,346
Cash and cash equivalents at the end of the financial period / year	12	23,367	23,295

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

### 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 periods presented, unless otherwise stated.

## a. 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.

#### Comparatives

The current financial year of the Consolidated Entity is the sixmonth period 1 July 2018 to 31 December 2018. The comparative figures are for the 12-month period 1 July 2017 to 30 June 2018. As such, the amounts presented in this financial report are not entirely comparable.

## Rounding

The amounts contained in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) where noted (\$'000) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

Consolidated

#### 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 assets of \$20,981,000 at 31 December 2018.

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

- The Bauxite Hills mine is now in operation, having been commissioned in the second quarter of 2018, and is generating operating cash inflows for the entity.
- In June 2018, the mine ramped up to budgeted mining and transhipping rates, and the mine is cashflow positive.

#### 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.

#### Note 1. Significant Accounting Policies (continued)

#### a. Basis of preparation (continued)

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.

New accounting policies adopted during the period With the exception of AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments, which were early adopted from 1 July 2017, the Group has adopted all Australian Accounting Standards and Interpretations with mandatory applicability from 1 July 2018. The new standards and interpretations did not have a material impact on the Group's financial statements.

#### b. Principles of Consolidation

#### 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 36

The consolidated financial statements incorporate all the assets, liabilities and results of the parent, Metro Mining Limited, and all 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 can 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 de-consolidated 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.

#### c. 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.

#### d. Revenue

The Group early adopted AASB 15 Revenue from Contracts with Customers, as permitted from 1 July 2017.

To determine whether to recognise revenue, the Group follows a 5-step process:

- 1. Identifying the contract with a customer;
- 2. Identifying the performance obligations;
- 3. Determining the transaction price;
- 4. Allocating the transaction price to the performance obligations; and
- Recognising revenue when/as performance obligation(s) are satisfied.

Revenue from contracts with customers is predominately sourced from the sale of bauxite from the Group's Bauxite Hills mining operation.

#### Sale of bauxite

The Company has determined that revenue from the sale of bauxite is to be recognised when the mined bauxite is loaded over the ocean-going vessel's rail. At this point, the Group has satisfied all contractual service obligations under the sales agreement with the customer. The revenue is recognised at 100% of the sale value, calculated based on the ship's draft survey at the loading port (to determine loaded volume) and a quality estimate (to determine moisture and specification) from samples taken at the loading port, issued by an independent laboratory. This represents the best estimate of the fair value of the cargo at the time of issuing the provisional invoices. Once the vessel is offloaded in China, a reconciliation is performed between the customer's draft survey and the customer's quality analysis and the final price is adjusted for accordingly.

#### Interest income

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.

#### e. Income tax

Metro Mining Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2005

The head entity, Metro Mining Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) whollyowned tax consolidated entities.

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 provisions 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 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.

## Note 1. Significant Accounting Policies (continued)

#### e. Income tax (continued)

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 amounts 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.

#### f. 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.

#### g. Trade and Other Receivables

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

#### h. Stores Inventories

Bulk inventories (fuel, oils, etc) are carried at and consumed at a weighted average cost price.

The carrying value of critical spares and other consumables stock is determined on a first in, first-out basis.

#### i. Bauxite Inventories

Bauxite inventories are carried at the weighted average cost of extraction to the stage of processing the material has reached, or net realisable value, whichever is the lower. All direct costs of extraction plus site overheads are apportioned to determine the cost of extraction. The net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

### j. Financial Assets

Classification, initial recognition and measurement The Group early adopted AASB 9 Financial Instruments, as permitted from 1 July 2017.

Financial assets are classified in the following categories: financial assets at amortised cost, fair value through profit and loss (FVTPL) and fair value through other comprehensive income (FVOCI). The classification depends on the purpose for which the assets were acquired.

- Amortised cost Applies to instruments that are held within a business model whose objective is to hold assets to collect contractual cash flows and the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.
- FVTPL Applies to instruments which are within a business model where the objective is neither to hold to collect contractual cash flows nor hold to sell.
- FVOCI Applies to instruments which satisfy the requirements
  of the business model test and contractual cashflow test. It
  also applies to some held for trading financial assets whereby
  the FVOCI election was made.

Management classifies its investments at initial recognition and re-evaluates this classification each reporting date.
Regular purchases and sales of financial assets are recognised on trade-date; the date on which the Group commits to purchase or sell the asset. Financial assets not carried at FVTPL are initially recognised at fair value plus transaction costs. Financial assets carried at FVTPL are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss and other comprehensive income.

## Subsequent measurement

(i) Financial assets at amortised cost

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate

(EIR) method. Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss and other comprehensive income. This category generally applies to trade and other receivables.

(ii) Financial assets at fair value through profit or loss Financial assets at FVTPL are subsequently carried at fair value. Gains or losses arising from changes in the fair value are presented in the statement of profit or loss and other comprehensive income within other income or other expenses in the period in which they arise. Income such as interest and dividends from financial assets at FVTPL is recognised separately to gains or losses in the statement of profit or loss and other comprehensive income as part of revenue from continuing operations when the Group's right to receive payments is established.

(iii) Financial assets at fair value through other comprehensive income

Financial assets classified as FVOCI are subsequently carried at fair value. Gains or losses arising from changes in the fair value are presented in other comprehensive income with the exception of impairment which is recognised in the statement of profit or loss immediately. When instruments classified as FVOCI are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified in the statement of profit or loss and other comprehensive income.

#### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full, without material delay, to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### Impairment of Financial Assets

The Group applies a general and simplified approach to the measurement of expected credit losses (ECLs).

Under the general approach the Group applies a three-stage model for measuring ECLs based on changes in credit quality since initial recognition including:

- Stage 1: 12-month ECL Recognised on "good" exposures where there has not been a significant increase in credit risk since initial recognition, the loss represents the probability of default from events that are possible over the next 12 months and not the cash flows the Group expects to lose over that period.
- Stage 2: Lifetime ECL Where there has been a significant increase in credit risk since initial recognition however default has not yet occurred, the loss represents the credit losses expected over the remaining life of the asset.
- Stage 3: Lifetime ECL (credit impaired) Financial asset becomes credit impaired as a result of an event which has had a detrimental impact on future cash flows.

# Note 1. Significant Accounting Policies (continued) j. Financial Assets (continued)

The Group assesses the credit risk and probability of default of financial assets by reference to external rating agencies, where available, on an asset by asset basis. The Group has determined a financial asset has low credit risk when it is equivalent to an investment grade quality. Where forward looking information is not available, the Group applies the rebuttable presumption that credit risk has increased significantly when contractual payments are more than 30 days past due (entry into stage 2: Lifetime ECL) and, when contractual payments are greater than 90 days past due, the asset is credit impaired (entry into stage 3: Lifetime ECL).

For trade and other receivables which do not contain a significant financing component, AASB 9 offers a policy choice between the application of the general model, as detailed above, or a simplified approach. Under the simplified approach, the tracking of changes in credit risk is not required, but instead requires the recognition of lifetime ECLs at all times and allows the use of a provision matrix, incorporating the probability of default, as a practical expedient. The Group has elected to apply the simplified approach for trade and other receivables.

#### k. Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or loans and borrowings. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

#### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 9 Financial Instruments. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

#### (ii) Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income, unless capitalised as borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset in accordance with AASB 123 Borrowing Costs. This category generally applies to interest-bearing loans and borrowings. For more information, refer to note 20.

#### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

#### I. Derivative Financial Instruments and Hedge Accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value on each reporting date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Hedges that meet the strict criteria of hedge accounting are accounted for as described below.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges and the time value of options, which are recognised in other comprehensive income and later reclassified to profit and loss when the hedged item affects profit or loss.

Cash flow hedges are those derivatives that hedge the Group's exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting, and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs.

#### m. 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 either a straight-line basis or on a units of production 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 Units of production
 Infrastructure Units of production

Ancillary assets

Software 20% per annum
Office equipment 33% per annum
Field equipment 20% per annum
Motor vehicles 33% per annum
Heavy equipment 33% per annum

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

## Note 1. Significant Accounting Policies (continued) m. Property, Plant and Equipment (continued)

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; and
- 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.

Other mineral assets are deprecated over the life of the mine on a units of production basis.

#### Mine Development Assets

Mine development expenditure incurred is capitalised as a 'Mine Development Asset' and is 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 they are 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.

#### n. 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.

#### o. Borrowing Costs

Borrowing 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.

#### p. 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 haulage trucks are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Leased plant and equipment and leased infrastructure are depreciated on a units of production basis over the life of the mine.

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.

#### q. 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 structures, 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.

#### r. 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 of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

#### s. 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.

#### t. 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.

## Note 1. Significant Accounting Policies (continued)

#### u. 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.

#### v. 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 an appropriate 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 are treated as if they were a modification.

## w. Dividends

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

#### x. 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 acquirer, 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.

During the current financial period, there have been no changes to the business combination provision accounting applied in the prior year.

#### y. 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.

# Note 1. Significant Accounting Policies (continued) z. 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 period.

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.

#### aa. 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.

#### ab. 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:

 (i) AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 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 low-value 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 31 December 2018 by increasing current assets by \$142,651 and current liabilities by \$3,141,138; and increasing non-current assets by \$9,816,690 and non-current liabilities by \$4,937,940. The increase in the profit for the period would be \$111,136.

 (ii) AASB 2017-7: Amendments to Australian Accounting Standards—Long-term Interests in Associates and Joint Ventures (applicable to annual reporting periods beginning on or after 1 January 2019) This Standard amends AASB 128 Investments in Associates and Joint Ventures to clarify that an entity is required to account for long- term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied, using AASB 9 Financial Instruments before applying the loss allocation and impairment requirements in AASB 128.

There would be no material impact on the Consolidated Entity's financial statements for the period ended 31 December 2018.

(iii) AASB 2018-1: Annual Improvements to IFRS Standards 2015-2017 Cycle (applicable to annual reporting periods beginning on or after 1 January 2019)

The amendments clarify certain requirements in:

- AASB 3 Business Combinations and AASB 11 Joint Arrangements - previously held interest in a joint operation;
- AASB 112 Income Taxes income tax consequences of payments on financial instruments classified as equity; and
- AASB 123 Borrowing Costs borrowing costs eligible for capitalisation.

There would be no material impact on the Consolidated Entity's financial statements for the period ended 31 December 2018.

 (iv) AASB Interpretation 23, and relevant amending standards: Uncertainty over Income Tax Treatments (applicable to annual reporting periods beginning on or after 1 January 2019)

The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit / tax (loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

There would be no material impact on the Consolidated Entity's financial statements for the period ended 31 December 2018.

(v) AASB 2014-10: Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (applicable to annual reporting periods beginning on or after 1 January 2022)

The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

AASB 2015-10 deferred the mandatory effective date (application date) of AASB 2014-10 so that the amendments were required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016. AASB 2017-5 further defers the effective date of the amendments made in AASB 2014-10 to periods beginning on or after 1 January 2022.

There would be no material impact on the Consolidated Entity's financial statements for the period ended 31 December 2018.

## 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 various other 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:

Recovery of Deferred Tax Assets - Note 11

The Group recognises deferred tax assets when it becomes probable that sufficient taxable income will be derived in future periods against which to offset these assets.

At each reporting date, the Group assesses the level of expected future cash flows from the business and the probability associated with realising these cash flows and makes an assessment of whether the deferred tax assets of the Group should be recognised.

With the Group successfully ramping up production at its Bauxite Hills Project and recording its maiden profit before tax for the six-month period ended 31 December 2018, the Group has determined it is probable that an increased portion of its carry forward tax losses and temporary differences will be used to offset future taxable profits.

Capitalisation of Project Development Costs – Note 16

Costs that are directly attributable to bringing the Bauxite Hills mine into production have been capitalised to the property, plant, and equipment during the year as permitted under Australian Accounting Standards. The expenses capitalised include:

- cost of construction of fixed infrastructure, civils, camp and electrical works;
- wages and salaries of those employees working solely on the project construction; and
- the portion of eligible borrowing costs and interest attributable to bringing the Bauxite Hills mine to substantial completion.

Following the completion of construction in April 2018, the development assets have been categorised to an appropriate group of Property, Plant and Equipment and are being amortised over their useful lives once the assets are deemed ready for intended use.

Carrying Value of Exploration and Evaluation Assets – Note 18
Exploration and evaluation costs are only capitalised where they are expected to be recovered either through successful development or sale of the relevant mineral interest. Judgement is applied in considering whether indicators of impairment exist under AASB 6 Exploration for and Evaluation of Mineral Resources (AASB 6) and in measuring recoverable amount under AASB 136 Impairment of Assets when AASB 6 impairment indicators are identified.

Measuring the recoverable amount of exploration tenements can involve significant estimation, particularly in circumstances where the exploration and evaluation activity has not yet reached a stage where reliable estimates of forecast cash flows can be determined or no offer from a third-party purchaser is available in respect of the specific tenements. In these circumstances, recoverable amount is often assessed with reference to comparable market transactions or companies. The reasonability of such assessments is predicated on the selected transaction and entities being comparable or appropriate adjustments being made to reflect the unique risks and opportunities associated with a specific exploration tenement. This is in contrast to circumstances where the Group elects to relinquish or otherwise exit a tenement. In such circumstances, recoverable amount is measured with reference to consideration receivable by the Group at the time of exit (which is typically \$nil).

Rehabilitation Provision - Note 22

Provisions are raised for rehabilitating the mine site and related production facilities as soon as an obligation exists.

These provisions have been created based on the Group's internal estimates. Assumptions based on the current economic environment have been made which management believes are a reasonable basis upon which to estimate the future liability. However, actual rehabilitation costs are ultimately dependent upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time.

#### 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 period relates solely to business development and is insignificant in comparison to the activity of the Consolidated Entity as a whole. The carrying value of non-cash assets in Myanmar at the reporting date is \$nil (30 June 2018: \$nil)

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's customers are all located in one geographic area, China, with 100% of the revenue from sales of bauxite derived in the period being from that area. The Consolidated Entity had two customers which accounted for greater than 10% of its revenue from contracts with customers during the operating period.

Note. 4 Revenue from Contracts with Customers	Consol	lidated
	6 months 31 Dec 2018 \$'000	12 months 30 Jun 2018 \$'000
Revenue from sales of bauxite	93,235	25,304
Total revenue from contracts with customers	93,235	25,304

- The Group sold 100% of its 2018 production under the existing binding off-take agreement (with the majority of revenues recognised during this financial period being supplied as part of that agreement) or via contracted spot sales. With operations commencing in mid-April 2018, twenty-seven ocean-going vessels completed loading in the six-month period ended 31 December 2018.
- The Groups' bauxite is sold on the INCO terms Cost Insurance and Freight (CIF) from the Port of Skardon River, Queensland to main ports in China. The binding off-take pricing is based on a formula linked to the published Chinese Alumina index (Aladdiny). Spot sale prices are negotiated based on the bauxite spot market price at the time of signing the spot sale contracts. Both the binding offtake and spot sales contracts contain agreed product specification ranges and have usual provisions for bonuses and penalties for variances therefrom.
- Payment is received for each shipment via irrevocable Letter of Credit for between 85% - 90% of the unadjusted cargo value, with the balancing receipt (including bonus or penalty) drawn down after the product has been discharged and analysed by the customer in China.

Note 5. Cost of Sales	Consolidated		
	6 months 31 Dec 2018 \$'000	12 months 30 Jun 2018 \$'000	
Production expenses	40,217	17,625	
Depreciation expense	763	233	
Amortisation expense	2,392	1,092	
Leasing expenses	321	307	
Selling and distribution expenses			
Ocean freight	29,593	7,226	
Royalties expense	9,383	2,689	
Marketing expense (i)	930	709	
Total cost of sales	83,599	29,881	

(i) Marketing expenses consist of commission paid to overseas marketing representatives together with their office and travel expenses.

Note 6. Other Income	Consolidated		
	6 months 31 Dec 2018 \$'000	12 months 30 Jun 2018 \$'000	
Joint venture income	50	100	
Other income	3	129	
Total other income	53	229	

Note 7. Impairment Expenses	Consolidated	
	6 months 31 Dec 2018 \$'000	12 months 30 Jun 2018 \$'000
Impairment of coal assets	-	5,000
Other tenement impairments	-	65
Other plant and equipment and investment assets im-		
paired	_	55
Total impairment		
expenses	-	5,120

As required by Australian Accounting Standards, at 31 December 2018, the Group reviewed its various areas of interest for the existence of impairment indicators. Refer to note 18 Exploration and Evaluation Assets for further details.

Note 8. Administrative Expenses	Consolidated	
	6 months 31 Dec 2018 \$'000	12 months 30 Jun 2018 \$'000
Salary and wages expenses	1,312	2,801
Share-based payments	324	296
Occupancy costs	73	153
Depreciation	11	48
Professional fees	484	898
Owner-operator transition costs (i)	497	-
Acquisition expenses	-	-
Bank fees	142	125
Other expenses	546	773
Total administrative expenses	3,389	5,094

(i) In December 2018, the Company made the decision to transition to an owner operator model for mining and haulage services, and as a result, notice was provided to SAB Mining to terminate the Mining Services Agreement. The Company is working with SAB Mining to give effect to an orderly transition to an owner operator model prior to the recommencement of mining operations in late March 2019.

Note. 9 Finance Costs	Consolidated		
	6 months 31 Dec 2018 \$'000	12 months 30 Jun 2018 \$'000	
Interest paid (ii)	2,398	1,310	
Borrowing costs	1,298	568	
Other finance cost	324	180	
Total finance costs	4,020	2,058	

(ii) During the current financial period there was no capitalisation of interest to Other Mineral Assets in accordance with AASB123 Borrowing Costs (June 2018: \$1,787,000). No deferred borrowing cost amortisation was capitalised to Other Mineral Assets in accordance with AASB 123 Borrowing Costs (June 2018 \$1,225,000).

Note 10. Finance Income	Consolidated	
	6 months 31 Dec 2018 \$'000	12 months 30 Jun 2018 \$'000
Interest income	179	305
Total finance income	179	305

Note 11. Income Tax	Consolidated	j
	6 months 31 Dec 2018 \$'000	12 months 30 Jun 2018 \$'000
Numerical reconciliation of income tax benefit to prima facie tax payable		
Profit / (loss) before income tax expense / (benefit)	2,192	(17,378)
Income tax using the Company's domestic tax rate of 30% (30 Jun 2018: 30%)	658	(5,214)
Amounts that are not deductible/(taxable) in calculating taxable income:		
Share-based payments	97	106
Other permanent differences	19	28
Tax losses (recognised)	(7,939)	-
Deferred tax asset not recognised on current period / year loss	=	5,080
Total income tax expense/(benefit)	(7,165)	-
Deferred tax assets		
Exploration and evaluation expenditure	148	251
Rehabilitation provision	1,891	1,545
Other provisions and accruals	128	1,319
Lease liabilities	1,504	1,963
Other deductible temporary differences	4,468	4,530
Tax losses carried forward	28,914	26,594
Property, plant and equipment (including other mineral assets)	(10,504)	-
Inventory	(536)	-
Leased assets	(2,095)	-
Other temporary differences	(9)	(24,728)
Tax losses and temporary differences not recognised	(16,744)	(11,474)
Total recognised deferred tax assets	7,165	-

The deductible temporary differences and tax losses do not expire under current tax legislation.

## Deferred tax liabilities

With the Group successfully ramping up production at its Bauxite Hills Project and recording its maiden profit before tax for the sixmonth period ended 31 December 2018, the Group has determined it is probable that an increased portion of its carry forward tax losses and temporary differences will be used to offset future taxable profits.

The Consolidated Entity has no franking credits.

Note 12. Cash at bank	Consolidated	
	31 Dec 2018 \$'000	30 Jun 2018 \$'000
Cash at bank	22,117	13,295
Cash on deposit (i)	1,250	10,000
Total cash and cash equivalents	23,367	23,295

(i) The cash on deposit has a maturity date of 0.5 months (30 Jun 2018: 1 to 2 months).

Note 13. Inventories	Consolidated			
	31 Dec 2018 \$'000	30 Jun 2018 \$'000		
Bauxite inventories	155	697		
Fuel, critical spares, and				
consumables	1,785	1,171		
Total inventories	1,940	1,868		

Note 14. Trade and Other Receivables	Consolidated				
	31 Dec 2018 \$'000	30 Jun 2018 \$'000			
Trade debtors	15,891	6,114			
Other receivables (i)	1,236	1,056			
Prepayments	2,316	537			
Contract asset	1,176	1,254			
Subscription receivable(ii)	-	3,458			
Loans to related parties (iii)	32	32			
Total trade and other receivables	20,651	12,451			

- (i) Other receivables include a net GST and fuel tax credit receivable of \$1,09500 (30 June 2018: \$932,000).
- (ii) At 30 June 2018, as part of the June 2018 capital raising, shares were subscribed for but unpaid. The outstanding amount was received in full in July 2018.
- (iii) Loans to related parties are detailed in note 33.

Note 15. Other Assets	Consolidated		
	31 Dec 2018 \$'000	30 Jun 2018 \$'000	
Current			
Other current assets – term deposits held as security(i)	6,963	7,094	
Other current assets – held in trust	-	397	
Total other current assets	6,963	7,491	

(i) Financial assurance security deposits are cash deposits held as security for the future rehabilitation of any environmental disturbance at various mining tenements and leases held by the Consolidated Entity.

Note 16. Property, Plant and Equipment	Consolidated		
	31 Dec 2018 \$'000	30 Jun 2018 \$'000	
Owned assets			
Plant and equipment - at cost	1,690	866	
Less: Accumulated depreciation	(24)	(4)	
	1,666	862	
Infrastructure – at cost	34,236	34.236	
Less: Accumulated depreciation	(714)	(145)	
·	33,522	34,091	
Ancillary assets – at cost	1,641	1,379	
Less: Accumulated depreciation	(489)	(305)	
	1,152	1,074	
Leased assets			
Leased assets – at cost	8,501	8,402	
Less: Accumulated amortisation	(1,418)	(664)	
	7,083	7,738	
Other mineral assets			
Other mineral assets – at cost	95,964	93,294	
Less: Accumulated amortisation	(2,079)	(442)	
	93,885	92,852	
Assets under construction			
Assets under construction – at cost	1,493	208	
Total property, plant and equipment	138,801	136,825	

#### 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 period are shown in the following table:

	Plant and equipment	Infra-structure	Ancillary assets	Other mineral assets	Assets under construction	Leased assets	Total
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017	315	-	-	69,097	7,599	240	77,251
Group reclassifications	(315)	160	155	1,776	(1,776)	-	-
Additions	291	-	837	16,986	34,968	7,887	60,969
Transferred from assets under construction	575	34,076	237	5,435	(40,583)	260	-
Disposals	-	-	(23)	-	-	-	(23)
Depreciation / amortisation expense	(4)	(145)	(132)	(442)	-	(649)	(1,372)
Balance at 30 June 2018	862	34,091	1,074	92,852	208	7,738	136,825
Balance at 1 July 2018	862	34,091	1,074	92,852	208	7,738	136,825
Additions	824	-	213	2,671	1,348	99	5,155
Transferred from assets under construction	-	-	63	-	(63)	-	-
Disposals	-	-	(12)	-	-	-	(12)
Depreciation / amortisation expense	(20)	(569)	(186)	(1,638)	-	(754)	(3,167)
Balance at 31 December 2018	1,666	33,522	1,152	93,885	1,493	7,083	138,801

#### Other Mineral Assets

Amortisation of other mineral assets commenced at the formal commissioning of the mine. These assets will be amortised over the mine life on a units of production basis.

#### Assets Under Construction

Assets under construction includes mine related infrastructure and plant and equipment under development but not commissioned at 31 December 2018. Assets under construction are not depreciated until development is complete and the assets are available for their intended use.

## Note 17. Investments in Associate

Information relating to associates is set out below:

		Ownership Intere	est	Consolida	ited
Name of company	Country of Incorporation	%	%	\$'000	\$'000
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 18. Exploration and Evaluation Assets	Consolidated		
	31 Dec 2018 \$'000	30 Jun 2018 \$'000	
Exploration and evaluation - at cost	1,979	1,843	

#### Reconciliations

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

	Exploration and Evaluation \$'000
Consolidated	
Balance at 1 July 2017	6,639
Expenditure during the year	269
Written off during the year	(5,065)
Balance at 30 June 2018	1,843
Expenditure during the period	136
Written off during the period	-
Balance at 31 December 2018	1,979

Exploration and evaluation costs are only capitalised to the extent they are expected to be recovered either through successful development or sale of the relevant mineral interest. As required by Australian Accounting Standards, at 31 December 2018 the Group reviewed its various areas of interest for the existence of impairment indicators.

This analysis identified that, with the successful completion of development of the Bauxite Hills Mine, the Group's exploration focus would be on bauxite tenements that are proximate to the existing mine and associated infrastructure.

Consistent with this strategic focus, the Group has allowed to expire, or will relinquish at the next renewal date, certain bauxite exploration tenements which are not regarded as prospective or are not proximate to the existing mine and associated infrastructure.

Note 19. Trade and Other Payables	Consolidated		
	31 Dec 2018 \$'000	30 Jun 2018 \$'000	
Trade payables	11,520	7,196	
Accrued expenses	8,808	8,426	
Total trade and other payables	20,328	15,622	

Refer to note 31 for detailed information on financial instruments.

Note 20. Borrowings	Consolidated		
	31 Dec 2018 \$'000	30 Jun 2018 \$'000	
Current			
Secured liabilities			
Lease liability (i)	3,060	3,135	
Loans (ii)	9,479	8,827	
Deferred borrowing costs, net of			
amortisation (iii)	(1,375)	(689)	
	8,104	8,138	
Total current borrowings	11,164	11,273	
Non-current			
Secured liabilities			
Lease liability (i)	1,953	3,410	
Loans (ii)	32,309	32,178	
Deferred borrowing costs, net of			
amortisation (iii)	(1,146)	(2,922)	
	31,163	29,256	
Total non-current borrowings	33,116	32,666	

- (i) Lease liabilities relate to the accommodation camp, sewage and water treatment facilities at the camp, the fuel farm, the BLF screen and stacker and the haulage and light vehicle fleets which were all purchased on finance leases for the operation of the Bauxite Hills Mine. The leases are secured over the assets to which they relate.
- (ii) The Group has debt funding arrangements in place with Ingatatus AG Pty Ltd (Ingatatus) and Sprott Private Resource Lending (Sprott):

## Ingatatus AG Pty Ltd

The debt facility with Ingatatus is for a total of \$20,000,000 with the final \$5,000,000 of the facility drawn down on 29 September 2017. The facility has a term of three years from the date of the final drawdown and, accordingly, the loan principal of \$20,000,000 has been classified as non-current borrowings. The current component of the loan balance represents accrued interest which is paid quarterly.

The Ingatatus facility incurs interest at 10% for the first year of the term, rising to 11% for the second year of the term and 12% thereafter. The current interest rate, effective from 2 August 2018, is 11%.

#### Sprott Private Resources Lending

On 28 July 2017, the Company executed a U\$\$15,000,000 project debt facility with Sprott. In November 2018 the terms for the debt facility were renegotiated to align with production ramp-up. The renegotiated Sprott facility has a term of three years from the original start date and incurs an arrangement fee of 1% and an interest rate of 6.25% plus 3-month USD LIBOR (reset quarterly) for the term of the facility. The facility also incurs an anniversary fee of 2% of the loan account balance at each anniversary of its establishment. Repayment of the loan principal commences in July 2019 at U\$\$1,071,000 per month until the loan account balance is repaid.

Sprott is the senior secured lender and Ingatatus has second ranking security over all assets of the Consolidated Entity.

(iii) At 31 December 2018, the loan balances include \$2,520,000 of deferred borrowing costs, net of amortisation, which will be amortised over the remaining life of the loans (30 June 2018: \$3,611,000).

		Cash	Movemer	nts		Non-cash Movements					
	Opening Balance 1 Jul 2018 \$'000	Principal Repaid \$'000	Drawn Down \$'000	Interest Paid \$'000	Finance Costs Paid \$'000	Finance Costs Incurred \$'000	Amortisation of Deferred Borrowing Costs \$'000	Accrued Interest \$'000	Effects of Foreign Exchange \$'000	Effect Of Debt Renegotiation \$'000	Closing Balance 31 Dec 18
Current	,	,		,	,	,	,	,	,	,	,
Short-term borrowings	8,138	-	-	(1,663)	(207)	-	(479)	1,484	4	827	8,104
Lease liabilities	3,135	(75)		-	-	-	-	_	-		3,060
	11,273	(75)	-	(1,663)	(207)	-	(479)	1,484	4	827	11,164
Non-current											
Long-term borrowings	29,256	-	-	(735)	-	-	1,775	735	959	(827)	31,163
Lease liabil- ities	3,410	(1,778)	-	-	-	321	-	-	-	-	1,953
	32,666	(1,778)	-	(735)	-	321	1,775	735	959	(827)	33,116
Total	43,939	(1,853)	-	(2,398)	(207)	321	1,296	2,219	963		44,280

Note. 21 Other Financial Liabilities	Consolidated		
	31 Dec 2018 30 Jui \$'000		
Current			
Derivative liability / (asset) (i)	242	(57)	
Total other financial liabilities / (assets)	242	(57)	

<sup>(</sup>i) The derivative liability (30 June 2018: derivative asset of \$57,000) is the mark-to-market value of the US\$17,500,000 85 cent putoptions outstanding at 31 December 2018 and two forward sale A\$/US\$ contracts of US\$10 million expiring in January 2019 at an average exchange rate of 0.7176.

The put-options were purchased to hedge against adverse movements in the USD: AUD exchange rate now that Company has USD cash inflows. The forward sale contracts were put in place to match with forecast USD sales receipts from customers.

Note 22. Provisions		Consolidated	
	3	31 Dec 2018 \$'000	30 Jun 2018 \$'000
Current – Employee benefits		206	161
Non-current – Mine restoration		6,303	5,150
Non-current - Employee benefits		12	23
Total non-current provisions		6,315	5,173
	Mine Restoration \$'000	Employee Benefits \$'000	Total \$'000
Analysis of Movement in Provisions			
Opening balance at 1 July 2018	5,150	184	5,334
Additional provisions made	990	201	1,191
Amounts used	-	(165)	(165)
Change in discount amount arising because of time and the effect of any change in the discount rate	163	(2)	161
Balance at 31 December 2018	6,303	218	6,521

#### Provision for Mine Restoration

A provision has been recognised for thecosts to be incurred to restore the Bauxite Hillsmining tenements in accordance with the requirements of the site's environmental authorities. The estimates have been prepared using the Queensland State Government's rehabilitation calculatorand are based on the current and planned disturbance under the approved plan of operations for the Bauxite Hills mine. It is anticipated that the mine site will require restoration within 17 years. The 10-year government bond rate has been applied to discount the provision to present value.

#### Note 22. Provisions (continued)

Provision for employee benefits

The 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 23. Contri	buted Equity	Consolidated Con		Consolic	nsolidated	
		31 Dec 2018 No. of Shares	30 Jun 2018 No. of Shares	31 Dec 2018	30 Jun 2018	
		'000	'000	\$'000	\$'000	
Ordinary share:	fully paid	1,384,207	1,362,245	176,106	171,810	
Ordinary share:	, ,	1,304,207	1,302,243	170,100	171,010	
•	s ginning of period	1,362,245	1,004,022	171,810	122,187	
	uring the period:	1,302,243	1,004,022	171,610	122,107	
Date	Description					
27 Jul 2017	Issue of tranche 1 placement shares	_	201.041	_	27,140	
8 Aug 2017	Issue of tranche 1 placement shares	_	49,965	_	6,745	
24 Aug 2017	Issue of tranche 2 placement shares	_	24,426	_	3,297	
5 Sep 2017	Issue of tranche 2 placement shares	_	6,050	_	816	
24 Oct 2017	Exercise of Directors' options	_	500	_	69	
17 Nov 2017	Exercise of Directors' options	_	500	_	69	
24 Nov 2017	Exercise of Directors' options	_	1,000	_	138	
29 Nov 2017	Exercise of Directors' options	_	500	_	69	
6 Apr 2018	Exercise of employee performance rights	_	2,307	_	-	
30 Apr 2018	Exercise of Director's options	_	1,047	_	28	
1 May 2018	Exercise of Director's performance rights	_	678	_	_	
28 Jun 2018	Issue of placement shares	_	70,209	_	14,042	
20 3011 2010	Sub-total at 30 June 2018	1,362,245	1,362,245	171,810	174,600	
10 Jul 2018	Issue of placement shares	17,291	-	3,458		
10 Jul 2018	Exercise of warrants	3.900	_	714	_	
31 Jul 2018	Exercise of anti-dilution rights	771	_	141	_	
	sts recognised during the period	-	(17)	(2,790)		
	end of the period	1,384,207	1,362,245	176,106	171,810	
			-,,•			

#### Note 23. Contributed Equity (continued)

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.

#### 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 mine production companies, the Parent Entity raises finance for the Consolidated Entity's activities through reinvestment of operating cash flows, equity raisings or debt financing, whichever is available and that maximises returns for shareholders.

The Directors consider the current capital structure in relation to the operation of the Bauxite Hills mine appropriate for the Company's stage of growth.

			31 Dec 2018 \$'000	
Options reserve			9,590	9,141
Cash flow hedge reserve			(349)	(264)
Foreign currency translation reserve			(4)	(5)
Total reserves			9,237	8,872
	Translation Reserve	Cash Flow Hedge Reserve	Options Reserve	Total Reserves
	\$'000	\$'000	\$'000	\$'000
Consolidated				
Balance at 1 July 2017	(7)	-	6,424	6,417
Options granted during the year	-	-	2,717	2,717
Fair value changes in cash flow hedges	-	(264)	-	(264)
Translation of foreign subsidiaries	2	-	-	2
Balance at 30 June 2018	(5)	(264)	9,141	8,872

Consolidated

449

9,590

(85)

(349)

449

(85)

9,237

Foreign Currency Translation Reserve

Share-based payments expense

Translation of foreign subsidiaries **Balance at 31 December 2018** 

Fair value changes in cash flow hedges

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

#### Options Reserve

Note 24. Reserves

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.

(4)

## Note 25. Dividends

There were no dividends paid or declared during the current period or the previous financial year. There were no franking credits at 31 December 2018 (30 June 2018: nil).

Note 26. Earnings / (Loss) Per Share	Consolidated	
	6 months 31 Dec 2018 \$'000	12 months 30 Jun 2018 \$'000
Profit / (loss) after income tax attributable to the owners of the Company used in calculating basic earnings / (loss) per share and diluted earnings / (loss) per share.	9,357	(17,378)
	Conso	lidated
	31 Dec 2018 Number '000	30 Jun 2018 Number '000
Weighted average number of ordinary shares used in calculating basic earnings / (loss) per share	1,383,371	1,313,691
Weighted average number of ordinary shares used in calculating diluted earnings / (loss) per share	1,387,467	1,313,691
	Conso	lidated
	31 Dec 2018 Number	30 Jun 2018 Number

Cents

0.677

0.674

Cents

(1.38)

(1.38)

At 31 December 2018, the following tranches of options over unissued ordinary shares in the Company had vested:

- 4,000,000 options at exercise price of \$0.08 per option and expiry date of 23 Dec 2019;
- 545,000 options at exercise price of \$0.137 per option and expiry date of 7 Apr 2019;

Basic earnings / (loss) per share

Diluted earnings / (loss) per share

- 10,000,000 options at exercise price of \$0.15 per option and expiry date of 27 Aug 2019;
- 11,100,000 options at exercise price of \$0.183 per option and expiry date of 28 Aug 2022; and
- 882,921 options at exercise price of \$0.25 per option and expiry date of 25 Oct 2021.

All vested options could potentially dilute basic earnings per share in future financial periods. 882,921 vested options have been excluded from the calculation of diluted earnings per share for the period ended 31 December 2018 as they are anti-dilutive in the current period.

Note 27. Reconciliation of Profit / (Loss) after Income Tax to Net Cash Used in Operating activities	in Consolidated		
	Note	6 Months 31 Dec 2018 \$'000	12 Months 30 Jun 2018 \$'000
Profit / (loss) after income tax benefit for the period / year		9,357	(17,378)
Cash flows excluded from profit / (loss) attributable to operating activities:			
Interest expense		2,398	1,310
Finance costs		324	14
Exploration expense		78	1
Non-cash flows in profit / (loss):			
Depreciation and amortisation		4,463	1,940
Inventory stockpile		-	(697)
Inventory obsolescence		40	-
Share-based payments expense		324	353
Impairment expense	7	-	5,120
Fair value movement in hedge		-	165
Loss on disposal of fixed assets		2	-
Finance lease interest		321	313
Unrealised foreign exchange movements		739	926
Income tax benefit		(7,165)	-
Change in operating assets and liabilities:			
(Increase)/decrease in trade and other receivables		(9,294)	(7,201)
(Increase)/decrease in prepayments		(1,774)	(877)
(Increase)/decrease in inventories		(112)	(1,170)
Increase/(decrease) in trade and other payables		4,121	12,686
Net cash provided by / (used in) operating activities	_	3,822	(4,495)

## Non-Cash financing and Investing Activities

• Assets acquired under finance lease:

During the year, the Group acquired infrastructure with an aggregate value of \$99,000 (June 2018: \$7,886,993) by means of finance leases. These acquisitions are not reflected in the consolidated statement of cash flows. Refer to note 16.

	Consolidate	d	
	31 Dec 2018 \$'000	30 Jun 2018 \$'000	
Loan facilities			
Facility amount	41,788	41,005	
Amount utilised	(41,788)	(41,005)	
Total undrawn loan facilities	-	-	

Refer to note 20 for information on the loan facility terms.

Note 28. Remuneration of Auditors	Consolidated		
	6 months 31 Dec 2018 \$	12 months 30 Jun 2018 \$	
Amounts received or due and receivable by the auditor for:			
<ul> <li>An audit or review of the financial report of the entity and any other entity in the Consolidated Entity</li> </ul>	79,500	88,000	
<ul> <li>Other services in relation to the entity and any other entity in the Consolidated Entity:</li> </ul>			
Other assurance procedures	-	20,000	
	79,500	108,000	

#### Note 29. Commitments

#### Operating Lease Commitments – Consolidated Entity as Lessee

The Consolidated Entity has entered into the following operating leases:

- The lease of the corporate office in Brisbane, Queensland. The lease has a term of four years and includes an option to extend the lease for a further four-year term.
- The lease of office space in Cairns, Queensland. The lease has a term of two years and includes an option to extend the lease for a further two-year term.
- The lease of an off-site storage facility in Raceview, Queensland. The lease has a 12 month term and there is no option to renew.
- Various items of office equipment are also leased. These leases are all for three-year terms and have no option to extend.

Future minimum rentals payable under non-cancellable operating leases at 31 December 2018 are as follows:

	Consolidate	ed
Operating Lease Commitments	31 Dec 2018 \$'000	30 Jun 2018 \$'000
Within one year	202	139
One to five years	228	229
Total	430	368
	Consolidate	ed
	31 Dec 2018	30 Jun 2018
Finance Lease Commitments	\$'000	\$'000
Payable – minimum lease payments:		
Within one year	3,394	3,675
One to five years	2,042	3,615
Minimum lease payments	5,436	7,290
Less future finance charges	(423)	(745)
Present value of minimum lease payments	5,013	6,545

The Group has the following finance lease arrangements in place:

- BLF Screen and stacker Commenced April 2018 for either an 18-month period with balloon payment or a 24-month lease. The assets may be purchased for \$1 at the end of the 24-month lease period.
- Haulage fleet trailers Commenced January 2018 on a 3-year lease. Haulage Fleet Trailers have a purchase option available for a market value determinable at the end of the lease period.
- Multiple prime movers Commenced January 2018 on a 2-year lease. The prime movers have a purchase option

- available for a market value determinable at the end of the lease period.
- Accommodation camp Commenced January 2018 on a 2-year lease. The assets may be purchased for \$1 at the end of the lease period.
- Fuel farm Commenced February 2018 on a 3-year lease. The assets are fully owned by the Group at the end of the lease period.

All finance leases have lease payments made monthly in arrears.

	Consolidated		
	31 Dec 2018 \$'000	30 Jun 2018 \$'000	
Capital Expenditure Commitments			
Capital expenditure commitments contracted for:			
Within one year	3,019	30	
One to five years	-	64	
Total	3,019	94	
	Consolidated	ı	
	31 Dec 2018 \$'000	30 Jun 2018 \$'000	
Other Expenditure Commitments			
Within one year	7,305	7,305	
One to five years	8,582	9,330	
More than five years	2,063	2,888	
Total	17,950	19,523	

Note 29. Commitments (continued)	Consolidated		
	31 Dec 2018 \$'000	30 Jun 2018 \$'000	
Minimum Expenditure Commitments on Exploration Tenements			
Within one year	3,918	3,781	
One to five years	5,140	4,806	
Total	9,058	8,587	
Total expenditure commitments	30,027	28,204	

Other expenditure commitments are contractual payments due to contractors for the provision of mining, transhipping and flight services for the Bauxite Hills mine. The payments above present the minimum contractual payments to be made under these agreements for the term of these agreements. The contractual terms are for between two and six years.

Commitments for exploration tenement expenditure include minimum amounts to be spent on these tenures. Where exploration expenditure commitments are not met, the Group can apply for variations of those commitments, and / or relinquish sub-blocks and /or tenements at the Group's discretion.

# Note 30. Contingent Liabilities and Assets Contingent liabilities

Rehabilitation

The Group has issued irrevocable bank guarantees (secured by term deposits) which secure the estimated restoration liabilities of the Bauxite Hills mine. Should the Group not satisfy its obligations to restore the land in accordance with the environmental licences under which it operates, these bank guarantees may be called upon to fund such rehabilitation costs.

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

#### **Contingent Assets**

There are no contingent assets at the date of this financial report.

#### Note 31. Financial Risk Management

The Consolidated Entity's financial instruments consist mainly of deposits with banks, accounts receivable and payable and loans from third parties.

Significant accounting policies

Each category of financial instruments is measured in accordance with AASB9 Financial Instruments, 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) and overseen by the Audit
and Risk Committee. 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
with the oversight of the Board.

Specific financial risk exposures and management
The main risks the Consolidated Entity is exposed to through its
financial instruments are credit risk, liquidity risk, commodity price
risk, currency risk, and market risk relating to interest rate risk and
other price risk. The Consolidated Entity seeks to hedge these risk
exposures where instruments are available and are cost effective.

The other material business risk exposures of the Group are outlined in the Directors' Report.

During the calendar year, the Bauxite Hills mine commenced operation, exposing the entity to greater commodity price risk (as revenues are derived from the sale of bauxite); currency price risk from items denominated in USD, including revenues, payables (ocean freight) and a loan; and interest rate risk from LIBOR-linked loans drawn down in the period. The Group is also exposed to increased credit risk from its trade receivables derived from its

Bauxite Hills operation. Repayments on the USD denominated loan will commence in July 2019, and this represents a higher liquidity risk exposure for the Group than in prior years. Since the Group's customers are 100% based in China, there are also sovereign risk exposures for the Group in the current 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 selling all bauxite under binding contracts with irrevocable letters of credit required. The maximum exposure to credit risk to recognised financial assets at the reporting date 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 only trades with credit-worthy third parties and tries to diversify its customer base where possible.

#### 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 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 31 December 2018, the financial liabilities of the Consolidated Entity are trade payables and accruals, lease liabilities and borrowings and derivative liabilities.

Financial liability and financial asset maturity analysis
The following tables detail the Consolidated Entity's remaining
contractual maturity for its financial instruments 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.

Note 31. Financial Risk Management (Continued)

	Within	1 Year	1 to 5	Years	Tot	al
Consolidated	31 Dec 2018 \$'000	30 Jun 2018 \$'000	31 Dec 2018 \$'000	30 Jun 2018 \$'000	31 Dec 2018 \$'000	30 Jun 2018 \$'000
Financial liabilities due for payment						
Trade payables	11,520	7,196	-	-	11,520	7,196
Other payables	8,808	8,426	-	-	8,808	8,426
Lease liability	3,060	3,675	1,953	3,614	5,013	7,289
Loans	11,949	11,918	33,282	35,626	45,231	47,544
Total contractual and expected outflows	35,337	31,215	35,235	39,240	70,572	70,455
Financial assets – cash flows realisable						
Cash and cash equivalents	23,367	23,295	-	-	23,367	23,295
Trade and other receivables	20,619	12,419	-	-	20,619	12,419
Financial assets	-	57	-	-	-	57
Loan to related party	32	32	-	-	32	32
Total anticipated inflows	44,018	35,803	-	-	44,018	35,803
Net (outflow)/inflow on financial instruments	8,681	4,588	(35,235)	(39,240)	(26,554)	(34,652)

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

#### **Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, interest rates and equity prices will affect the Consolidated Entity's income, balance sheet 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 optimizing the return. During the period, the Bauxite Hills mine ramped up production resulting in substantive changes to the Consolidated Entity's exposure to market risks.

#### Foreign Currency Risk

The Consolidated Entity's sales transactions are denominated in United States dollars. The risk management framework for revenue includes a currency hedging program to manage the risks to sales revenue associated with a strengthening A\$ against the US\$ during the first 15 months of operation. As part of this strategy, the Consolidated Entity holds US\$ / A\$ put options totalling US\$17.5 million at an average strike price of US\$0.85 with expiry dates staggered monthly during the Bauxite Hills operating periods in 2018 and 2019. The options protect revenue should the Australian dollar strengthen above US\$0.85. At 31 December 2018, the fair value of the put options is insignificant, due to the spot forward rate being below the strike price of US\$0.85, and it is not expected to rise over US\$0.85 over the remaining term of the options. The Consolidated Entity also has in place two forward sale A\$/US\$ contracts of US\$5 million each expiring in January 2019 at an average exchange rate of 0.7176. The Consolidated Entity continues to actively monitor currency markets with a view to expanding the hedging program if attractive pricing opportunities arise.

Except for ocean freight, which is denominated in United States dollars, and minor purchases in Singapore dollars and Hong Kong dollars, the Consolidated Entity's purchases are denominated the Australian dollars. There is no hedging strategy currently in place to manage foreign currency risk with respect to purchases.

#### Price Risk

The Group's major commodity price exposures are the price of bauxite and the price of alumina. It is currently not possible to hedge against movement in either of these products and so the Group is exposed to fluctuations in the price of both commodities. 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 31 December 2018, 51.25% of Consolidated Entity debt is at a variable (LIBOR linked) rate (30 June 2018: 50.40%) and 48.75% at stepped-fixed or fixed rate (30 June 2018: 49.60%). Interest Rate sensitivity

The Consolidated Entity's main interest rate risk arises from cash and cash equivalents and from variable interest rate borrowings. The sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Consolidated Entity profit before taxes through a decrease or an increase of 0.25% (30 June 2018: 0.25%) in interest rates at 31 December 2018 is an increase / decrease in cash and cash equivalents of \$58,000 (30 June 2018: \$58,000) and an increase / decrease in variable interest rate borrowings of \$38,000 (30 June 2018: \$52,000).

## Note 31. Financial Risk Management (Continued)

#### 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.

		Consolidated		Consolidated	
		Carrying Amount 31 Dec 2018 \$'000	Fair Value 31 Dec 2018 \$'000	Carrying Amount 30 Jun 2018 \$'000	Fair Value 30 Jun 2018 \$'000
	Note				
Assets					
Cash and cash equivalents	12	23,367	23,367	23,295	23,295
Trade and other receivables	14	20,651	20,651	12,451	12,451
Financial assets	21	-	-	57	57
Other assets	15	6,963	6,963	7,491	7,491
Total assets		50,981	50,981	43,294	43,294
Liabilities					
Trade payables	19	11,520	11,520	7,196	7,196
Other liabilities	19	8,808	8,808	8,426	8,426
Lease liability	20	5,013	5,013	6,544	6,544
Loans	20	41,788	41,788	41,005	41,005
Other financial liabilities	21	242	242		
Total liabilities		67,371	67,371	63,171	63,171

## Note 32. 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;
- 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;

- Shares issued on the exercise of the options will rank paripassu with all existing shares of the Company from the date of issue:
- 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; and
- All arrangements under the plan are equity settled.

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

On 2 July 2018, 174,516 performance rights were granted to a member of the Group's key management personnel on the commencement of his employment and in accordance with the terms of his employment agreement. The total number of employment rights granted under the 2018 Performance Year program, including this allocation was 1,385,004. These rights were issued on 31 July 2018.

The prior year summary of the movements of all options and performance rights issued to 30 June 2018 is as follows:

#### Note 32. Share-Based Payments (continued)

#### Options and Performance Rights Granted to Key Management Personnel (continued)

30 Jun 2018 Grant Date	Expiry Date	Exercise Price	Balance at Start of Year	Granted No. '000	Exercised No. '000	Expired/ Forfeited/ Other	Balance at End of Year
			No. '000			No. '000	No. '000
15/12/2015	14/12/2017	\$0.15	2,500	-	(2,500)	-	-
05/05/2016	05/05/2018	\$0.03	1,047	-	(1,047)	-	-
04/01/2017	23/12/2019	\$0.08	4,000	-	-	-	4,000
07/04/2017	07/04/2019	\$0.137	545	-	-	-	545
02/06/2017	31/07/2018	-	3,576	-	(2,985)	(591)	-
27/08/2017	27/08/2022	\$0.183	-	15,000	-	-	15,000
27/08/2017	27/08/2019	\$0.15	-	10,000	-	-	10,000
25/10/2017	25/10/2021	\$0.25	-	5,980	-	(1,565)	4,415
01/02/2018	31/07/2019	-	-	1,385	-	-	1,385(i)
Total options & per	formance rights	_	11,668	32,365	(6,532)	(2,156)	35,345

<sup>(</sup>i) Options granted on 1 Feb 2018 and 2 July 2018 for the 2018 performance year were not issued until 31 July 2018.

The weighted average remaining contractual life of options and performance rights outstanding at the end of the financial period was 2.07 years (30 June 2018: 2.80 years). 26,527,921 options were exercisable at the end of the financial period (30 June 2018: 29,545,000 options exercisable). No performance rights are exercisable at the end of the financial period.

Included under employee benefits expense in the statement of comprehensive income is \$323,734 (30 June 2018: \$296,406) which relates to equity-settled share-based payment transactions.

#### Note 33. Related Party Transactions

#### Parent entity

Metro Mining Limited is the ultimate parent entity.

#### **Subsidiaries**

Interests in subsidiaries are set out in note 34.

#### Joint arrangements

Interests in joint arrangements are set out in note 35.

#### Key management personnel

The totals of remuneration paid to key management personnel of the Company and the Consolidated Entity during the period are as follows:

	Consolidated	
	6 months 31 Dec 2018 \$	12 months 30 Jun 2018 \$
mployee benefits	735,149	1,365,265
fits	39,856	72,147
ts	205,614	170,925
	-	142,734
ctors and KMP	980,619	1,751,071

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the period ended 31 December 2018.

#### 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.

#### Post-employment benefits

These amounts are superannuation contributions made during the period.

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.

Other Transactions with Key Management Personnel
During the previous financial year, the Board approved an
interest-bearing short-term loan of \$32,476 to the Managing
Director, lent on arms' length basis terms. The loan was made to
enable the Managing Director to satisfy personal tax liabilities at
a time when he was unable to exercise his vested Metro Mining
Limited share options as the Company remained in an extended
closed trading window. A summary of the movements on the loan
account in the current financial period is as follows:

	\$
Opening balance of loan account – 1 July 2018	32,476
Interest charged to loan account	1,146
Interest paid	(1,146)
Closing balance of loan account – 31 December 2018	32,476

Under the terms of the loan agreement, interest is payable at 7% per annum. The principal is repayable in full on 1 June 2019.

#### Note 34. 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 or trust units that 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	31 Dec 2018 %	30 Jun 2018 %
Aldoga Minerals Pty Ltd	Australia	100	100
Coal International 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	Australia	100	100
Metro Mining Ltd Employee Share Trust	Australia	100	100

## Note 35. 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. The Group's interest in the Columboola assets has a carrying value of \$nil (30 June 2018: \$nil), having been fully impaired in prior years.

## 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 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).

On 7 December 2016, the Group 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 had the exclusive option to explore the Project for one year in exchange for funding all operating costs including an agreed drilling program. The farm-out arrangement also gave PanAust the option to acquire up to 100% of the Group's interest in the Project on committing to additional agreed expenditure programs.

In June 2018, following completion of its initial exploration program (and expenditure of US\$710,000), PanAust advised the Group of its intention to terminate the farm-out arrangement as allowed for under the terms of the arrangement. In light of this decision, the Group impaired the loan made to Mahar San in full in the previous financial year and is in the process of deregistering both the Myanmar subsidiary and the Mahar San joint venture vehicle.

#### Note 36. Parent Entity Information

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

·····/·		
	Parent	
	31 Dec 2018 \$'000	30 Jun 2018 \$'000
Statement of comprehensive income		
Loss after income tax	(8,553)	(13,500)
Total comprehensive income	(8,553)	(13,500)
Statement of financial position		
Total current assets	23,524	30,277
Total non-current assets	230,800	147,819
Total assets	254,324	178,096
Total current liabilities	9,978	21,030
Total non-current liabilities	126,252	31,621
Total liabilities	136,230	52,651
Net assets	118,094	125,445
Contributed equity	176,106	175,268
Reserves	9,241	8,877
Accumulated losses	(67,253)	(58,700)
Total equity	118,094	125,445

#### **Contingent liabilities**

Refer to note 30 for details of contingent liabilities.

### Capital commitments - property, plant and equipment

The parent entity had no capital commitments at 31 December 2018 (30 June 2018 \$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 37. Events Occurring after the Reporting Date

Amended Notice of Financial Assurance Requirement for Skardon River Mining Licences

On 22 January 2019, the Department of Natural Resources, Mines and Energy issued Gulf Alumina Pty Ltd (Gulf), a wholly owned subsidiary of the Company, with an updated Decision on the Amount and Form of Financial Assurance required to be provided by Gulf under the Environmental Protection Act 1994. The requirement is in respect of the future rehabilitation of Mining Licences 40069, 40082 and 6025 which form part of the Group's Bauxite Hills project.

As at 31 December 2018, the Group had lodged \$3,225,332 of financial assurance in respect of these Mining Licences. The updated Decision Notice lifts the financial assurance requirement to \$3,332,977. On 14 February 2019, the Group transferred a further \$107,645 to restricted cash to meet the amended obligation.

In accordance with a resolution of the Directors of Metro Mining Limited, the Directors of the Company state that:

- 1. In the opinion of the Directors:
- a. the financial statements and notes of Metro Mining Limited for the financial period ended 31 December 2018 are in accordance with Corporations Act 2001, including:
- giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and of its performance for the period ended on that date: and
- (ii) complying with Accounting Standard and the Corporations Regulations 2001;
- the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- This declaration has been made after receiving the declarations required to be made to the Directors by the Chief Executive Officer and chief financial officer in accordance with section 295A of the Corporations Act 2001 for the financial period ended 31 December 2018.

On behalf of the Board of Directors

S Everett

Chairman

27 February 2019 Brisbane



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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 (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the six-month period ended on that date; and
- b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

## **Basis for Opinion**

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

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 judgment, 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, but we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial report.



## Recognition of deferred tax assets

#### Why significant

At 31 December 2018, the Group has recognised a net deferred tax asset of \$7.2 million. In prior periods, the Group has only recognised a deferred tax asset for carry forward tax losses and temporary differences to the extent its deferred tax liabilities.

Under Australian Accounting Standards, deferred tax assets for carry forward tax losses and temporary differences are to be recognised when it is probable that future taxable profit will be available against which the carry forward tax losses and temporary differences will be utilised.

With the Group successfully ramping up production at its Bauxite Hills Project and recording its maiden profit before tax for the six-month period ended 31 December 2018, the Group has determined it is probable that an increased portion of its carry forward tax losses and temporary differences will be used to offset future taxable profits.

Given the degree of judgment involved in management's assessment as to the recoverability or otherwise of deferred tax assets and the amount of the income tax benefit recorded in the consolidated income statement, we consider this a key audit matter.

## How our audit addressed the key audit matter

We assessed the Group's decision to record a net deferred tax asset and its methodology for determining amount of the deferred tax asset to be recognised for compliance with Australian Accounting Standards.

Our audit procedures included the following:

- We assessed the Group's budgets and business plans used to forecast the existence of future taxable profits and thus the likelihood the Group would be able to use deferred tax assets in the future. This analysis included assessing the reasonability of underlying financial forecasts and assumptions and their consistency with the latest management estimates as calculated during the budget process.
- We assessed the amount of the Group's available carry forward tax losses and the impact of any known or potential limitations that could affect recoverability of the tax benefit of the carry forward tax losses. Our income tax specialists were involved in the conduct of these procedures.
- We assessed the forecast timing of the reversal of the Group's temporary differences to determine if taxable profits are expected to be available at the time against which the tax benefit of the temporary difference can be realised.
- We assessed the adequacy of the related financial report disclosures.



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

The directors are responsible for the other information. The other information comprises the information included in the Company's 31 December 2018 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

If, based on the work we have performed on the other information 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.

## Responsibilities of the Directors for the Financial Report

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

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

## Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



## Report on the Audit of the Remuneration Report

## Opinion on the Remuneration Report

We have audited the Remuneration Report included the directors' report for the six-month period ended 31 December 2018.

In our opinion, the Remuneration Report of Metro Mining Limited for the six-month period ended 31 December 2018, 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.

Ernst & Young

Andrew Carrick Partner Brisbane

27 February 2019

The shareholder information set out below was applicable as 26 February 2019.

## a. Distribution of equitable securities

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

	Number of holders of ordinary shares
Category (size of holding):	
1 to 1,000	138
1,001 to 5,000	333
5,001 to 10,000	356
10,001 to 50,000	789
50,001 to 100,000	331
100,001 and over	458
	2,405

The number of shareholdings held in less than marketable parcels is 322.

## b. 20 largest shareholders – ordinary shares

	Ordinary shares		
	Number held	% of total shares Issued	
Greenstone Management (Delaware) II LLC	273,388,740	19.75	
HSBC Custody Nominees (Australia) Limited	207,133,024	14.96	
Balanced Property Pty Ltd	168,301,124	12.16	
Balanced Property Pty Ltd	42,402,909	3.06	
J P Morgan Nominees Australia Limited	35,696,194	2.58	
Mr Gregory Ian Williams	35,447,530	2.56	
Dadi (Australia) Engineering Co Pty Ltd	30,918,678	2.23	
Dadi Engineering Development (Group) Co. Ltd.	28,800,000	2.08	
Citicorp Nominees Pty Ltd	25,919,565	1.87	
National Nominees Limited	25,381,852	1.83	
Netwealth Investments Limited	22,817,496	1.65	
China Xinfa Group Corporation Limited	20,327,883	1.47	
Mr Charles Victor Alexander	19,750,000	1.43	
Dadi Engineering Development (Group) Hong Kong Co. Ltd	18,450,000	1.33	
Edale Capital Pty Ltd	18,402,745	1.33	
Ms Qing Xia	17,527,838	1.27	
Bondline Limited	16,050,223	1.16	
BNP Paribas Nominees Pty Ltd	15,247,363	1.10	
BNP Paribas Noms Pty Ltd	13,369,551	0.97	
Equity & Permanent Investment Capital Limited	11,550,000	0.83	
	1,046,882,715	75.62	

## c. Unquoted equity securities

Options and performance rights over unissued shares

	on issue	of holders
Options and performance rights issued under the Metro Mining Employee Share Option Plan	6,344,614	13
Options issued to corporate advisors	14,000,000	1
Warrants issued to senior secured lender	11,100,000	1
	31,444,614	15

Number

Number

## d. Substantial holders

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

	Ordinary shares	
	Number Held	% of total Shares Issued
Greenstone Management (Delaware) II LLC	273,388,740	19.75
Balanced Property Pty Ltd	219,280,506	15.84
BlackRock Group (BlackRock Inc and related entities)	149,769,602	10.82
Dadi Engineering Development (Group) Co. Ltd and related entities	78,168,678	5.65
Renaissance Smaller Companies	72,775,982	5.26

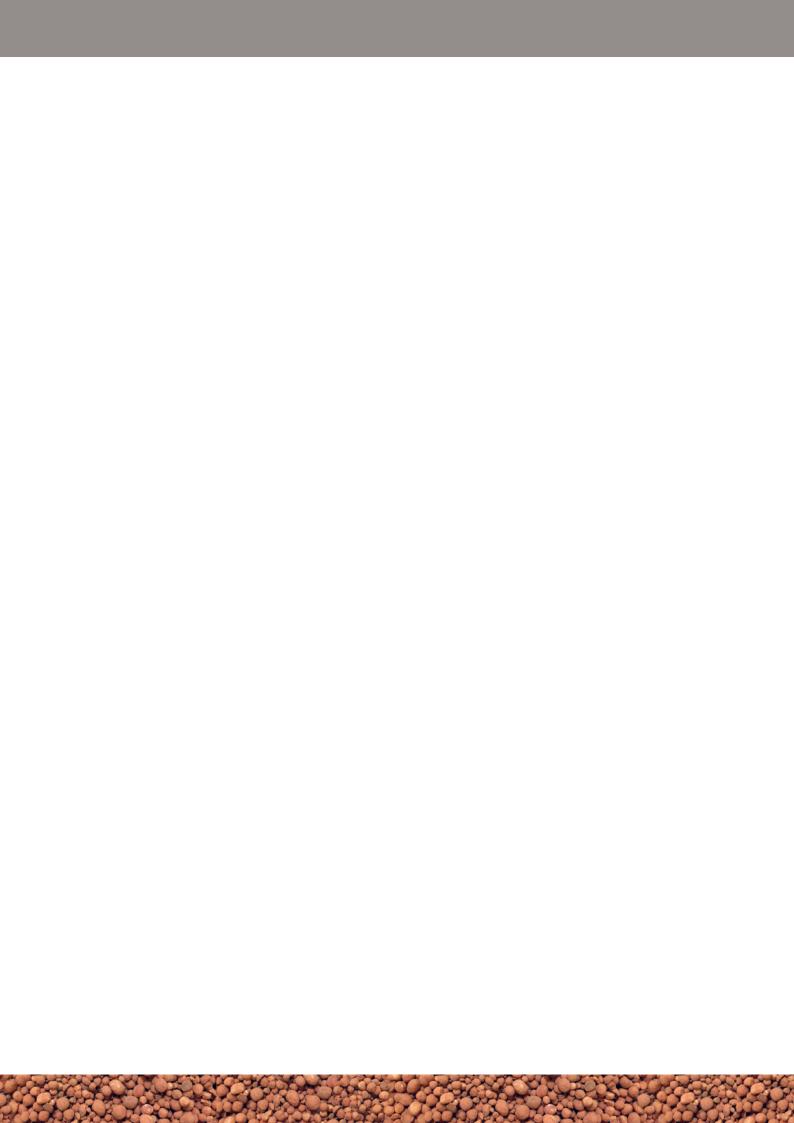
## e. Voting rights

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.



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E: info@metromining.com.au W: metromining.com.au

Share Registry: Link Market Services L21, 10 Eagle Street, Q, 4000 | P: 1300 554 474

Auditor: Ernst & Young, 111 Eagle Street, Brisbane, Q 4000

ASX: Metro Mining Limited shares are listed on the Australian

Securities Exchange Limited LTD | ASX Code: MMI

