Metro Mining Limited
and controlled entities

ABN 45 117 763 443

Interim Financial Report

for the Half Year Ended
31 December 2016

CONTENTS

Your directors present their interim financial report on the consolidated entity consisting of Metro Mining Limited (the "Company" or "Metro Mining") and the entities it controlled at the end of, or during the half year ended 31 December 2016.

1. DIRECTORS

The names of the directors who held office during or since the end of the half-year and to the date of this report:

- Stephen Everett (Independent Non-executive Chairman)
- Lindsay Ward (Independent Non-executive Director)
- Philip Hennessy (Independent Non-executive Director)
- Dongping Wang (Non-executive Director)
- Jijun Liu (Non-executive Director)
- George Lloyd (Independent Non-executive Director)
- Mark Sawyer (Non-executive Director) – appointed 28 July 2016
- Simon Finnis – (Managing Director) – appointed 6 January 2017

The alternate directors who served during the half-year and to the date of this report were:

- Xiaoming Yuan (Alternate Director for Dongping Wang)
- Ken Xiao (Alternate Director for Jijun Liu)
- Michael Haworth (Alternate Director for Mark Sawyer – appointed 1 September 2016)

2. OPERATING RESULTS

The profit of the consolidated entity for the period was $3,172,801 (31 December 2015: loss of $996,934) after impairment losses of $8,479 (31 December 2015: $206,833). A gain of $8,607,368 on the uplift of the value of the Group's 39% interest in Gulf Alumina Limited was recognised in the half-year. The Groups' loss excluding this item and the associated transaction costs of the business combination ($3,449,498) was $1,985,068.

3. REVIEW OF OPERATIONS

On 11 July 2016, the Group announced a $8.9m share placement issuing 105,000,000 shares at 8.5 cents per share to Greenstone Resources, a specialist mining and metals private equity fund based in the Channel Islands. Greenstone, holding 19.98% interest in the Group, appointed a nominee director, Mark Sawyer, to the Board.

On 1 July 2016, the Group held a 21.8% interest in Gulf Alumina Limited (Gulf) an unlisted public company with mining and exploration tenements adjacent to the Group's Bauxite Hills project on western Cape York peninsular. Between 19 September 2016 and 18 October 2016, Metro made further off-market purchases of 15,844,014 Gulf shares for consideration of 56cents cash per share for a total cost of $8.9m. These purchases increased Metro's interest in Gulf to 39%.

On 22 September 2016, ASX-Listed Moly Mines (Moly) made an announcement of the intention to make an off-market takeover offer for Gulf. Gulf shareholders controlling 57.3% of Gulf's issued capital signed a pre-bid agreement to accept the Moly offer, in the absence of a superior proposal. An offer implementation agreement signed by Moly and Gulf contained various conditions including a matching right for Moly, should Gulf receive a competing offer.

On 13 October 2016, the Group announced it had signed a binding bauxite off-take agreement with the Xinfa Group, one of China's largest integrated aluminum companies, with operations in Shandong, Shanxi, Guangxi and Xinjiang Provinces. The agreement with Xinfa includes 1 million tonnes in the first year and two million tonnes per annum for the following three years.

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

On 2 November 2016, Metro received notification from Gulf's board that Gulf had declared Metro's offer as superior, and recommended Gulf shareholders accept the offer in the absence of a superior proposal.

On 9 November 2016 Moly increased the price of their intended offer, as was their matching right under the offer implementation agreement described above.

On 17 November 2016, Gulf declared Moly's new intended offer was not superior to Metro's and recommended Gulf Shareholders accept Metro's offer, in the absence of a superior proposal. Despite no longer being bound by the pre-bid acceptance forms, the Gulf Shareholder group controlling 57.3% of the share capital of Gulf, announced they would not accept the offer until the offer close date of 5 December 2016, and would consider all other offers in the intervening period.

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

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

On 20 December 2016, Metro satisfied the conditions of the agreement with the Gulf Shareholder Group and a further 57.3% of the issued capital of Gulf was transferred to Metro, allowing Metro to obtain control of Gulf. The acquisition of this 57.3% of Gulf shares on 20 December 2016 resulted in a business combination. For further detail on this refer to Note 1 Key Judgments and Estimates.

On 8 December 2016, Metro announced an agreement to farm out its interest in the Mahar San exploration project in Myanmar to PanAust Limited. The agreement was reached to enable Metro to remain focused on the development of its Australian Bauxite resource. The farm-out agreement provides for PanAust to progressively earn an interest in Metro's Myanmar company by phased funding of exploration.

Green Coast Resources Pty Limited shipped DSO ore from its Hey Point tenements in the last quarter of 2016, and the Group has accrued royalty revenue due on these shipments. The revenue receivable is included in trade receivables at the end of the period.

During the period, the Company also invested $2.0m in continuing its development of the Bauxite Hills project and other tenement exploration activities.

The minimum expenditures were spent maintaining the Company's coal tenements in good standing.

4. EVENTS SUBSEQUENT TO BALANCE DATE

The following events subsequent to the balance date have occurred:

i) Exercise of KMP options

On 4 January 2017 a total of 5,500,000 5.8cent share options were exercised by key management personnel. The Group received a total of $319,000 as consideration for the shares issued.

ii) Issue of Shares

On 4 January 2017, 50,000 shares were issued to accepting Gulf shareholders as part of their consideration for Gulf Alumina Shares. For further details refer to Note 2 Business Combination.

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

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

iii) Issue of Options

On 20 January 2017, the Group issued 4,000,000 8 cent options to a corporate finance advisor as a success fee following the acquisition of Gulf Alumina Limited (refer Note 2 Business Combination).

i) Compulsory acquisition of remaining Gulf Shares

The Group completed the compulsory acquisition of the remaining 75,000 shares in Gulf Alumina Limited on 3 February 2017, transferring in trust the $46,500 consideration payable.

Other than the matters disclosed above, no matter or circumstance has arisen since 31 December 2016 that has significantly affected or may significantly affect the operations, results or state of affairs of the consolidated entity in the following or future years.

5. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under Section 307C of the *Corporations Act 2001* is set out on page 4 for the half year ended 31 December 2016.

This report is signed in accordance with a resolution of the Board of Directors.

Signed:

Stephen Everett
Chairman

Date: 14 February 2017

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

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

As lead auditor of Metro Mining Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.
   This declaration is in respect of Metro Mining and the entities it controlled during the period.

A J Whyte
Director

BDO Audit Pty Ltd

Brisbane: 14 February 2017

Metro Mining Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2016

	Note	31 Dec 2016	31 Dec 2015
		$	$
Gain on fair value adjustment of available-for-sale assets	3.	8,607,368	-
Other income		132,188	915,000
		8,739,556	915,000
Acquisition expenses	3.	(3,449,498)	-
Employee benefits expense		(911,590)	(572,768)
Impairment of exploration and evaluation assets		(8,479)	(206,833)
Occupancy expenses		(122,091)	(71,901)
Corporate finance expenses		(331,553)	(66,229)
Depreciation		(9,963)	(18,887)
Other expenses		(441,932)	(1,030,258)
Results from operating activities		3,464,450	(1,051,876)
Finance income		83,530	54,942
Finance expense		(375,179)	-
Profit/(loss) before income tax		3,172,801	(996,934)
Income tax benefit/(expense)		-	-
Net profit/(loss) for the period after income tax		3,172,801	(996,934)
Other comprehensive income, net of tax		1,914	-
Total comprehensive income, net of tax		3,174,715	(996,934)
Total comprehensive income attributable to:			
Owners of the Company		3,175,269	(996,934)
Non-controlling interests		(554)	-
		3,174,715	(996,934)

	Cents	Cents
Basic earnings / (loss) per share	0.63	(0.45)
Diluted earnings / (loss) per share	0.63	(0.45)

The accompanying notes form part of these financial statements.

Metro Mining Limited
Consolidated Statement of Financial Position
As at 31 December 2016

	Note	31 Dec 2016	30 Jun 2016
		$	$
Current assets			
Cash and cash equivalents		11,463,542	2,684,309
Trade and other receivables		729,707	361,205
Other assets	7.	1,537,400	6,161
Total current assets		13,730,649	3,051,675
Non-current assets			
Exploration and evaluation assets		26,258,491	10,586,825
Available-for-sale financial assets	6.	-	3,975,733
Plant and equipment		198,665	10,344
Mining tenements and mining rights	2.	47,257,409	-
Other assets		7,560	7,560
Total non-current assets		73,722,125	14,580,462
TOTAL ASSETS		87,452,774	17,632,137
Current liabilities			
Trade and other payables		6,175,290	1,115,388
Employee benefits		86,976	85,848
Borrowings	8.	48,875,151	-
Total current liabilities		55,137,417	1,201,236
TOTAL LIABILITIES		55,137,417	1,201,236
NET ASSETS		32,315,357	16,430,901
Equity			
Contributed equity	9.	68,750,541	56,105,993
Reserves		3,756,838	3,734,767
Accumulated losses		(40,236,504)	(43,409,859)
Parent entity interest		32,270,875	16,430,901
Non-controlling interest		44,482	-
TOTAL EQUITY		32,315,357	16,430,901

The accompanying notes form part of these financial statements.

Metro Mining Limited
Consolidated Statement of Changes in Equity
For the half year ended 31 December 2016

	Contributed equity	Foreign Currency Translation Reserve	Options reserve	Change of interest in subsidiary reserve	Accumulated losses	Controlling interest	Non-Controlling interest	Total equity
	$	$	$	$	$	$	$	$
Balance at 1 July 2016	56,105,993	(3,145)	5,783,311	(2,045,399)	(43,409,859)	16,430,901	-	16,430,901
Loss after income tax expense for the half-year	-	-	-	-	3,173,355	3,173,355	(554)	3,172,801
Other comprehensive income for the half-year, net of tax	-	1,914	-	-	-	1,914	-	1,914
Total comprehensive income for the half-year	-	1,914	-	-	3,173,355	3,175,269	(554)	3,174,715
Transactions with owners in their capacity as owners:								
Share-based payments	-	-	20,157	-	-	20,157	-	20,157
Shares issued during the period	13,226,845	-	-	-	-	13,226,845	-	13,226,845
Transaction costs	(582,297)	-	-	-	-	(582,297)	-	(582,297)
Total transactions with owners	12,644,548	-	20,157	-	-	12,664,705	-	12,664,705
Other								
Recognition of non-controlling interest in Gulf Alumina Limited	-	-	-	-	-	-	45,036	45,036
Balance at 31 December 2016	68,750,541	(1,231)	5,803,468	(2,045,399)	(40,236,504)	32,270,875	44,482	32,315,357
Balance at 1 July 2015	47,491,109	-	5,715,426	(2,045,399)	(36,576,061)	14,585,075	-	14,585,075
Loss after income tax expense for the half-year	-	-	-	-	(996,934)	(996,934)	-	(996,934)
Total comprehensive income for the half-year	-	-	-	-	(996,934)	(1,522, 156)	-	(996,934)
Transactions with owners in their capacity as owners:								
Share placement and rights issue	5,060,206	-	-	-	-	5,060,206	-	5,060,206
Shares issued as consideration for available-for-sale financial assets	561,000	-	-	-	-	561,000	-	561,000
Options issued during the period	-	-	1,753	-	-	1,753	-	1,753
Balance at 31 December 2015	53,112,315	-	5,717,179	(2,045,399)	(37,572,994)	19,211,101	-	19,211,101

The accompanying notes form part of these financial statements.

Metro Mining Limited
Consolidated Statement of Cashflows
For the half year ended 31 December 2016

	Note	31 Dec 2016	31 Dec 2015
		$	$
Cash Flows From Operating Activities			
Receipts in the course of operations		199,656	119,465
Payments to suppliers and employees		(2,552,327)	(1,792,730)
Interest received		57,831	45,611
Finance costs		(1,615,975)	-
Net cash used in operating activities		(3,910,815)	(1,627,654)
Cash Flows From Investing Activities			
Proceeds from sale of tenements		55,000	825,000
Payments for property, plant and equipment		(9,128)	(2,398)
Payments for exploration and evaluation assets		(1,806,670)	(2,045,006)
Payment for acquisition of investment	2	(8,957,338)	-
Payment for acquisition of subsidiary		(31,517,984)	-
Cash acquired on acquisition of subsidiary	2	227,737	-
Net cash used in investing activities		(42,008,383)	(1,222,404)
Cash Flows From Financing Activities			
Proceeds from issue of shares		9,250,750	5,585,429
Share issue transaction costs		(582,299)	(525,222)
Proceeds from borrowings	8	48,500,000	-
Repayment of borrowings		(2,470,020)	-
Net cash from financing activities		54,698,431	5,060,206
Net increase in cash and cash equivalents		8,779,233	2,210,149
Cash and cash equivalents at the beginning of the half-year		2,684,309	3,116,546
Cash and cash equivalents at the end of the half-year		11,463,542	5,326,695

The accompanying notes form part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2016 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Metro Mining Limited and its controlled entities (referred to as the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2016, together with any public announcements made during the half-year.

These interim financial statements were authorised for issue on 14 February 2017.

b) Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The Group has considered the implications of new or amended Accounting Standard but determined that their application to the financial statements is either not relevant or not material.

c) Significant Judgments and estimates

i) Business Combination

The Group has identified that the acquisition of control of Gulf Alumina in the period (refer to Note 2: Business Combination), should be accounted for as a business combination incorporating a step-acquisition.

- *Step-Acquisition*

The Group increased its ownership of Gulf shares in the period from 22% at 1 July 16 to 39% at 19 September 2016 through a series of off-market share purchases. The Group has accounted for those acquisitions at a cost of $8,957,338 (cash paid), including capitalised acquisition costs of $84,690. The Group accounted for this increase in interest as an increase in the investment at that time, as the Group did not have any significant influence over Gulf in this period; the Group had no management influence (no appointed director), and Gulf directors and their related parties entered into a pre-bid agreement with a third party, Moly Mines Limited ("Moly") on 22 September 2016, agreeing to sell their controlling stake of 57.3% of shares in Gulf to Moly, in the absence of a superior offer.

At the date just before the Group obtained control of Gulf, under AASB3, the investment was re-valued to its fair value of $21,540,440, realising a gain of $8,607,368 which has been recognised in the statement of profit or loss other comprehensive income for the half-year.

- *Date of Control*

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

c) Significant Judgments and estimates (continued)

i) Business Combination (continued)

- *Gulf Alumina is a Business*

The Group has determined that Gulf Alumina Limited, whilst in pre-production, is a business.

The main factors contributing to the judgment that Gulf Alumina is a business as set out in AASB 3 are:-

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

ii) 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.

Net operating cash outflows were $3,910,815 for the half-year ended 31 December 2016. As at 31 December 2016 the consolidated entity has cash of $11,463,542.

The Group has net current liabilities of $41,406,768 at 31 December 2016. The net current liabilities included current borrowings of $48,875,151 with repayment dates of 17 March 2017 ($8,699,808) and 15 April 2017 ($40,175,342) respectively.

The Group is currently pursuing plans to either pay out or refinance the debt owing with various parties and through various methods. These plans are at an advanced stage.

The ability of the consolidated entity to continue as a going concern is principally dependent upon one or more of the following:

- the ability of the company to raise capital as and when necessary;
- the successful exploration and subsequent exploitation of the consolidated entity's tenements; and/or
- Continued support of its financiers.

These conditions give rise to material uncertainty which may cast significant doubt over the consolidated entity's ability to continue as a going concern. The directors believe that the going concern basis of preparation is appropriate due to the following reasons:

c) Significant Judgments and estimates (continued)

ii) *Going Concern (continued)*

The consolidated entity has a proven history of successfully raising capital funds which included during the half-year raising funding of $8.9million from Greenstone Capital and

- $5.6million in July 2015 through a $2million placement and a fully under-written $3.6million rights-issue.

- Further, the consolidated entity was able to raise $48.5million in short-term loans and bridging finance in September 2016 and October 2016. These loans are on commercial terms and are unsecured.

- The directors believe there is sufficient cash available for the consolidated entity to continue operating until it can raise sufficient further capital to fund its ongoing activities.

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial report.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the consolidated entity be unable to continue as a going concern.

2. BUSINESS COMBINATIONS

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

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

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

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

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

On 20 December 2016, Metro satisfied the conditions of the agreement with the Gulf Shareholder Group and a further 57.3% of the issued capital of Gulf was transferred to Metro, allowing Metro to obtain control of Gulf. Metro asserts that the acquisition of this 57.3% of Gulf shares on 20 December 2016 resulted in a business combination. For further detail on this refer the Note 1 Key Judgments and Estimates.

2. BUSINESS COMBINATIONS (Continued)

On 20 December 2016, the value of the investment held by Metro prior to that date (39%) was revalued to its fair value as part of the Step Acquisition. A gain of $8,607,368 on the value of the Gulf investment held prior to recognition of the business combination has been recognised in the Consolidated Statement of Profit or Loss and other Comprehensive Income. For further detail on this refer the Note 1 Key Judgments and Estimates.

The business combination purchase was satisfied by the issue of 26,113,956 ordinary shares at an issue price of $0.15 each and cash consideration of $31,574,983. The issue price was based on the market price on date of purchase. Gulf shareholders with contractual top-up rights were issued a further 11,219,925 shares at $0.15 each.

	Fair Value $
Purchase consideration:	
– Cash consideration paid	31,517,983
– Cash consideration accrued	57,000
– Equity issued	5,600,083
	37,175,066
Fair value of 39% interest in Gulf	21,584,922
	58,759,988
Less:	
Cash	227,736
Receivables	281,270
Security deposits	731,557
Exploration and Evaluation assets	12,998,202
Mining tenements and mining rights	47,257,407
Property, plant and equipment	189,156
Payables	(455,320)
Loans	(2,470,020)
Identifiable assets acquired and liabilities assumed	58,759,988
Purchase consideration settled in cash at end of half-year	31,517,983
Cash outflow on acquisition for the half-year	31,517,983

2. BUSINESS COMBINATIONS (Continued)

(i) A loss resulting from the acquisition of Gulf Alumina Limited amounting to $4,285 is included in the consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2016.

Had the results relating to Gulf Alumina Limited been consolidated from 1 July 2016, consolidated income of the consolidated group would have been $25,238 more and consolidated profit of the consolidated group would have been $403,723 less for the half-year ended 31 December 2016.

Included within other expenses in the statement of profit or loss and other comprehensive income are acquisition-related costs totalling $3,449,498. The transaction costs include stamp duty, advisory, legal, accounting and other professional fees.

(ii) The accounting for the business combination was incomplete at 31 December 2016 and the amounts reported are provisional.

3. PROFIT FOR THE PERIOD

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

	31 Dec 2016	**31 Dec 2015**
	$	**$**
Gain on fair value adjustment of available-for-sale financial assets (i)	8,607,368	-
Gulf acquisition expenses	(3,449,498)	-

(i) The gain on fair value adjustment of available-for-sale financial assets resulted from recognising Metro Mining's 39% interest in Gulf Alumina Limited (Gulf) at its fair value just prior to acquiring a controlling interest in Gulf on 20 December 2016. Metro Mining acquired a controlling interest in Gulf by acquiring a further 57.3% interest on 20 December 2016. Fair value was determined by reference to the price at which Metro Mining acquired the further 57.3% interest in Gulf.

4. DIVIDENDS

No dividends were declared or paid during the interim period.

5. SEGMENT REPORTING

Identification of reportable operating segments

The Group 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 Group 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 period relates solely to business development and is insignificant in comparison to the activity of the Group as a whole. On 8 December 2016, the Company announced that the Group's interest in the Mahar San exploration project in Myanmar had been farmed out to PanAust Limited. Accordingly, management currently identifies the Group as having only one reportable segment, being exploration for coal and bauxite. All significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

The Group does not have any products or services that it derives revenue from.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 Dec 2016	30 Jun 2016
	$	$
Shares in Gulf Alumina Limited	-	3,975,733

Metro has increased its stake in Gulf Alumina Limited in the current half-year to 99.92%. Refer to Note 2 Business Combination.

In the prior period, unlisted equity securities comprised of Metro Mining's 21.8% interest in Gulf Alumina Limited (Gulf) recognised at cost. Gulf is an unlisted public company. Gulf's shares did not have a quoted price in an active market and therefore they had been valued at cost.

7. OTHER CURRENT ASSETS

	31 Dec 2016	30 Jun 2016
	$	$
Deferred borrowing costs (i)	1,615,975	-
Amortisation of deferred borrowing costs	(203,447)	-
Other assets	124,872	6,161
Total other current assets	1,537,400	6,161

(i) Refer Note 8a) and 8b) for details on borrowing cost.

8. CURRENT BORROWINGS

	Note	31 Dec 2016	30 Jun 2016
		$	$
Short term loan facility	(a)	8,500,000	-
Bridging finance facility	(b)	40,000,000	-
Accrued Interest		375,151	-
Total current borrowings		48,875,151	-

(a) On 19 September 2016, the Company entered into an agreement with Bafflebox Mining Trust for the provision of a $8,500,000 short term unsecured loan facility. The principal and accrued interest are repayable in full on 19 March 2017. The loan attracts interest at 8% for the first 3 months after the initial drawdown, rising to 10% thereafter.

The loan was provided to fund the acquisition of shares in Gulf Alumina Limited and for working capital purposes. The costs incurred to negotiate the loan have been deferred and are amortised over the life of the loan (refer Note 7). The costs are being amortised on a straight-line basis over an estimated life of 6 months.

8. CURRENT BORROWINGS (continued)

Under the terms of the loan agreement, Bafflebox Mining Trust may participate in any equity raising undertaken by the Company prior to the loan repayment date by electing to convert the whole, or part of, the Loan amount payable to shares in the Company.

9. On 25 October 2016, the Company entered into an agreement with Greenstone Metro Holdings LP (Greenstone) for the provision of a $40,000,000 Bridging Loan Facility (the Facility). Under the terms of the agreement, Greenstone committed to providing bridging finance to fund:

- The consideration payable to shareholders or option holders of Gulf Alumina Limited (Gulf) who accepted the Company's offer to acquire shares and options in Gulf;
- The repayment of a $2.47M loan from Moly Mining Limited to Gulf; and
- Other uses approved by Greenstone.

The Facility was provided on an unsecured basis for a term of 4 months from the date of the initial drawdown. The Facility attracts interest at the rate of 10% for the first 3 months after the initial drawdown, rising to 12% thereafter. The Facility was drawn down in full on 16 December 2016.

The Facility was negotiated on an arm's length basis and contains terms that are standard for these types of agreements including representations and warranties, undertakings, events of default and fees, costs and expenses, including commercially negotiated arrangement fees. Costs incurred to negotiate the Facility have been deferred and are amortised over the life of the loan (refer Note 7). The costs are being amortised on a straight-line basis over an estimated life of between 3 and 6 months.

Under the terms of the Facility, Greenstone may participate in any equity raising undertaken by the Company prior to the loan repayment date (15 April 2017) by electing to convert part of the outstanding Facility balance to shares in the Company. In the event that Greenstone elects to participate in a future equity raising, unless otherwise agreed by the Company and Greenstone, Greenstone's capacity to convert outstanding debt to equity is capped at 30% of the issued share capital in the Company.

If the future equity raising is an Approved Equity Refinancing, as agreed between the Group and Greenstone, the equity issued to Greenstone through an Approved Equity Refinancing (capped at 30% of the share capital of the Company), will be used to repay the Facility, and any remaining debt will roll-over and become due and payable 350 days after the date of initial draw down (30 November 2017).

9. CONTRIBUTED EQUITY

	Consolidated	
	31 Dec 2016	**31 Dec 2016**
	Shares	**$**
Ordinary shares - fully paid	558,554,733	68,750,541
Ordinary shares		
Balance at beginning of period	420,571,896	56,105,993
Shares issued during the year:		
• 25 July 2016 Shares issued as consideration for Gulf Takeover (*)	891,132	-
• 28 July 2016 Shares issued to Greenstone LP Tranche 1	94,800,000	8,058,000
• 19 Sept 2016 Shares issued to Greenstone LP Tranche 2	10,450,000	888,250
• 18 Nov 2016 Shares issued to contractor	477,749	59,002
• 30 Nov 2016 Exercise of employee options	1,750,000	101,500
• 14 Dec 2016 Exercise of employee options	1,000,000	58,000
• 20 Dec 2016 Shares issued as consideration for Gulf Takeover	22,916,700	3,437,505
• 21 Dec 2016 Shares issued as consideration for Gulf Takeover	3,146,756	472,013
• 22 Dec 2016 Shares issued as consideration for Gulf Takeover	500	75
• 28 Dec 2016 Shares issued as consideration for Gulf Takeover	50,000	7,500
• 28 Dec 2016 Exercise of employee options	2,500,000	145,000
Transaction costs recognised during the year	-	(582,297)
Balance at end of the period	558,554,733	68,750,541

(*) The cost of these shares was accrued in share capital cost at 30 Jun 2016.

10. SHARE OPTIONS

Options exercised during the half-year is as follows:

Exercise dates		**Number**
30 Nov 2016, 14 December 2016, 28 December 2016	(i)	5,250,000

(i) Employees exercised 5.8cent options and a total of $304,500 was received by the Group for the issue of 5,250,000 shares.

A summary of the movements of all options issued is as follows:

Grant date	**Expiry date**	**Exercise price**	**Balance at the start of the year**	**Granted**	**Exercised**	**Expired/ forfeited/ other**	**Balance at the end of the year**
2016							
12/01/15	11/01/17	$0.06	10,750,000	-	5,250,000	-	5,500,000
15/12/15 (*)	14/12/17	$0.15	2,500,000	-	-	-	2,500,000
05/05/16	05/05/18	$0.04	1,047,493	-	-	-	1,047,493
Total 2016 options			**14,297,493**		**5,250,000**	**-**	**9,047,493**

(*) Options are not exercisable until Bauxite Hills Mining Lease grant date

The weighted average remaining contractual life of options outstanding at the end of the half-year was 0.3 years (2015: 0.8 years). 6,547,493 options were exercisable at the end of the half-year.

11. CONTINGENT LIABILITIES

i) Royalty Payments – Royalty Stream Investments Pty Ltd

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

The third tranche of $1M was to be advanced once Gulf had secured key environmental and regulatory approvals for the its mining tenements from the relevant government departments. As these approvals were not received by the agreement expiry date of 30 June 2016, the third tranche is no longer applicable.

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

Under this royalty agreement, RSI holds a mortgage over the tenements of Gulf, which would be exercisable if the obligations under the royalty agreement were not satisfied by the Group. In the event further encumbrances were required over Gulf's tenements, RSI's security would become a second priority mortgage ranking below any Permitted Securities, which includes, amongst other things, any encumbrance required to be given by Gulf to any financier for the purpose of securing financing (or any subsequent re-financing) for the Project as contemplated by the royalty agreement.

Other than the contingent liabilities noted above, there is no other changes to those disclosures made in the 30 June 2016 financial report.

12. CONTINGENT ASSETS

Royalty Income – Hey Point Bauxite Project

As part of the sale agreement of its Hey Point bauxite tenement on Western Cape York, the Group is entitled to receive royalties of 3% to 4% of future gross sales proceeds on all bauxite sold from the project. The Group has an option to re-purchase the Hey Point tenements for $1 if the minimum production of 100,000 tonnes is not achieved by 17 June 2016 and in each of the three years following this date.

For the half-year ended 31 December 2016, 64,000 tonnes of bauxite had shipped from the Hey Point bauxite project and royalty income was accrued in the half-year.

Other than the contingent asset noted above, there is no other changes to those disclosures made in the 30 June 2016 financial report.

13. SUBSEQUENT EVENTS

The following events subsequent to the balance date have occurred:

iii) *Exercise of KMP options*

On 4 January 2017 a total of 5,500,000 5.8cent share options were exercised by key management personnel. The Group received a total of $319,000 as consideration for the shares issued.

iv) *Issue of Shares*

On 4 January 2017, 50,000 shares were issued to accepting Gulf shareholders as part of their consideration for Gulf Alumina Shares. For further details refer to Note 2 Business Combination.

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

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

v) *Issue of Options*

On 20 January 2017, the Group issued 4,000,000 8 cent options to a corporate finance advisor as a success fee following the acquisition of Gulf Alumina Limited (refer Note 2 Business Combination).

vi) *Compulsory acquisition of remaining Gulf Shares*

The Group completed the compulsory acquisition of the remaining 75,000 shares in Gulf Alumina Limited on 3 February 2017, transferring in trust the $46,500 consideration payable.

Other than the matters disclosed above, no matter or circumstance has arisen since 31 December 2016 that has significantly affected or may significantly affect the operations, results or state of affairs of the consolidated entity in the following or future years.

Metro Mining Limited
Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 1 to 18 are in accordance with the *Corporations Act 2001*, including:

    a) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations*; and

    b) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Stephen Everett
Chairman

Date: 14 February 2017

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Metro Mining Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Metro Mining Limited , which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Metro Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

BDO Audit Pty Ltd

BDO

Anthony Whyte
Director

Brisbane, 14 February 2017