Metro Mining Limited
and controlled entities

(formerly MetroCoal Limited)

ABN 45 117 763 443

Financial Statements for the Year Ended 30 June 2016

Metro Mining Limited
Corporate directory
30 June 2016

Directors	Mr Stephen Everett – Independent Chairman Mr Philip Hennessy - Independent Non-Executive Director Mr George Lloyd - Independent Non-Executive Director Mr Lindsay Ward – Independent Non-Executive Director Mr Dongping Wang – Non-Executive Director Mr Jijun Liu – Non-Executive Director Mr Mark Sawyer – Non-Executive Director (appointed 28 July 2016) Mr Xiaoming Yuan - Alternate Director for Dongping Wang Mr Ken Xiao - Alternate Director for Jijun Liu
Company secretary	Mr S Waddell
Assistant company secretary	Ms A Treble
Notice of annual general meeting	The annual general meeting of Metro Mining Limited will be held at: Level 2, 200 Mary Street Brisbane, QLD 4000 Date: 22 November 2016 Time: 11 am.
Registered office	Level 8, 300 Adelaide Street Brisbane, Queensland 4000 T +61 7 3009 8000 F +61 7 3221 4811
Principal place of business	Level 8, 300 Adelaide Street Brisbane, Queensland 4000
Share register	Link Market Services Limited Level 15, 324 Queen Street Brisbane QLD 4000
Auditor	BDO Audit Pty Ltd Level 10, 12 Creek Street Brisbane QLD 4000
Stock exchange listing	Metro Mining Limited shares are listed on the Australian Securities Exchange (ASX code: MMI)
Website address	www.metromining.com.au

The directors present their report on the consolidated entity (referred to herein as the 'consolidated entity' or the 'Group') consisting of Metro Mining Limited (the 'Company' or 'parent entity') and its controlled entities for the financial year ended 30 June 2016:

Directors

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

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

Review of operations

During the financial year, the Group progressed the development of the Bauxite Hills Project on western Cape York Peninsula, maintained its coal tenements and continued investigation into new opportunities for the Group in South East Asia, specifically in Myanmar.

Bauxite Hills Project

The Bauxite Hills project (the 'Project') continued to be the primary focus for the Group's activities in the current financial year. A number of significant milestones in the development of the Project were achieved:

- The Group achieved a key milestone for the granting of the Project mining leases with the execution of a Native Title and Land Access Agreement with the Ankamuthi People, the traditional owners, and the Old Mapoon Aboriginal Corporation ('OMAC'), the trustee owner of the Project land. The agreement provides for the cultural and heritage management of the Project area, the provision of employment and training opportunities for traditional owners, business development and contracting opportunities for Ankamuthi businesses and the payment of mining benefits to both the Ankamuthi people and OMAC for the life of the Project. The mining benefits are based on a percentage of the free-on-board price received per tonne of bauxite and will be used to fund long term programs for the benefit of the recipients.
- On 11 July 2016, the Company announced that Greenstone Resources II L.P. ('Greenstone'), a specialist mining and metals private equity fund based in Guernsey, Channel Islands, agreed to make an initial $8.9 million investment in the Company (the 'Initial Investment') to be used by the Group to advance the development of the Project and for working capital. The agreement with Greenstone also provides the potential for a further equity investment by Greenstone of up to $US20 million to be used by the Group for construction of the Project.

  The Initial Investment was priced at $0.085 per share, a 27% premium to the closing share price prior to the announcement. It comprises two tranches. The first tranche of 94,800,000 new ordinary shares settled on 28 July 2016 for gross proceeds of $8.058 million. The second tranche of 10,200,000 new ordinary shares requires the approval of shareholders. On settlement of the Initial Investment, Greenstone will hold 19.94% of the issued share capital of the Company.
- In April 2016, the Group submitted an Environmental Impact Statement ('EIS') for the Project to the Queensland Government Department of Environment and Heritage Protection. The EIS addresses both State and Commonwealth requirements with respect to the potential environmental, social and economic impacts of the Project. The lodgement of the EIS marks the commencement of the Queensland Government's assessment phase for the Project under the bilateral agreement with the Commonwealth Department of Environment.
- The Group entered into an agreement with a transhipment contractor for the provision of transhipment services relating to the Project. The contractor will provide all tugs and barges required for barging bauxite ore up the Skardon River and loading bulk carriers in the Gulf of Carpentaria, allowing the Group to minimise capital expenditure in this area. The utilisation of a proven and experienced transhipment contractor delivers a low cost and low risk solution that negates the need for dredging or bed levelling of the Skardon River.

Review of operations (continued)

In addition to these key areas of achievement, the Group has continued to make progress towards:

- The finalisation of a 4Mtpa Definitive Feasibility Study for an expanded production facility; and
- The finalisation of an offtake agreement with Xinfa, one of the largest integrated aluminium companies in China and a shareholder in the Company.

In December 2015, the Company announced a takeover offer to acquire all of the issued capital of Gulf Alumina Limited ('Gulf'), an unlisted public company that holds bauxite tenements adjacent to the Project. On closure of the takeover bid on 16 June 2016, the Company had secured a 21.8% strategic stake in Gulf. Although significantly less than the uptake envisaged at the time the transaction was announced, the Company is now Gulf's largest shareholder and is in a good position to negotiate future collaboration between the two companies and to secure potential synergies between the two projects.

Other Bauxite Interests

During the year the Group received the final cash instalment of $825,000 for the sale of the Hey Point bauxite tenements to Green Coast Resources Pty Ltd ('GRC'), taking the total consideration for the transaction to $1,575,000. The original agreement for the sale of the Hey Point Tenements was signed in June 2013 by Cape Alumina Limited, a wholly-owned subsidiary of the Company and the sale terms were modified in 2015.

Under the terms of the sale agreement with GRC, the Group is entitled to royalties of 3 – 4% of gross proceeds from all bauxite sold from the Hey Point tenements. No royalty income was received in the current financial year; however, GCR has confirmed that it produced just over 100,000 tonnes of bauxite up to 30 June 2016.

Coal

The continuing depressed price for coal has resulted in the Group focussing its attention on the development of the Bauxite Hills project. The Bundi coal tenements were partially impaired in a prior financial year due to project development delays and the effect of coal prices. The board has again reviewed the fair value of these tenements by reference to current, relevant, market data and the enterprise value of similar resources. Based on this review, the board believes that the Bundi project has a fair value of $5 million and, accordingly, a $4,503,540 impairment of this asset has been recorded. The Norwood and Dalby West coal tenements were sold during the year for a total of $50,000.

Other than the expenditure required to maintain the Bundi coal tenements, the Group incurred no expenditure on its coal interests during the financial year. It is unlikely that a further significant investment in the Group's coal interests will be made until such time as the market for coal improves.

Myanmar

During the financial year, the Group incorporated wholly-owned subsidiaries in Singapore and Myanmar through which to pursue new opportunities in South East Asia. The Group's interests in the current financial year have been specifically focussed on prospective projects in Myanmar.

The Group engaged an Australian led, Myanmar based, geological consulting company to conduct reviews of potential opportunities in Myanmar. This process led to the identification of the Mahar San copper project as a prospective project for the Group.

The Mahar San project is located in the Sagaing region of northern Myanmar, approximately 220 kilometres north-west of Mandalay. It lies within the Mesozoic to Tertiary Central Volcanic Magmatic Arc that is prospective for various styles of copper, gold and base metal mineralisation.

The project consists of four concessions: three 'small mining' concessions for copper of 16 to 20 hectares each and an enveloping, larger copper exploration concession covering 7.5 square kilometres. Small scale mining of gold and copper mineralisation has been intermittently undertaken from three small open pits since 2010. Gold mining ceased in 2013 and the mining of deeper copper sulphide mineralisation was commenced with a small amount of copper metal produced from small leach pads.

The Group believes that the application of modern exploration techniques to better assess the area for gold, copper and other base metal mineralisation provides an attractive opportunity for the Group. To this end, Metro Resources and Exploration Co. Ltd, the Group's wholly-owned Myanmar based subsidiary, entered into a Joint Venture Agreement ('JVA') with Mahar San Company covering the exploration and mining of the Mahar San project.

Review of operations (continued)

Under the terms of the JVA, the joint venturers will establish a joint venture company to which the Group will contribute US$50,000 for an 80% interest and Mahar San Company will contribute its tenements. The Group will also review funding options to enable the joint venture company to undertake drilling, resource definition, feasibility studies and other evaluations of the project area. With the introduction of funding participants, the Group believes that the Mahar San project can be progressed without distracting management attention or diverting funds from the development of the Bauxite Hills project which is the Group's primary objective.

Review of financial condition

The loss for the Group after providing for income tax was $6,833,798 (30 June 2015: $2,773,292) including impairment of $4,503,540 (30 June 2015: $nil) in relation to the Group's exploration and evaluation expenditures.

As at 30 June 2016, the Group had cash and cash equivalents and term deposits of $2.68 million (2015: $3.1 million), total current liabilities of approximately $1.2 million (2015: $0.8 million) and net assets of $16.4 million (2015: $14.6 million).

The Group used $3.8 million (2015: $2.49 million) in its exploration activities during the year. In addition, a research and development tax offset of $0.6 million was received during the year (2015: $0.5 million). The tax offset was subsequently amended to $0.4 million and, as a result, the Group will refund $0.2 million of the tax offset received.

Subsequent to financial year end, the Group entered into a strategic financing agreement with Greenstone Resources II LP ('Greenstone') which will provide the Group with access to approximately $8.9 million in initial funding to advance the Bauxite Hills project. Subject to the satisfaction of certain conditions, the agreement with Greenstone provides the Group with the potential for additional funding of up to US$20 million to be used in developing the Bauxite Hills project and for working capital. Refer to discussion of matters subsequent to financial year end and to note 29 for further information on this agreement.

Significant changes in the state of affairs

During the financial year, the Group incorporated new wholly owned subsidiaries in Singapore and Myanmar. It is the Group's intention to assess further exploration and development opportunities in Myanmar through these entities.

Matters subsequent to the end of the financial year

Agreement for Strategic Financing of the Bauxite Hills Project

On 12 July 2016, the Company announced that it had executed binding documentation ('Agreements') with Greenstone Resources II LP ('Greenstone') whereby Greenstone will take up 105 million ordinary shares in the Company, representing a 19.94% interest. Subject to the satisfaction of certain conditions, the Agreements also provide the Company with potential ongoing strategic and financial support for the development of the Bauxite Hills Project (the 'Project'). The initial placement of 105 million shares at 8.5 cents per share (the 'Placement') will raise A$8.958 million in funding for construction of the Project. Greenstone is a specialist mining and metals private equity fund based in Guernsey, Channel Islands.

The Placement will be undertaken in two tranches:

- 94,800,000 shares issued to raise a total of A$8.058million (the 'First Tranche'); and
- 10,200,000 shares issued to raise a total of A$0.9 million (the 'Second Tranche').

The First Tranche, which does not require shareholder approval based on the Company's available placement capacity, was settled was on 28 July 2016.

The Second Tranche is subject to shareholder approval. An extraordinary meeting of shareholders will be held on 30 August 2016 to ratify the issue of the Second Tranche.

The Agreements further provide that, subject to a satisfactory construction decision in respect of the Project and agreement on structure and terms, Greenstone is willing to make an additional equity investment of up to US$20 million in the Company to be utilised in construction of the Project and for working capital.

Matters subsequent to the end of the financial year (continued)

The Agreements contain anti-dilution provisions to enable Greenstone to maintain its equity interest in the Company on issue of further shares. The Agreements also provide Greenstone with customer nomination rights whereby the Group has agreed to grant Greenstone the right to nominate customers to purchase bauxite production, pro-rata to Greenstone's shareholding in the Company, on an arm's length basis and on no less favourable terms than could be achieved elsewhere. The customer nomination rights are only exercisable after the Project has been in production for four years. Both the anti-dilution and, subject to certain exceptions, the customer nomination rights, are contingent upon Greenstone retaining at least a 10% interest in the Company.

Issue of Ordinary Shares

On 25 July 2016, the Company issued 891,132 new fully paid ordinary shares to shareholders of Gulf Alumina Limited who had accepted the terms of the off-market takeover bid by the Company for shares in Gulf Alumina Limited (the 'Takeover Bid'). Under the terms of the Takeover Bid, shareholders in Gulf Alumina Limited were offered 3.3 fully paid ordinary shares in the Company for every one ordinary share held in Gulf Alumina Limited.

Appointment of Director

On 28 July 2016, Mr Mark Sawyer was appointed to the board of directors of the Company as the representative of Greenstone. Refer to Information on Directors at page 10 for a summary of Mr Sawyer's qualifications and experience.

Further developments, prospects and business strategies

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

Environmental regulation

The Group is subject to environmental regulations under the laws of Queensland where it holds mining tenements. The directors have put in place strategies and procedures to ensure that the Group manages its compliance with environmental regulations. The directors are not aware of any breaches of any applicable environmental regulations.

Dividends paid or recommended

There were no dividends paid or returns of capital by the Company during the financial year ended 30 June 2016. The directors do not recommend the payment of a dividend and no amount has been declared or paid by way of a dividend since 30 June 2016 and to the date of this report.

Additional information

The earnings of the Group for the five years to 30 June 2016 are summarised below:

	2016	2015	2014	2013	2012
	$	$	$	$	$
Income	1,015,000	473,518	712,711	1,052,206	1,058,264
Net loss after tax	(6,833,798)	(2,773,292)	(15,694,963)	(735,086)	(10,854,933)

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

	2016	2015	2014	2013	2012
	$	$	$	$	$
Share price at financial year end (A$)	0.07	0.06	0.03	0.05	0.23
Basic loss per share (cents per share)	(1.83)	(1.07)	(7.45)	(0.35)	(5.53)

Shares under option

At the date of this report, the unissued ordinary shares of the Company under option are as follows:

Grant date	Expiry date	Exercise price	Number of options
12/01/2015	11/01/2017	$0.06	10,750,000
15/12/2015	14/12/2017	$0.15	2,500,000
05/05/2016	05/05/2018	$0.04	1,047,493
Total number of shares under option			14,297,493

Option holders 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 granted over unissued shares or interests in any controlled entity within the Group since the end of the reporting period.

No shares in the Company were issued on the exercise of options during the year ended 30 June 2016.

For details of options issued to directors and executives as remuneration, refer to the Remuneration Report.

Indemnity and insurance of officers

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

Indemnity and insurance of auditor

Other than the standard indemnities, the Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 20 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor, or by another person or firm on the auditor's behalf, is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in note 20 to the financial statements do not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21 of the financial report.

Information on directors

Name:	**Stephen Everett**
Title:	Independent non-executive chairman
Qualifications:	Bachelor of Engineering (Chem Eng. Honours), MAICD
Experience and expertise:	Mr Everett has forty years management and board experience in the resources and construction industries and has held chairman and non-executive director positions on government development boards and private, ASX listed and TSX listed companies. Mr Everett has also held senior executive positions included managing director and chief executive officer of private and publicly listed companies.
Other current directorships:	None.
Former directorships (in the last 3 years):	• Chairman of Agrimin Limited (formerly Global Resources Corporation Limited) Appointed April 2009, Resigned April 2016; • Chairman of IronRidge Resources Limited. Appointed May 2011. Resigned October 2012; and • Chairman of Cape Alumina Limited. Appointed May 2014, Resigned February 2015.
Special responsibilities:	Member of the Audit, Risk and Remuneration Committee.
Interests in shares:	2,794,052 ordinary shares.
Interests in options:	500,000 options.

Name:	**Philip Hennessy**
Title:	Independent non-executive director
Qualifications:	Bachelor of Business
Experience and expertise:	Mr Hennessy has over 30 years corporate experience, is a Chartered Accountant and holds a Bachelor of Business degree. Mr Hennessy has been involved with all aspects of corporate financing and company reconstruction across a variety of industries including construction, manufacturing, mining, professional services, agriculture and financial services. Mr Hennessy was chairman of KPMG Qld for 13 years prior to retiring in 2013. Mr Hennessy's knowledge and experience assists the Company in driving good governance, its financial responsibilities, cohesive and effective collaboration, effective processes and communications with shareholders and stakeholders.
Other current directorships:	• Blue Sky Alternatives Access Fund Limited. Appointed 15 April 2014; and • Collection House Limited. Appointed 28 August 2013.
Former directorships (in the last 3 years):	None.
Special responsibilities:	Chairman of the Audit, Risk and Remuneration Committee.
Interests in shares:	1,785,715 ordinary shares.
Interests in options:	500,000 options.

Information on directors (continued)

Name:	**George Lloyd**
Title:	Independent non-executive director
Qualifications:	Bachelor of Engineering Science (Industrial Engineering), Master of Business Administration
Experience and expertise:	Mr Lloyd has over 30 years resource industry experience including senior executive and board member roles of listed and unlisted companies with interests in minerals, energy, industry services and corporate finance. Mr Lloyd holds a Bachelor of Engineering Science (Industrial Engineering) and a Master of Business Administration, both from the University of NSW. He is also a graduate of the Stanford Executive Program. Mr Lloyd is a Fellow of the Australian Institute of Company Directors (AICD) and a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM).
Other current directorships:	• Ausenco Limited. Appointed 13 May 2005
Former directorships (in the last 3 years):	• Cape Alumina Limited. Resigned December 2014 • Pryme Energy Limited. Resigned December 2015
Special responsibilities:	None.
Interests in shares:	867,442 ordinary shares.
Interests in options:	500,000 options.

Name:	**Lindsay Ward**
Title:	Independent non-executive director
Qualifications:	Graduate Diploma of Business Management, Bachelor of Applied Science (Geology), Diploma of Mining, GAICD
Experience and expertise:	Mr Ward is an experienced senior executive having worked for over 30 years in a broad range of industries including mining, exploration, ports, mineral processing, rail haulage, electricity generation, gas transmission, alternative waste treatment, transport and logistics at general manager, chief executive officer, managing director, non-executive director and chairman level. Mr Ward is currently chief executive officer of Palisade Asset Management with responsibility for a range of infrastructure assets including gas transmission pipelines, wind farms, rural livestock exchanges, alternative waste treatment plants and a power station. Prior to this, Mr Ward was managing director of Dart Mining NL (ASX:DTM), a Victorian based exploration and development company. Mr Ward holds a Bachelor of Applied Science (Geology) Honours and the Institute Medal, a Graduate Diploma of Business Management and a Diploma of Mining. Mr Ward is a Graduate Member of the Australian Institute of Company Directors (GAICD).
Other current directorships:	None.
Former directorships (in the last 3 years):	• Dart Mining NL. Appointed May 2011. Resigned December 2013; and • Cape Alumina Limited. Appointed May 2014. Resigned February 2015.
Special responsibilities:	Member of Audit, Risk and Remuneration Committee.
Interests in shares:	553,572 ordinary shares.
Interests in options:	500,000 options.

Information on directors (continued)

Name:	**Dongping Wang**
Title:	Non-executive director
Qualifications:	Bachelor of Coal Preparation
Experience and expertise:	Mr Wang graduated from the China University of Mining and Technology (CMUT) in 1981 with a bachelor degree in coal processing technology. For many years Mr Wang was process plant manager, and later director of operations, at Pingshuo Antaibao coal mine; a World Bank funded USA – China joint venture project. Mr Wang then became general manager of Long-Airdox (Tianjin) where from 1997 he was instrumental in introducing modern coal process technology from Australia to China. Mr Wang became general manager of Schenck (Tianjin) and worked there from 2001 until 2007. Mr Wang then helped establish the Dadi Engineering Development Group, now China's largest engineering group in the coal industry. Mr Wang has worked at the highest level within the Chinese coal industry for over 30 years and is a highly renowned coal processing expert, and a prominent figure in the Chinese coal industry. Mr Wang brings extensive management experience and an intimate knowledge of modern coal process technology to the Company. Mr Wang is chairman of the Dadi Engineering Development Group which, together with associated entities, holds 62,263,295 ordinary shares in the Company.
Other current directorships:	None.
Former directorships (in the last 3 years):	None.
Special responsibilities:	None.
Interests in shares:	None other than as noted above.
Interests in options:	500,000 options.

Name:	**Jijun Liu**
Title:	Non-executive director
Qualifications:	-
Experience and expertise:	Mr Liu is the managing director of the China Xinfa Group Corporation Limited which controls one of the largest alumina-aluminium enterprises in China. Mr Liu is also a member of various government committees. He studied thermal power plant engineering at Shandong Power Junior College. Mr Liu is an employee of China Xinfa Group Corporation Limited which, together with associated entities, holds 22,571,507 ordinary shares in the Company.
Other current directorships:	None.
Former directorships (in the last 3 years):	• Cape Alumina Limited. Resigned January 2015.
Special responsibilities:	None.
Interests in shares:	None other than as noted above.
Interests in options:	None.

Information on directors (continued)

Name:	**Mark Sawyer**
Title:	Non-executive director
Qualifications:	LLB (Hons)
Experience and expertise:	Mr Sawyer co-founded Greenstone in 2013 after a 16 year career in the mining sector. Prior to establishing Greenstone, 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 94,800,000 ordinary shares in the Company as at the date of this report.
Other current directorships:	• North River Resources Plc; and • Heron Resources Ltd.
Former directorships (in the last 3 years):	None.
Special responsibilities:	Member of the Audit, Risk and Remuneration Committee.
Interests in shares:	None other than as noted above.
Interests in options:	None.

Name:	**Xiaoming Yuan**
Title:	Alternate director for Mr Dongping Wang
Qualifications:	Bachelor of Mining Engineering
Experience and expertise:	Mr Yuan is managing director of Dadi Australia and chairman of Aury Australia. As the representative of the Dadi Engineering Development Group Mr Xiaoming delivers support and assistance to the board and Company from the major shareholder. Mr Yuan is a graduate of mining engineering from China University of Mining and Technology (CUMT) with over 20 years experience in the roles of mining engineer, business development, project management and corporate management for mining, construction and equipment manufacturing companies both in China and internationally.
Other current directorships:	None.
Former directorships (in the last 3 years):	None.
Special responsibilities:	None.
Interests in shares:	None.
Interests in options:	None.

Information on directors (continued)

Name:	**Ken Xiao**
Title:	Alternate director for Mr Jijun Liu
Qualifications:	Bachelor of Science, Bachelor of Engineering, Master of Information Technology
Experience and expertise:	Mr Xiao holds a Bachelor of Science majoring in computing and a Bachelor of Engineering in computing from the University of Newcastle. He is also holds a Master of Information Technology from Queensland University of Technology. Mr Xiao is a consultant to China Xinfa Group Corporation Limited which, together with associated entities, holds 22,571,507 ordinary shares in the Company.
Other current directorships:	None.
Former directorships (in the last 3 years):	• Cape Alumina Limited, Alternate Director. Resigned January 2015.
Special responsibilities:	None.
Interests in shares:	51,491 ordinary shares.
Interests in options:	None.

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

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

Company Secretary

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

Mr Waddell's resources experience was gained over nine years with Anglo Coal and eight years with Rio Tinto Alcan (RTA) in a wide variety of senior roles across multiple sites. Mr Waddell has a deep understanding of the global bauxite, alumina and resources sectors. Prior to joining Metro Mining Limited, Mr Waddell was Head of Finance for the Monash Energy project in Victoria's La Trobe Valley.

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

Meetings of directors

The number of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2016, and the number of meetings attended by each director were:

	Full Board		Audit, Risk and Remuneration Committee	
	Attended	**Held**	**Attended**	**Held**
Mr S Everett	21	21	4	4
Mr P Hennessy	20	21	4	4
Mr G Lloyd	19	21	-	-
Mr L Ward	20	21	4	4
Mr D Wang	-	21	-	-
Mr J Liu	-	21	-	-
Mr X Yuan (alternate for Mr D Wang)	19	21	-	-
Mr K Xiao (alternate for Mr J Liu)	18	21	-	-

'Held' represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report

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

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Cash bonuses and share-based payments
E Options granted as remuneration
F Key management personnel shareholdings
G Other transactions with key management personnel

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

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

The remuneration structure for key management personnel, excluding non-executive directors, is set by the board of directors (the 'board') and is based on a number of factors including market remuneration for comparable companies, particular experience of the individual concerned and overall performance of the Company. The contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. The consolidated entity retains the right to terminate contracts immediately by making payment as allowed under the termination provisions provided in the individual's contact of employment. Upon retirement or termination key management personnel, excluding non-executive directors, are paid employee benefits accrued to date of retirement or termination. Other than as outlined in Section C, no other termination benefits are payable under service contracts. Any options issued which are not exercised on or before the date of termination lapse three (3) months after termination.

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

- competitiveness and reasonableness;
- acceptability to shareholders; and
- transparency.

The board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity and Company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- 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.

Remuneration report (continued)

A. Principles used to determine the nature and amount of remuneration (continued)

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

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the board. The board has also agreed where necessary to seek the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market.

ASX listing rules require that the aggregate non-executive directors' remuneration shall be determined periodically by a general meeting. The most recent determination was at the annual general meeting held on 18 November 2010, where the shareholders approved an aggregate remuneration of $350,000.

Executive remuneration

The consolidated entity and Company aim to reward executives with a level and mix of remuneration based on their position and responsibility, and which is both fixed and variable.

The executive remuneration and reward framework has four components:

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

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

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually by the board, based on individual and business unit performance, the overall performance of the consolidated entity 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 consolidated entity and adds additional value to the executive. As the consolidated entity is in exploration and not production phase, there is no direct relationship between the Company's financial performance and the level of remuneration paid to key management personnel.

Short-term incentives ('STI') include cash bonuses. Long-term incentives ('LTI') include long service leave and share-based payments. The Company has established the Metro Mining Employee Share Option Plan ('ESOP') to enable the issue of shares or options in the Company to employees of the Company to assist in the retention and motivation of employees. Under the ESOP, the Company may offer shares or options over unissued shares in the Company. Shares are awarded to executives generally over a period of three years based on long-term incentive measures. These LTI's include specific goals that have been given a high level of importance in relation to the future growth of the group. Performance conditions generally include progressing the Company's projects toward production, and funding the Company by disposals of non-core assets, either by sale or otherwise, on satisfactory terms.

Consolidated entity performance and link to remuneration

The link between remuneration, Company performance and shareholder wealth generation is tenuous, particularly in the exploration and development stage of a minerals company. Share prices are subject to the influence of international metal and coal prices and market sentiment towards the sector, and increases or decreases may occur independently of executive performance or remuneration. The Company may issue options to provide an incentive for key management personnel which, it is believed, is in line with industry standards and practice. It is also believed to align the interests of key management personnel with those of the Company's shareholders.

Unless otherwise stated, service agreements do not provide for pre-determined compensation values or the manner of payment. Compensation is determined in accordance with the general remuneration policy. The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as determined by the board.

Remuneration report (continued)

A. Principles used to determine the nature and amount of remuneration (continued)

Except in so far as directors and key management personnel hold options over shares in the Company, there is no relationship between remuneration policy and the Company's performance. The majority of bonus and incentive payments are at the discretion of the board.

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

The board reviews the performance conditions to gauge their effectiveness against achievement of the set goals, and adjusts future years' incentives as they see fit, to ensure use of the most cost effective and efficient methods.

The Company has not used a remuneration consultant during the year.

B. Details of remuneration

Amounts of remuneration

Details of the remuneration of directors and other key management personnel (defined as those who have the authority and responsibility for planning, directing and controlling the activities of the consolidated entity) of Metro Mining Limited are set out in the following tables.

The key management personnel ('KMP') of the consolidated entity consists of the directors of Metro Mining Limited and executives for the period of their tenure as outlined below:

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

Remuneration expense details for the year ended 30 June 2016

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

Remuneration report (continued)

B. Details of remuneration (continued)

	Short-term benefits			Post employment benefits	Long-term benefits	Share-based payments	
	Cash salary And fees	Bonus	Non-monetary	Super-annuation	Long serv. leave	Equity-settled	Total
2016	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-Executive Directors:							
Mr S Everett	86,000	-	-	-	-	4,338	90,338
Mr P Hennessy	50,228	-	-	4,772	-	4,338	59,338
Mr G Lloyd	45,000	-	-	-	-	4,338	49,338
Mr L Ward	45,662	-	-	4,338	-	4,338	54,338
Mr D Wang	22,500	-	-	-	-	4,338	26,838
Mr J Liu	45,000	-	-	-	-	-	45,000
Mr X Yuan	22,500	-	-	-	-	-	22,500
Mr K Xiao	-	-	-	-	-	-	-
Other KMP							
Mr S Finnis	275,001	42,145	-	-	-	46,195	363,341
Mr M O'Brien	263,114	-	-	-	-	-	263,114
Mr S Waddell	224,091	-	-	21,289	-	-	245,380
	1,079,096	42,145	-	30,399	-	67,885	1,219,525

	Short-term benefits			Post employment benefits	Long-term benefits	Share-based payments	
	Cash salary And fees	Bonus	Non-monetary	Super-annuation	Long serv. Leave	Equity-settled	Total
2015	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-Executive Directors:							
Mr S Everett	82,800	-	-	-	-	-	82,800
Mr P Hennessy	33,105	-	-	3,145	-	-	36,250
Mr G Lloyd	11,250	-	-	-	-	-	11,250
Mr L Ward	52,339	-	-	4,319	-	-	56,658
Mr D Wang	22,500	-	-	-	-	-	22,500
Mr J Liu	22,500	-	-	-	-	-	22,500
Mr X Yuan	13,125	-	-	-	-	-	13,125
Mr K Xiao	-	-	-	-	-	-	-
Mr A Gillies	6,936	-	-	659	-	-	7,595
Mr J Haley	6,812	-	-	220	-	-	7,032
Mr R Finch	9,426	-	-	878	-	-	10,304
Other KMP							
Mr S Finnis	130,450	-	-	-	-	35,977	166,427
Mr M O'Brien	384,035	-	-	35,000	-	29,981	449,016
Mr S Waddell	254,092	-	-	24,139	-	29,981	308,212
	1,029,370	-	-	68,360	-	95,939	1,193,669

Remuneration report (continued)

B. Details of remuneration (continued)

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

	Fixed remuneration		At risk - STI		At risk - LTI	
	2016	2015	2016	2015	2016	2015
	%	%	%	%	%	%
Non-Executive Directors						
Mr S Everett	95	100	-	-	5	-
Mr P Hennessy	93	100	-	-	7	-
Mr G Lloyd	91	100	-	-	9	-
Mr L Ward	92	100	-	-	8	-
Mr D Wang	84	100	-	-	16	-
Mr J Liu	100	100	-	-	-	-
Mr X Yuan	100	100	-	-	-	-
Mr K Xiao	-	-	-	-	-	-
Mr A Gillies	-	100	-	-	-	-
Mr J Haley	-	100	-	-	-	-
Mr R Finch	-	100	-	-	-	-
Other KMP						
Mr S Finnis	75.7	78	11.6	-	12.7	22
Mr M O'Brien	100	93	-	-	-	7
Mr S Waddell	100	90.3	-	-	-	9.7

Securities received that are not performance related

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

C. Service agreements

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

Name:	Mr Simon Finnis, employed through contract arrangement
Title:	Chief Executive Officer ('CEO')
Agreement commenced:	30 January 2016
Term of agreement:	Until terminated in accordance with the provisions of the agreement.
Details:	The key terms of this agreement are as follows:

(a) The term is ongoing whilst Mr Finnis is CEO.

(b) Annual service fee of $275,004, subject to annual review by the board.

(c) Annual bonus of up to 35% of annual service fee based on agreed key performance indicators:
- Environmental approval for the Bauxite Hills project (30% of bonus);
- Capital raising of an amount greater than $3 million (15% of bonus);
- Offtake agreement for at least 2 million tonnes per annum (15% of bonus);
- Project financing offers sufficient to construct the Bauxite Hills project (25% of bonus); and
- Board reporting for HSE, HR and Statutory Compliance (15% of bonus).

The bonus is paid as 50% cash and 50% as performance rights or options.

(d) The agreement may be terminated at any time by either party giving three (3) months notice. In the event of a change of control of the Company, the contractor may elect to terminate the agreement. In these circumstances, six (6) months of the monthly service fee will become due and payable.

Remuneration report (continued)

C. Service agreements (continued)

Name:	Mr Scott Waddell
Title:	Chief Financial Officer and Company Secretary
Term of agreement:	The agreement can be terminated by either party giving three (3) months notice.
Details:	The key terms of this agreement are as follows:

(a) The term is ongoing whilst Mr Waddell is Chief Financial Officer;

(b) Base remuneration is $245,380 per annum, including superannuation, and is subject to annual review by the board;

(c) Mr Waddell is also entitled to participate in Metro Mining Limited Employee Share Option Scheme, subject to the approval of the board.

Name:	Mr Michael O'Brien, employed through contract arrangement
Title:	Project Director
Agreement commenced:	12 January 2015, extended 12 January 2016
Term of agreement:	The agreement can be terminated by either party giving 14 days notice.
Details	The key terms of this agreement are as follows:

(a) Term 12 months.

(b) The base remuneration is $1,500 per day, based on a 4 day week.

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

D. Cash bonuses and share-based payments

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

Name	Remuneration Type	Grant Date	Grant Value $	Reason Granted	Percentage Vested/Paid %	Percentage Forfeited %	Percentage Remaining Unvested %	Expiry Date	Range for Future Payments
Non-Executive Directors									
Mr S Everett	Options	15/12/15	16,016	(i)	-	-	100	14/12/17	N/A
Mr P Hennessy	Options	15/12/15	16,016	(i)	-	-	100	14/12/17	N/A
Mr G Lloyd	Options	15/12/15	16,016	(i)	-	-	100	14/12/17	N/A
Mr L Ward	Options	15/12/15	16,016	(i)	-	-	100	14/12/17	N/A
Mr D Wang	Options	15/12/15	16,016	(i)	-	-	100	14/12/17	N/A
Other KMP									
Mr S Finnis	Options	05/05/16	46,194	(ii)	96.0	4.0	-	05/05/18	N/A
Mr S Finnis	Cash Bonus	05/05/16	42,145	(ii)	87.6	12.4	-	N/A	N/A

(i) The options have been granted subject to the Company obtaining a mining licence for the Bauxite Hills Project. The options vest in full, and are exercisable, on the date the mining licence is granted. No amounts were paid by the recipients on grant of the options.

(ii) The options and a cash bonus were granted in accordance with the recipient's terms of engagement and on satisfaction of the key performance indicators outlined in the recipient's service contract.

Remuneration report (continued)

E. Options granted as remuneration

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

	Balance at Beginning Of Year Number	Granted Issue Date	Granted Number	Granted Value $	Exercised Number	Exercised Value $	Lapsed (i) Number	Balance at End Of Year Number
Non-Executive Directors								
Mr S Everett	1,000,000	15/12/15	500,000	16,016	-	-	1,000,000	500,000
Mr P Hennessy	-	15/12/15	500,000	16,016	-	-	-	500,000
Mr G Lloyd	-	15/12/15	500,000	16,016	-	-	-	500,000
Mr L Ward	-	15/12/15	500,000	16,016	-	-	-	500,000
Mr D Wang	500,000	15/12/15	500,000	16,016	-	-	500,000	500,000
Mr J Liu	-	-	-	-	-	-	-	-
Mr X Yuan	-	-	-	-	-	-	-	-
Mr K Xiao	-	-	-	-	-	-	-	-
Other KMP								
Mr S Finnis	3,000,000	05/05/16	1,047,493	46,194	-	-	-	4,047,493
Mr M O'Brien	2,500,000	-	-	-	-	-	-	2,500,000
Mr S Waddell	2,500,000	-	-	-	-	-	-	2,500,000
	9,500,000		3,547,493	126,274	-	-	1,500,000	11,547,493

(i) The lapsed options were granted on 20 November 2012.

	Balance at End of Year Number	Vested Exercisable Number	Vested Unexercisable Number	Unvested Total at End of Year Number
Non- Executive Directors				
Mr S Everett	500,000	-	-	500,000
Mr P Hennessy	500,000	-	-	500,000
Mr G Lloyd	500,000	-	-	500,000
Mr L Ward	500,000	-	-	500,000
Mr D Wang	500,000	-	-	500,000
Mr J Liu	-	-	-	-
Mr X Yuan	-	-	-	-
Mr K Xiao	-	-	-	-
Other KMP				
Mr S Finnis	4,047,493	4,047,493	-	-
Mr M O'Brien	2,500,000	2,500,000	-	-
Mr S Waddell	2,500,000	2,500,000	-	-
	11,547,493	9,047,493	-	2,500,000

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

Remuneration report (continued)

E. Options granted as remuneration (continued)

Description of options issued as remuneration

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

Grant Date	Issuer	Entitlement on Exercise	Dates Exercisable	Exercise Price	Value Per Option at Grant Date	Amount Paid / Payable By Recipient
15/12/2015	Metro Mining Limited	1:1 Ordinary Shares in Metro Mining Limited	From vesting date until 14/12/2017	$0.15	$0.032	$0
05/05/2016	Metro Mining Limited	1:1 Ordinary Shares in Metro Mining Limited	From vesting date until 05/05/2018	$0.04	$0.044	$0

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

F. Key management personnel shareholdings

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

	Balance at Beginning Of Year	Granted as Remuneration During the Year	Issued on Exercise of Options	Other Changes During the Year	Balance at End Of Year
Non- Executive Directors					
Mr S Everett	2,444,795	-	-	349,257	2,794,052
Mr P Hennessy	1,562,500	-	-	223,215	1,785,715
Mr G Lloyd	759,011	-	-	108,431	867,442
Mr L Ward	375,000	-	-	178,572	553,572
Mr D Wang	-	-	-	-	-
Mr J Liu	-	-	-	-	-
Mr X Yuan	-	-	-	-	-
Mr K Xiao	45,052	-	-	6,439	51,491
Other KMP					
Mr S Finnis	740,000	-	-	175,715	915,715
Mr M O'Brien	1,064,356	-	-	30,735	1,095,091
Mr S Waddell	276,923	-	-	99,561	376,484
	7,267,637	-	-	1,171,925	8,439,562

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

There were no other transactions conducted between the consolidated entity 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.

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

S Everett
Chairman

30 August 2016
Brisbane

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 year ended 30 June 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

A J Whyte
Director

BDO Audit Pty Ltd

Brisbane: 30 August 2016

Contents

General information

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

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

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

Level 8, 300 Adelaide Street
Brisbane QLD 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 30 August 2016. The directors have the power to amend and reissue the financial report.

Metro Mining Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Other income	4	1,015,000	473,518
Expenses			
Occupancy expenses		(135,486)	(138,763)
Employee benefits expense	5	(1,082,471)	(1,209,406)
Depreciation	10	(27,818)	(45,199)
Impairment of exploration and evaluation assets	12	(4,503,540)	-
Other expenses	5	(2,198,992)	(2,141,478)
Results from operating activities		(6,933,307)	(3,061,328)
Finance income (net)		99,509	288,036
Loss before income tax benefit from continuing operations		(6,833,798)	(2,773,292)
Income tax benefit	6	-	-
Loss after income tax benefit for the year		(6,833,798)	(2,773,292)
Other comprehensive income			
Items that will be reclassified to profit or loss			
Foreign currency translation differences		(3,145)	-
Total comprehensive income for the year, net of tax		(6,836,943)	(2,773,292)
Total comprehensive income for the year attributable to:			
Owners of the Company		(6,836,943)	(2,488,090)
Non-controlling interests		-	(285,202)
Total comprehensive income for the year		(6,836,943)	(2,773,292)
		Cents	**Cents**
Basic loss per share	18	(1.83)	(1.07)
Diluted loss per share	18	(1.83)	(1.07)

The accompanying notes form part of these financial statements.

	Note	Consolidated 2016 $	Consolidated 2015 $
Assets			
Current assets			
Cash and cash equivalents	7	2,684,309	3,116,546
Trade and other receivables	8	361,205	127,570
Other assets		6,161	2,289
Total current assets		3,051,675	3,246,405
Non-current assets			
Available for sale financial assets	9	3,975,733	-
Property, plant and equipment	10	10,344	25,180
Exploration and evaluation assets	12	10,586,825	11,992,694
Other assets		7,560	91,424
Total non-current assets		14,580,462	12,109,298
Total assets		17,632,137	15,355,703
Liabilities			
Current liabilities			
Trade and other payables	13	1,115,388	727,500
Employee benefits	14	85,848	43,128
Total current liabilities		1,201,236	770,628
Total liabilities		1,201,236	770,628
Net assets		16,430,901	14,585,075
Equity			
Contributed equity	15	56,105,993	47,491,109
Reserves	16	3,734,767	3,670,027
Accumulated losses		(43,409,859)	(36,576,061)
Total equity		16,430,901	14,585,075

The accompanying notes form part of these financial statements.

Metro Mining Limited
Consolidated statement of changes in equity
For the year ended 30 June 2016

Consolidated	**Contributed Equity $**	**Foreign Currency Translation Reserve $**	**Options Reserves $**	**Change in Interest of Subsidiary Reserve $**	**Accumulated Losses $**	**Controlling Interest $**	**Non-Controlling Interest $**	**Total Equity $**
Balance at 1 July 2014	45,149,187	-	5,586,507	-	(34,087,971)	16,647,723	581,725	17,229,448
Comprehensive income for the year								
Loss after income tax expense	-	-	-	-	(2,488,090)	(2,488,090)	(285,202)	(2,773,292)
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(2,488,090)	(2,488,090)	(285,202)	(2,773,292)
Transactions with owners in their capacity as owners								
Share-based payments	-	-	128,919	-	-	128,919	-	128,919
Increasing interest in subsidiary	2,341,922	-	-	(2,045,399)	-	296,523	(296,523)	-
Total transactions with owners	2,341,922	-	128,919	(2,045,399)	-	425,442	(296,523)	128,919
Balance at 30 June 2015	47,491,109	-	5,715,426	(2,045,399)	(36,576,061)	14,585,075	-	14,585,075
Balance at 1 July 2015	47,491,109	-	5,715,426	(2,045,399)	(36,576,061)	14,585,075	-	14,585,075
Comprehensive income for the year								
Loss after income tax expense	-	-	-	-	(6,833,798)	(6,833,798)	-	(6,833,798)
Other comprehensive income, net of tax	-	(3,145)	-	-	-	(3,145)	-	(3,145)
Total comprehensive income for the year	-	(3,145)		-	(6,833,798)	(6,836,943)	-	(6,836,943)
Transactions with owners in their capacity as owners								
Shares issued during the year	9,153,672	-	-	-	-	9,153,672	-	9,153,672
Transaction costs	(538,788)	-	-	-	-	(538,788)	-	(538,788)
Share-based payments	-	-	67,885	-	-	67,885	-	67,885
Total transactions with owners	8,614,884	-	67,885	-	-	8,682,769	-	8,682,769
Balance at 30 June 2016	56,105,993	(3,145)	5,783,311	(2,045,399)	(43,409,859)	16,430,901	-	16,430,901

The accompanying notes form part of these financial statements.

Metro Mining Limited
Consolidated statement of cash flows
For the year ended 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		252,235	432,025
Payments to suppliers and employees (inclusive of GST)		(3,132,527)	(3,510,128)
Interest received		101,194	284,346
Net cash used in operating activities	19	(2,779,098)	(2,793,757)
Cash flows from investing activities			
Payments for property, plant and equipment		(12,982)	(22,850)
Payments for exploration and evaluation		(3,791,602)	(2,493,273)
Payments for available-for-sale financial assets		(407,489)	-
Proceeds from sale of exploration and evaluation assets		875,000	-
Proceeds from term deposits		-	377,086
Research and development tax refund received		637,293	527,091
Net cash used in investing activities		(2,699,780)	(1,611,946)
Cash flows from financing activities			
Proceeds from issue of shares		5,585,429	-
Share issue transaction costs		(538,788)	-
Net cash provided by financing activities		5,046,641	-
Net decrease in cash and cash equivalents		(432,237)	(4,405,703)
Cash and cash equivalents at the beginning of the financial year		3,116,546	7,522,249
Cash and cash equivalents at the end of the financial year	7	2,684,309	3,116,546

The accompanying notes form part of these financial statements.

Note 1. Significant accounting policies

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

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 28.

Principles of consolidation

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

Subsidiaries are entities that the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affect those returns. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the parent. They are 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.

Note 1. Significant accounting policies (continued)

Operating segments

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

Revenue recognition

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

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

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

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

Income tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Note 1. Significant accounting policies (continued)

Cash and cash equivalents

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

Trade and other receivables

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

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Investments in joint ventures are accounted for in the parent entity financial statements using the cost method, less any impairment, and in the consolidated financial statements using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Income earned from joint venture entities is recognised as revenue in the parent entity's profit or loss, whilst in the consolidated financial statements they reduce the carrying amount of the investment.

Investments and other financial assets

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

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

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

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

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

Note 1. Significant accounting policies (continued)

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been had the impairment not been recognised. The reversal of impairment is reversed to profit or loss.

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

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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

- Plant and equipment — 20% per annum
- Software/IT hardware — 33% per annum

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

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

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.

Restoration, rehabilitation and environmental expenditure

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

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

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

Note 1. Significant accounting policies (continued)

Impairment of non-financial assets

Where applicable, goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

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

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

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

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

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including interest on short-term and long-term borrowings.

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.

Note 1. Significant accounting policies (continued)

Employee benefits

Wages and salaries and annual leave

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

The cost of equity-settled transactions are 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 or not that market condition has been met, provided all other conditions are satisfied.

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

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

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

Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

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

Note 1. Significant accounting policies (continued)

Business combinations

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

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

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

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

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

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

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

Investments in associates

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

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

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

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

Note 1. Significant accounting policies (continued)

Earnings per share

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

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

Goods and Services Tax ('GST') and other similar taxes

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

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

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

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

New accounting standards for application in future periods

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

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

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

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

  Although it is anticipated that the adoption of AASB 9 may have an impact of the consolidated entity's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

Note 1. Significant accounting policies (continued)

New accounting standards for application in future periods (continued)

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

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

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

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

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

  Although it is anticipated that the adoption of AASB 15 may have an impact on the consolidated entity's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- *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 lease 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 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;
  - Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
  - Be applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
  - 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.

  Although it is anticipated that the adoption of AASB 16 will impact the consolidated entity's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Note 2. Critical accounting judgements, estimates and assumptions

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

Available-for-sale financial assets – note 9

AASB 128: *Investments in Associates and Joint Ventures* states that where an entity holds 20% or more of the voting power of an investee, it is presumed that the entity has significant influence over the investee and the investment should be accounted for using the equity method. During the year ended 30 June 2016, the Company acquired a 21.8% interest in Gulf Alumina Limited ('Gulf'), an unlisted public company. Although, prima facie, Gulf would be considered an associate of the Company, management does not believe that Gulf meets the AASB 128 definition of an associate for the following reasons:

- The board of directors of Gulf, together with other large shareholders, control more than 50% of the voting power of Gulf;
- The Company's stake in Gulf does not entitle the Company to a position on the board of directors of Gulf; and
- The Company has no access to information pertaining either to the operations of Gulf, or to its financial position.

Management has judged that the Company is not in a position to exercise any influence over the operational and financial decisions of Gulf. Therefore, management does not consider Gulf an associate of the Company and the investment in Gulf has not been accounted for at 30 June 2016 using the equity method.

The carrying value of the investment in Gulf at 30 June 2016 is the amount paid by the Company to acquire the 21.8% interest in Gulf. The following are the key judgements that have been applied to determine that the fair value of the investment in Gulf at 30 June 2016 cannot be reliably determined and, therefore, should be recognised at cost at 30 June 2016:

- Gulf is an unlisted public company and has no active market for its shares;
- The Company has no access to data or financial records held by Gulf; and
- Gulf is a high risk investment being a mining exploration company in pre-project approval phase and without financing. Valuations for high risk investments are volatile and the range of possible valuations is wide.

Management has determined that, for the above reasons, it is not possible to determine a reliable fair value for the investment in Gulf at 30 June 2016.

Impairment of exploration and evaluation assets – note 12

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

Share-based payment transactions – note 24

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Black-Scholes model or Monte Carlo simulation taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Note 3. Operating segments

Identification of reportable operating segments

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

The consolidated entity is managed primarily on a geographic basis; that is the location of the respective areas of interest (tenements). Areas of interest in Australia and Myanmar are not currently identified as separate operating segments. Activity in Myanmar in the current financial year relates solely to business development and is insignificant in comparison to the activity of the consolidated entity as a whole. Accordingly, management currently identifies the consolidated entity as having only one reportable segment, being exploration for coal and bauxite. All significant operating decisions are based upon analysis of the consolidated entity as one segment. The financial results from this segment are equivalent to the financial statements of the consolidated entity as a whole.

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

	Consolidated	
	2016	**2015**
Note 4. Revenue	**$**	**$**
Other income		
Profit on sale of interests in mining tenements (i)	875,000	250,000
Administration fees and recharge of expenses	140,000	228,158
Other income	-	(4,640)
Total other income	1,015,000	473,518

(i) $825,000 in income was recognised by the consolidated entity in relation to the sale of the Hey Point bauxite tenements on western Cape York Peninsula. The original agreement for the sale of the Hey Point tenements was settled by Cape Alumina Limited, a wholly owned subsidiary of the Company, in June 2013. The total consideration received for the sale was $1,575,000 and the right to receive royalties of 3-4% of gross proceeds from all bauxite sold from these tenements. The income recognised for the year ended 30 June 2016 is the final instalment of the sales price. No royalty income was received for the year ended 30 June 2016 as the Hey Point project is still under development.

A further $50,000 in income was received from the sale of the Norwood and Dalby West coal tenements.

Note 5. Expenses

Loss before income tax includes the following specific expenses:

Employee benefits expense		
Salaries, wages, fees and provisions	982,935	1,020,333
Share based payments	67,885	128,919
Superannuation contributions	31,651	60,154
Total employee benefits expense	1,082,471	1,209,406
Other expenses		
ASX and share registry costs	85,141	257,662
Professional fees	1,442,260	595,990
Other expenses	671,591	1,287,826
Total other expenses	2,198,992	2,141,478

Note 6. Income tax

	Consolidated	
	2016	**2015**
	$	**$**
Numerical reconciliation of income tax benefit to prima facie tax payable	(6,833,798)	(2,773,292)
Income tax using the Company's domestic tax rate of 30% (2015: 30%)	(2,050,139)	(831,988)
Amounts that are not deductible/(taxable) in calculating taxable income:		
- Tax consolidation with Cape Alumina	-	740,297
- Other permanent differences	254,429	43,515
- Current year losses for which no deferred tax asset was recognised	2,073,281	48,176
- Under-provision in respect of prior years	(277,571)	-
Total income tax expense/(benefit)	-	-

Unrecognised deferred tax assets

Deductible temporary differences	2,785,622	2,751,727
Tax losses carried forward	14,279,264	12,564,521
Tax losses and temporary differences brought to account to reduce the deferred tax liability	(3,343,266)	(3,667,909)
Total unrecognised deferred tax assets	13,721,620	11,648,339

Deferred tax liabilities

Deferred tax liabilities comprise the estimated expense at the applicable rate of 30% on the following items:

Exploration and evaluation expenditure	3,389,437	3,676,372
Other temporary differences	(46,171)	(8,463)
Deferred tax asset attributable to tax losses and temporary differences brought to account to reduce the deferred tax liability	(3,343,266)	(3,667,909)
	-	-

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

Management believes that $15,970,826 (tax effect: $4,791,248) of the gross unused tax losses available to the consolidated entity would be unlikely to pass either the continuity of ownership test or the same business test at the present time. Accordingly these tax losses are not included in the unrecognised deferred tax asset balance above of $13,721,620.

The consolidated entity has no franking credits.

	Consolidated	
	2016	**2015**
Note 7. Current assets - cash and cash equivalents	**$**	**$**
Cash at bank	1,453,031	1,575,795
Cash on deposit	1,231,278	1,540,751
Total current assets - cash and cash equivalents	2,684,309	3,116,546

Note 8. Current assets - trade and other receivables		
Trade debtors	108,779	57,056
Other receivables	248,983	64,467
Interest receivable	3,443	6,047
Total current assets - trade and other receivables	361,205	127,570

Impairment of receivables

The consolidated entity does not have any impaired receivables.

Note 9. Non-current assets – available-for-sale financial assets		
Investment in unlisted entity	3,975,733	-

During the financial year, the Company announced a takeover offer to acquire all of the issued shares in the unlisted company Gulf Alumina Limited ('Gulf'). Under the terms of the offer, Gulf shareholders were entitled to receive 3.3 new ordinary shares in the Company for every 1 Gulf share held. At the close of the offer, the Company had acquired a 21.8% interest in Gulf. Settlement of acceptances required the issue of 62,927,172 new ordinary shares in the Company. Of these, 62,036,040 were issued to Gulf shareholders prior to the end of the financial year (refer note 15). A further 891,132 shares have been issued to Gulf shareholders subsequent to year end (refer note 29).

Note 10. Non-current assets - property, plant and equipment		
Plant and equipment - at cost	265,073	282,006
Less: Accumulated depreciation	(254,729)	(256,826)
Total non-current assets - property, plant and equipment	10,344	25,180

Reconciliations

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

	Plant and Equipment	Total
Consolidated	**$**	**$**
Balance at 1 July 2014	72,053	72,053
Additions	22,850	22,850
Disposals	(24,524)	(24,524)
Depreciation expense	(45,199)	(45,199)
Balance at 30 June 2015	25,180	25,180
Balance at 1 July 2015	25,180	25,180
Additions	12,982	12,982
Depreciation expense	(27,818)	(27,818)
Balance at 30 June 2016	10,344	10,344

Note 11. Non-current assets – investments in associate

Information relating to associates is set out below:

Name of company	Country of incorporation	Ownership Interest 2016 %	Ownership Interest 2015 %	Consolidated 2016 $	Consolidated 2015 $
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 12. Non-current assets - exploration and evaluation

	Consolidated 2016 $	Consolidated 2015 $
Exploration and evaluation - at cost	10,586,825	11,992,694

Reconciliations

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

Consolidated	Exploration & evaluation $	Total $
Balance at 1 July 2014	9,472,006	9,472,006
Expenditure during the year	3,047,779	3,047,779
Research and development tax offset	(527,091)	(527,091)
Balance at 30 June 2015	11,992,694	11,992,694
Expenditure during the year	3,547,090	3,547,090
Research and development tax offset	(449,419)	(449,419)
Impaired during the year	(4,503,540)	(4,503,540)
Balance at 30 June 2016	10,586,825	10,586,825

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent upon successful development and commercial exploitation or sale of the respective areas of interest. The consolidated entity resolved to impair the Columboola, Norwood and Dalby West coal tenements to nil in the year ended 30 June 2014 on the basis that there was unlikely to be any further exploration activity in the near term. The Norwood and Dalby West tenements were sold by the consolidated entity during the year ended 30 June 2016 for $50,000 (refer note 4). The consolidated entity still holds title to the Columboola coal tenement and is of the view that the tenement is potentially prospective for future development (refer note 27).

In the year ended 30 June 2014, the Bundi coal tenements were partially impaired due to the delay in development and the decision to stop significant expenditure. The delay in development was due to rail and port infrastructure issues as well as depressed coal prices. The consolidated entity remains unlikely to make any further investment in the Bundi project until the market for coal improves and there is a plan in place to resolve the infrastructure issues.

In the current year, the board has reassessed the fair value of the Bundi coal tenements by reviewing recent Surat Basin coal transactions, other relevant market data and the enterprise value of similar resources. Based on this review, the board has assigned the Bundi project a fair value of $5 million and, accordingly, a further $4,503,540 impairment of this asset has been recorded.

	Consolidated 2016 $	Consolidated 2015 $
Note 13. Current liabilities - trade and other payables		
Trade payables	761,010	145,934
Other payables	354,378	581,566
Total current liabilities - trade and other payables	1,115,388	727,500

Refer to note 23 for detailed information on financial instruments.

Note 14. Current liabilities – employee benefits		
Annual leave	85,848	43,128

Note 15. Equity – contributed	Consolidated 2016 Shares	Consolidated 2015 Shares	Consolidated 2016 $	Consolidated 2015 $
Ordinary shares - fully paid	420,571,896	288,717,999	56,105,993	47,491,109

Ordinary shares				
Balance at beginning of period	288,717,999	208,883,663	47,491,109	45,149,187
Shares issued during the year:				
• 15 Dec 2014 Takeover of Cape Alumina Ltd	-	79,834,336	-	2,341,922
• 16 Jul 2015 Share placement	25,000,000	-	2,000,000	-
• 4 Sep 2015 Non-renounceable rights issue	15,359,723	-	1,544,088	-
• 8 Sep 2015 Non-renounceable rights issue	29,458,134	-	2,041,340	-
• 4 Dec 2015 Investment in Gulf Alumina Ltd	8,250,000	-	561,000	-
• 15 Apr 2016 Investment in Gulf Alumina Ltd	53,786,040	-	3,007,244	-
Transaction costs recognised during the year	-	-	(538,788)	-
Balance at end of the period	420,571,896	288,717,999	56,105,993	47,491,109

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

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

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

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital are:

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

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

Note 16. Equity - reserves	**Consolidated 2016 $**	**2015 $**
Options reserve	5,783,311	5,715,426
Change in interest of subsidiary	(2,045,399)	(2,045,399)
Foreign currency translation reserve	(3,145)	-
Total equity - reserves	3,734,767	3,670,027

Consolidated	**Foreign Currency Translation $**	**Options $**	**Change in Interest of Subsidiary $**	**Total Reserves $**
Balance at 1 July 2014	-	5,586,507	-	5,586,507
Options granted during the year	-	128,919	-	128,919
Change in interest of subsidiary	-	-	(2,045,399)	(2,045,399)
Balance at 30 June 2015	-	5,715,426	(2,045,399)	3,670,027
Options granted during the year	-	67,885	-	67,885
Translation of foreign subsidiaries	(3,145)	-	-	(3,145)
Balance at 30 June 2016	(3,145)	5,783,311	(2,045,399)	3,734,767

Foreign currency translation reserve

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

Options reserve

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

Change in interest of subsidiary reserve

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

Note 17. Equity – dividends

Dividends

There were no dividends paid or declared during the current or previous financial year. There were no franking credits at 30 June 2016 (2015: nil).

Note 18. Loss per share	**Consolidated 2016 $**	**2015 $**
Loss after income tax attributable to the owners of the Company	(6,833,798)	(2,488,090)

	Consolidated 2016 Number	**2015 Number**
Weighted average number of ordinary shares used in calculating basic and diluted loss per share	373,214,165	259,523,842

	Consolidated	
	2016	**2015**
Note 18. Loss per share (continued)	**Cents**	**Cents**
Basic loss per share	(1.83)	(1.07)
Diluted loss per share	(1.83)	(1.07)

		Consolidated	
Note 19. Reconciliation of loss after income tax to net cash used in operating activities	**Note**	**2016**	**2015**
		$	**$**
Loss after income tax benefit for the year		(6,833,798)	(2,773,292)
Adjustments for:			
Depreciation and amortisation	10	27,818	45,199
Options expense	16	67,885	128,919
Impairment of exploration and evaluation assets	12	4,503,540	-
Profit on sale of exploration and evaluation assets	4	(875,000)	-
Change in operating assets and liabilities:			
(Increase)/decrease in trade and other receivables		(12,751)	(25,953)
(Increase)/decrease in prepayments		(142,124)	4,903
Increase/(decrease) in trade and other payables		442,498	(126,870)
Increase/(decrease) in employee benefits		42,834	(46,663)
Net cash used in operating activities		(2,779,098)	(2,793,757)

Note 20. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit Pty Ltd, the auditor of the Company, and its related practices:

Audit services - BDO Audit Pty Ltd		
Audit or review of the financial report	55,285	59,027
Other services - BDO (QLD) Pty Ltd		
Taxation services	105,497	83,992
Corporate services	1,870	11,658
Total other services	107,367	95,650
Total remuneration of auditors	162,652	154,677

Note 21. Commitments for expenditure

Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities:		
Within one year	194,364	140,818
One to five years	138,737	100,739
Total commitments for expenditure	333,101	241,557

The operating lease commitment comprises rent payable for the Company's office lease and lease of office equipment

Note 22. Contingent liabilities

Contingent Liabilities

Certain tenements in which the consolidated entity has an interest may be subject to native title or similar claims. The position regarding the likely success and impact on the consolidated entity's operations is unknown at balance date. It is management's intention to continue to work through these matters if such an agreement can be negotiated successfully.

Other than the above, the consolidated entity does not believe it has any contingent liability arising from any possible Native Title or other claim.

Note 23. Financial risk management

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

Significant accounting policies

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

Financial risk management policies and objectives

Risk management is carried out under policies set by the board of directors. 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 the financial performance. Risk management is carried out under the oversight of the board of directors.

Specific financial risk exposures and management

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

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

Credit risk

Credit risk is managed on a consolidated entity basis. Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the consolidated entity.

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

Note 23. Financial risk management (continued)

Liquidity risk

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

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

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

At 30 June 2016 the only financial liabilities of the consolidated entity are trade payables and accruals. All trade payables and accruals have a contractual maturity of 6 months or less.

Financial liability and financial asset maturity analysis

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

	Within 1 Year		**Total**	
	2016	**2015**	**2016**	**2015**
Consolidated	**$**	**$**	**$**	**$**
Financial liabilities due for payment				
Trade payables	761,010	145,934	761,010	145,934
Other payables	354,378	581,566	354,378	581,566
Total contractual and expected outflows	1,115,388	727,500	1,115,388	727,500
Financial assets – cash flows realisable				
Cash and cash equivalents	2,684,309	3,116,546	2,684,309	3,116,546
Trade and other receivables	361,205	127,570	361,205	127,570
Total anticipated inflows	3,045,514	3,244,116	3,045,514	3,244,116
Net (outflow)/inflow on financial instruments	1,930,126	2,516,616	1,930,126	2,516,616

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

The consolidated entity's activities expose it primarily to the financial risks of changes in interest rates on its cash and cash equivalents and term deposits. It is the policy of the consolidated entity to manage its risks by continuously monitoring interest rates. There has been no change to the consolidated entity's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

Foreign currency risk

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

Note 23. Financial risk management (continued)

Price risk

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

Interest rate risk

Interest rate risks are caused by fluctuations in interest rates which, in turn, are due to market factors.

Interest rate sensitivity

The consolidated entity's main interest rate risk arises from cash and cash equivalents. The sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the consolidated entity profit/loss before taxes through a decrease or an increase of 0.25% (2015: 0.25%) in interest rates at 30 June 2016 is an increase/decrease in cash and cash equivalents of $6,711 (2015: $28,757).

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.

	Note	Consolidated Carrying amount 2016 $	Consolidated Fair value 2016 $	Consolidated Carrying amount 2015 $	Consolidated Fair value 2015 $
Assets					
Cash and cash equivalents	7	2,684,309	2,684,309	3,116,546	3,116,546
Trade and other receivables	8	361,205	361,205	127,570	127,570
Available-for-sale financial assets (i)	9	3,975,733	3,975,733	-	-
Total assets		7,021,247	7,021,247	3,244,116	3,244,116
Liabilities					
Trade payables	13	761,010	761,010	145,934	145,934
Other liabilities	13	354,378	354,378	581,566	581,566
Total liabilities		1,115,388	1,115,388	727,500	727,500

(i) The fair value of available-for-sale financial assets as at 30 June 2016 cannot be reliably determined by reference to an observable market value. In the judgment of management, and having regard to all relevant available information, the carrying amount of available-for-sale financial assets does not exceed the fair value. Refer to note 2.

Note 24. Share-based payments

Employee share option plan

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

Features of the ESOP are as follows:

- The persons who are eligible to participate in the ESOP 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 ESOP ('Participants');
- The Company is entitled under the terms of the ESOP to determine a period that any shares or options offered under the ESOP will be unable to be transferred by Participants ('Disposal Restrictions');

Note 24. Share-based payments (continued)

Employee share option plan (continued)

- The Company is entitled to determine, at its discretion, any conditions which may apply to the offer of shares or options (including the issue price, exercise price, vesting conditions and Disposal Restrictions);
- Where options subject to Disposal Restrictions are exercised, the resulting shares will be subject to the balance of the Disposal Restrictions;
- The options may be exercised wholly or in part by notice in writing to the Company received at any time during the relevant exercise period together with a cheque for the exercise price for those options for cancellation by the Company;
- The Company shall allot the number of shares the subject of any exercise notice and apply for listing of the shares issued as a result;
- Shares issued on the exercise of the options will rank paripassu with all existing shares of the Company from the date of issue; and
- The number of shares which may be acquired on the exercise of an option and the exercise price will be adjusted, as is appropriate, following any pro-rata bonus issue, rights issue, reconstruction or re-organisation of the issued ordinary capital of the Company.

The maximum number of shares and options that may be offered to Participants under the ESOP 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 ESOP will be sought. The Company will apply for quotation of shares arising upon the exercise of options.

Options granted to key management personnel

Options granted to key management personnel are as follows:

Grant date	Number	
12 January 2015	8,000,000	(i)
15 December 2015	2,500,000	(ii)
05 May 2016	1,047,493	(iii)

(i) Options granted on 12 January 2015 vested on the grant date and are exercisable from that date.

(ii) Options granted 15 December 2015 have been granted subject to the Company obtaining a mining licence for the Bauxite Hills Project. The options vest in full, and are exercisable, on the date the mining licence is granted.

(iii) Options granted on 5 May 2016 vested on grant date and are exercisable from that date.

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							
20/11/12	11/07/15	$0.235	1,000,000	-	-	(1,000,000)	-
20/11/12	11/07/15	$0.50	500,000	-	-	(500,000)	-
12/01/15	11/01/17	$0.06	10,750,000	-	-	-	10,750,000
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			12,250,000	3,547,493	-	(1,500,000)	14,297,493

Note 24. Share-based payments (continued)

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
2015							
20/11/12	11/07/15	$0.235	1,000,000	-	-	-	1,000,000
20/11/12	11/07/15	$0.50	1,000,000	-	-	(500,000)	500,000
12/01/15	11/01/17	$0.06	-	10,750,000	-	-	10,750,000
Total 2015 options			2,000,000	10,750,000	-	(500,000)	12,250,000

The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.8 years (2015: 1 year). 11,797,493 options are exercisable at the end of the financial year.

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
15/12/15	14/12/17	$0.074	$0.15	113.359%	-	2.07%	$0.32
05/05/16	05/05/18	$0.071	$0.043	92.399%	-	2.08%	$0.044

Included under employee benefits expense in the statement of comprehensive income is $67,885 (2015: $128,919) which relates to equity-settled share-based payment transactions.

Note 25. Related party transactions

Parent entity

Metro Mining Limited is the ultimate parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 26.

Joint ventures

Interests in joint ventures are set out in note 27.

Key management personnel

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

	Consolidated 2016 $	Consolidated 2015 $
Short-term employee benefits	1,121,241	1,029,369
Post-employment benefits	30,399	68,360
Share-based payments	67,885	95,939
Total compensation to directors and KMP	1,219,525	1,193,668

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the consolidated entity's key management personnel for the year ended 30 June 2016.

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.

Note 25. Related party transactions (continued)

Post-employment benefits

These amounts are superannuation contributions made during the year.

Share-based payments

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

Note 26. Interests in subsidiaries

Information about principal subsidiaries

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

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

		Equity holding	
Name of entity	**Country of Incorporation**	**2016 %**	**2015 %**
Aldoga Minerals Pty Ltd	Australia	100	100
Bundi Coal Project Pty Ltd	Australia	100	100
Cape Alumina Pty Ltd	Australia	100	100
Metrostructure Pty Ltd	Australia	100	100
Metro International Holding Pty Ltd (i)	Australia	100	100
Metro Bauxite Hills Operations Pty Ltd (ii)	Australia	100	100
Metro Bauxite Hills Holding Pty Ltd (iii)	Australia	100	100
Metro Bauxite Hills Sales Pty Ltd	Australia	100	100
Metro Mining Singapore Pte. Limited (iv)	Singapore	100	-
Metro Resources and Exploration Co., Ltd. (v)	Myanmar	100	-

(i) Company name changed from Huge Energy Pty Ltd to Metro International Holding Pty Ltd on 22 Sep 2015.

(ii) Company name changed from Norkay Pty Ltd to Metro Bauxite Hills Operations Pty Ltd on 22 Sep 2015.

(iii) Company name changed from Sigma Kaolin Pty Ltd to Metro Bauxite Hills Holding Pty Ltd on 22 Sep 2015.

(iv) Incorporated in Singapore by the consolidated entity on 12 Aug 2015.

(v) Incorporated in Myanmar by the consolidated entity on 17 Mar 2016.

Non-controlling interests

During the prior financial year, the consolidated entity acquired the remaining interest in Cape Alumina Pty Ltd.

	Cape Alumina Pty Ltd	
	2016 $	**2015 $**
Statement of comprehensive income		
Revenue	-	245,360
Loss after income tax	-	(675,444)
Other comprehensive income	-	-
Total comprehensive income	-	(675,444)
Loss allocated to non-controlling interests	-	(285,202)

Note 26. Interests in subsidiaries (continued)

Non-controlling interests (continued)

	Cape Alumina Pty Ltd	
	2016	2015
Statement of financial position	$	$
Total current assets	-	946,380
Total non-current assets	-	7,640,081
Total assets	-	8,586,461
Total current liabilities	-	343,478
Total non-current liabilities	-	2,763,926
Total liabilities	-	3,107,404
Net assets	-	5,479,057
Equity		
Contributed equity	-	33,951,774
Reserves	-	702,098
Accumulated losses	-	(29,174,815)
Total equity	-	5,479,057
Statement of cash flows		
Cash flows from operating activities	-	(527,027)
Cash flows from investing activities	-	(2,749,196)
Cash flows from financing activities	-	2,763,926
Net increase/(decrease) in cash and cash equivalents	-	(512,297)

Note 27. Interests in joint ventures

Columboola joint venture

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

Mahar San joint venture

On 12 May 2016, Metro Resources and Exploration Co. Limited ('Metro Resources'), a wholly-owned subsidiary of the Company, entered into a Joint Venture Agreement ('Agreement') with Mahar San Group Company Limited ('Mahar San') to jointly undertake copper exploration and mining activities at the Yar Taung mine, located in the Sagaing region of Upper Myanmar. Under the terms of the Agreement, Metro Resources and Mahar San will establish a joint venture company to which Metro Resources will contribute US$50,000 to acquire an 80% interest in the ordinary share capital of the joint venture company. Metro Resources will also arrange the funding to enable the joint venture company to undertake drilling, resource definition, feasibility studies and other evaluations of the project area. Mahar San will contribute its interest in the Yar Taung copper mine and exploration concession to the joint venture.

Note 27. Interests in joint ventures (continued)

Mahar San joint venture (continued)

Metro Resources and Mahar San will also enter into a loan agreement under which Metro Resources will make a loan available to Mahar San to fund all costs incurred by Mahar San in setting up the joint venture company, including the amount of US$12,500 required by Mahar San to subscribe for a 20% interest in the ordinary share capital of the joint venture company.

Note 28. Parent entity information

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

	Parent	
	2016	**2015**
	$	**$**
Statement of comprehensive income		
Loss after income tax	(7,297,853)	(1,824,082)
Total comprehensive income	(7,297,853)	(1,824,082)
Statement of financial position		
Total current assets	2,426,748	2,300,025
Total non-current assets	17,330,225	15,406,483
Total assets	19,756,973	17,706,508
Total current liabilities	1,092,699	427,150
Total non-current liabilities	-	-
Total liabilities	1,092,699	427,150
Net assets	18,664,274	17,279,358
Contributed equity	56,105,993	47,491,109
Reserves	5,783,311	5,715,426
Accumulated losses	(43,225,030)	(35,927,177)
Total equity	18,664,274	17,279,358

Contingent liabilities

Refer to note 22 for details of contingent liabilities.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at 30 June 2016 or 30 June 2015.

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 29. Events occurring after the reporting date

Agreement for Strategic Financing of the Bauxite Hills Project

On 12 July 2016, the Company announced that it had executed binding documentation ('Agreements') with Greenstone Resources II LP ('Greenstone') whereby Greenstone will take up 105 million ordinary shares in the Company, representing a 19.94% interest. Subject to the satisfaction of certain conditions, the Agreements also provide the Company with potential ongoing strategic and financial support for the development of the Bauxite Hills Project (the 'Project'). The initial placement of 105 million shares at 8.5 cents per share (the 'Placement') will raise A$8.958 million in funding for construction of the Project. Greenstone is a specialist mining and metals private equity fund based in Guernsey, Channel Islands.

The Placement will be undertaken in two tranches:

- 94,800,000 shares issued to raise a total of A$8.058million (the 'First Tranche'); and
- 10,200,000 shares issued to raise a total of A$0.9 million (the 'Second Tranche').

The First Tranche, which does not require shareholder approval based on the Company's available placement capacity, was settled was on 28 July 2016.

The Second Tranche is subject to shareholder approval. An extraordinary meeting of shareholders will be held on 30 August 2016 to ratify the issue of the Second Tranche.

The Agreements further provide that, subject to a satisfactory construction decision in respect of the Project and agreement on structure and terms, Greenstone is willing to make an additional equity investment of up to US$20 million in the Company to be utilised in construction of the Project and for working capital.

The Agreements contain anti-dilution provisions to enable Greenstone to maintain its equity interest in the Company on issue of further shares. The Agreements also provide Greenstone with customer nomination rights whereby the consolidated entity has agreed to grant Greenstone the right to nominate customers to purchase bauxite production, pro-rata to Greenstone's shareholding in the Company, on an arm's length basis and on no less favourable terms than could be achieved elsewhere. The customer nomination rights are only exercisable after the Project has been in production for four years. Both the anti-dilution and, subject to certain exceptions, the customer nomination rights are contingent upon Greenstone retaining at least a 10% interest in the Company.

Issue of Ordinary Shares

On 25 July 2016, the Company issued 891,132 new fully paid ordinary shares to shareholders of Gulf Alumina Limited who had accepted the terms of the off-market takeover bid by the Company for shares in Gulf Alumina Limited (the 'Takeover Bid'). Under the terms of the Takeover Bid, shareholders in Gulf Alumina Limited were offered 3.3 fully paid ordinary shares in the Company for every one ordinary share held in Gulf Alumina Limited.

Appointment of Director

On 28 July 2016, Mr Mark Sawyer was appointed to the board of directors of the Company as the representative of Greenstone. A summary of Mr Sawyer's qualifications and experience is presented in the Directors' Report.

Except as noted above, no matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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

1. the financial statements and notes, as set out on pages 23 to 52, are in accordance with the *Corporations Act 2001* and:
    a. comply with Australian Accounting Standards which, as stated in accounting policy note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
    b. give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the consolidated entity;
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; and
3. the directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Chief Financial Officer.

On behalf of the board of directors

S Everett
Chairman

30 August 2016
Brisbane

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 REPORT

To the members of Metro Mining Limited

Report on the Financial Report

We have audited the accompanying financial report of Metro Mining Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, 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 report.

Opinion

In our opinion:
(a) the financial report of Metro Mining Limited is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 19 of the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of Metro Mining Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

BDO

A J Whyte
Director

Brisbane, 30 August 2016

The shareholder information set out below was applicable as at 26 August 2016.

a) Distribution of equitable securities

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

Category (size of holding):	Number of holders of ordinary shares
1 to 1,000	610
1,001 to 5,000	552
5,001 to 10,000	295
10,001 to 100,000	764
100,001 and over	237
	2,458

The number of shareholdings held in less than marketable parcels is 1,035.

b) 20 largest shareholders – ordinary shares

	Ordinary shares Number held	% of total shares issued
Greenstone Management (Delaware) II Llc	94,800,000	18.36
Balanced Property Pty Ltd	71,994,181	13.95
Joyday Pty Ltd	35,071,040	6.79
Dadi Engineering Development (Group) Co. Ltd.	28,800,000	5.58
Netwealth Investments Limited	24,557,155	4.76
Mr Gregory Ian Willims	21,508,415	4.17
China Xinfa Group Corporation Limited	20,327,883	3.94
Dadi Engineering Development (Group) Hong Kong Co. Ltd	18,450,000	3.57
Bondline Limited	16,050,223	3.11
J P Morgan Nominees Australia Limited	15,033,172	2.91
Dadi (Australia) Engineering Co Pty Ltd	15,013,295	2.91
Ms Qing Xia	12,220,211	2.37
Equity & Permanent Investment Capital Limited	11,550,000	2.24
Remond Holdings Pty Limited	4,541,741	0.88
ABN AMRO Clearing Sydney Nominees Pty Ltd	3,713,473	0.72
HSBC Custody Nominees (Australia) Limited	2,972,603	0.58
Mr Clifford Malcolm Arnold Pratt	2,800,000	0.54
Prima Group Holdings Pty Ltd	2,794,052	0.54
Mr Aaron Dean Street & Mrs Susan Street	2,763,744	0.54
Mr Leigh David Kalazich	2,458,888	0.48
	407,420,076	78.94

c) Unquoted equity securities

Options over unissued shares

	Number on issue	Number of holders
Options issued under the Metro Mining Employee Share Option Plan	14,297,493	11

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	94,800,000	18.36
Balanced Property Pty Ltd	71,994,181	13.95
Dadi Engineering Development (Group) Co. Ltd and related entities	62,263,295	12.06
Joyday Pty Ltd	35,071,040	6.79

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.