



**Metro Mining Limited
and controlled entities**

ABN 45 117 763 443

Interim Financial Report

**for the Half Year Ended
31 December 2015**

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**METRO MINING LIMITED
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Interim Financial Report**

Directors' Report

Your directors present their interim financial report on the consolidated entity consisting of Metro Mining Limited (the "Company" or "Metro Mining") and the entities it controlled at the end of, or during the half year ended 31 December 2015.

1. DIRECTORS

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

- Stephen Everett (Independent Non-executive Chairman)
- Lindsay Ward (Independent Non-executive Director)
- Philip Hennessy (Independent Non-executive Director)
- Dongping Wang (Non-executive Director)
- Jijun Liu (Non-executive Director)
- George Lloyd (Independent Non-executive Director)

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

- Xiaoming Yuan (Alternate Director for Dongping Wang)
- Ken Xiao (Alternate Director for Jijun Liu)

2. OPERATING RESULTS

The loss of the consolidated entity for the period was \$996,934 (31 December 2014: loss of \$1,251,075) after impairment losses of \$206,833 (31 December 2014: \$nil).

3. REVIEW OF OPERATIONS

On 16 July 2015, the Company successfully completed a \$2m share placement issuing 25,000,000 shares at 8 cents per share to institutional and sophisticated investors. Following the placement, the Company issued 44,817,857 shares as part of a \$3.6m fully underwritten rights issue, completed on 2 September 2015.

On 17 August 2015, the Company lodged the Bauxite Hills Environmental Impact Assessment with Queensland Department of Environment and Heritage Protection (DEHP), and in September 2015 was notified of the decision that the Bauxite Hills Project would require a full Environmental Impact Statement. This decision, whilst delaying the project timeline and adding additional costs, has allowed for reassessment of the optimum tonnage of the project, no longer being limited to 2mtpa under the old Environmental Authority approach.

On 5 November 2015, the Company released a DFS study for the Bauxite Hills project based on a 2mtpa operation, showing the Bauxite Hills project has, utilising these parameters, an after-tax NPV of \$235m at a discount rate of 15%. The 2mtpa DFS confirmed that Bauxite Hills has strong and robust project economics given modest CAPEX (A\$33.9m), low OPEX (pre-royalties, A\$22.49/tonne) and an operating margin of \$28.73/tonne.

On 2 December 2015, the Company announced an off-market takeover bid for all shares on offer in Gulf Alumina Ltd (Gulf), an unlisted public company whose bauxite project lies adjacent to Bauxite Hills in Cape York, Queensland. The Company considers the combination with Gulf provides a logical opportunity to create greater value for the shareholders of both companies by developing their adjacent projects at Skardon River on a combined rather than a stand alone basis.

As part of a pre-bid agreement entered into with Gulf's largest shareholder, the Company issued 8,250,000 shares as consideration for the purchase of 2,500,000 shares in Gulf.

The final \$825,000 consideration due in the half-year from Green Coast Resources Pty Limited for the Hey Point tenements was received in two tranches in September and December 2015.

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

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

4. EVENTS SUBSEQUENT TO BALANCE DATE

The following events subsequent to the balance date have occurred:

On 5 January 2016 the Company announced it had received acceptances for the Gulf Alumina takeover offer for 19.1% of the total shares in Gulf Alumina. The 16.3 million Gulf shares that are part of the acceptance forms, and 2.5 million Gulf shares that are part of the acquisition agreement total 18.8 million Gulf shares or 22.1% of Gulf's shares on issue.

On 21 January 2016, the Company announced it had secured a Native Title and Land Access Agreement with the traditional owners and Trustee owners of the land for its Bauxite Hills Project.

On 27 January 2016, the Company announced a PFS for the Bauxite Hills Project, based on a 4mtpa operation, for an after-tax NPV of \$440m at a 15% discount rate. Increasing bauxite production to 4Mtpa will only require minor changes to the operational and equipment requirements from the 2Mtpa DFS scenario. This is attributable to the significant economies of scale which will be achieved by incorporating a night shift into the mining operations. The 4Mtpa PFS confirmed pre-mining development CAPEX of A\$40.1m, low OPEX (pre-royalties, A\$18.80/tonne) and an operating margin of \$33.66/tonne.

Other than these events, no matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect:

- a) the entity's operations in the future financial years; or
- b) the results of those operations in future financial years; or
- c) the entity's state of affairs in future financial years,

5. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under Section 307C of the *Corporations Act 2001* is set out on page 3 for the half year ended 31 December 2015.

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

Signed:



Stephen Everett
Chairman

Date: 24 February 2016

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DECLARATION OF INDEPENDENCE BY ANTHONY WHYTE TO DIRECTORS OF METRO MINING LIMITED

As lead auditor of Metro Mining Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink, appearing to be 'A J Whyte', written over a circular scribble.

A J Whyte
Director

BDO Audit Pty Ltd

Brisbane: 24 February 2016

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Consolidated Statement of Comprehensive Income
for the half-year ended 31 December 2015

	Note	31 December 2015 \$	31 December 2014 \$
Other income		915,000	660,609
Employee benefits expense		(572,768)	(942,457)
Impairment of exploration and evaluation assets		(206,833)	-
Occupancy expenses		(71,901)	(72,702)
Corporate finance expenses		(66,229)	-
Depreciation		(18,887)	(25,588)
Other expenses		(1,030,258)	(986,894)
Results from operating activities		<u>(1,051,876)</u>	<u>(1,367,032)</u>
Finance income		54,942	115,957
Loss before income tax		<u>(996,934)</u>	<u>(1,251,075)</u>
Income tax benefit/(expense)		-	-
Net profit/(loss) for the period after income tax		<u>(996,934)</u>	<u>(1,251,075)</u>
Other comprehensive income, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income, net of tax		<u>(996,934)</u>	<u>(1,251,075)</u>
Total comprehensive income attributable to:			
Owners of the Company		(996,934)	(965,873)
Non-controlling interests		-	(285,202)
		<u>(996,934)</u>	<u>(1,251,075)</u>
		Cents	Cents
Basic earnings per share		(0.45)	(0.54)
Diluted earnings per share		(0.45)	(0.54)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the notes to the financial statements.

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Consolidated Statement of Financial Position
as at 31 December 2015

	Note	31 December 2015	30 June 2015
		\$	\$
Current assets			
Cash and cash equivalents		5,326,695	3,116,546
Trade and other receivables		212,118	127,570
Other assets		4,161	2,289
Total current assets		5,542,974	3,246,405
Non-current assets			
Exploration and evaluation assets		13,521,462	11,992,694
Available-for-sale financial assets	2	561,000	-
Plant and equipment		9,235	25,180
Other assets		94,640	91,424
Total non-current assets		14,186,337	12,109,298
TOTAL ASSETS		19,729,311	15,355,703
Current liabilities			
Trade and other payables		458,014	727,500
Employee benefits		60,196	43,128
Total current liabilities		518,210	770,628
TOTAL LIABILITIES		518,210	770,628
NET ASSETS		19,211,101	14,585,075
Equity			
Contributed equity	3	53,112,315	47,491,109
Reserves		3,671,780	3,670,027
Accumulated losses		(37,572,994)	(36,576,061)
TOTAL EQUITY		19,211,101	14,585,075

The above Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

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Consolidated Statement of Changes in Equity
for the half year ended 31 December 2015

	Contributed equity \$	Options reserve \$	Change of interest in subsidiary reserve \$	Accumulated losses \$	Controlling interest \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2015	47,491,109	5,715,426	(2,045,399)	(36,576,061)	14,585,075	-	14,585,075
Loss after income tax expense for the half-year	-	-	-	(996,934)	(996,934)	-	(996,934)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	(996,934)	(1,522, 156)	-	(996,934)
<i>Transactions with owners in their capacity as owners:</i>							
Share placement and rights issue	5,060,206	-	-	-	5,060,206	-	5,060,206
Shares issued as consideration for available-for- sale financial assets	561,000	-	-	-	561,000	-	561,000
Options issued during the period	-	1,753	-	-	1,753	-	1,753
Balance at 31 December 2015	53,112,315	5,717,179	(2,045,399)	(37,572,994)	19,211,101	-	19,211,101
Balance at 1 July 2014	45,149,187	5,586,507	-	(34,087,971)	16,647,723	581,725	17,229,448
Loss after income tax expense for the half-year	-	-	-	(965,873)	(965,873)	(285,202)	(1,251,075)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	(965,873)	(965,873)	(285,202)	(1,251,075)
<i>Transactions with owners in their capacity as owners:</i>							
Increasing interest in subsidiary	2,341,922	-	(2,045,399)	-	296,523	(296,523)	-
Balance at 31 December 2014	47,491,109	5,586,507	(2,045,399)	(35,053,844)	15,978,373	-	15,978,373

The above Consolidated Statement of Changes of Equity should be read in conjunction with the notes to the financial statements.

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Consolidated Statement of Cash Flows
for the half-year ended 31 December 2015

	31 December 2015	31 December 2014
	\$	\$
Cash Flows From Operating Activities		
Receipts in the course of operations	119,465	380,021
Payments to suppliers and employees	(1,792,730)	(1,840,499)
Interest received	45,611	104,043
Net cash used in operating activities	<u>(1,627,654)</u>	<u>(1,356,435)</u>
Cash Flows From Investing Activities		
Proceeds from sale of tenements	825,000	-
Payments for property, plant and equipment	(2,398)	-
Payments for exploration and evaluation assets	(2,045,006)	(662,913)
Net cash from/(used in) investing activities	<u>(1,222,404)</u>	<u>(662,913)</u>
Cash Flows From Financing Activities		
Proceeds from issue of shares	5,585,429	-
Share issue transaction costs	(525,222)	-
Net cash from financing activities	<u>5,060,206</u>	<u>-</u>
Net Increase (Decrease) in cash and cash equivalents	2,210,149	(2,019,348)
Cash and cash equivalents at the beginning of the half-year	<u>3,116,546</u>	<u>7,522,249</u>
Cash and cash equivalents at the end of the half-year	<u><u>5,326,695</u></u>	<u><u>5,502,901</u></u>

The above Consolidated Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

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Notes to the Financial Statements for the half-year ended 31 December 2015

NOTE 1: BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards AASB 134: Interim Financial Reporting, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Metro Mining Limited. As such, it does not contain all the notes of the type normally included in the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the consolidated entity for the year ended 30 June 2015, together with any public announcements made during the half-year.

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

New and revised standards have been issued by the AASB and are effective for the half year, however there are no material changes to the policies that affect measurement of the results or financial position of the entity.

NOTE 2: AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2015	30 June 2015
	\$	\$
Unlisted equity securities	561,000	-
	<u>561,000</u>	<u>-</u>

Unlisted equity securities comprises of Metro Mining's 2.9% interest in Gulf Alumina Ltd (Gulf) recognised at cost. Gulf is an unlisted public company. Gulf's shares do not have a quoted price in an active market, therefore they have been valued at cost.

NOTE 3: CONTRIBUTED EQUITY

	31 December 2015	30 June 2015
	\$	\$
366,785,856 (30 June 2015: 288,717,999) fully paid ordinary shares	56,140,901	49,994,472
Transaction costs relating to share issues (net of tax)	(3,028,586)	(2,503,363)
	<u>53,112,315</u>	<u>47,491,109</u>

On 16 July 2015, the Company successfully completed a \$2m share placement issuing 25,000,000 shares at 8 cents per share to institutional and sophisticated investors.

On 2 September 2015 the Company issued 44,817,857 shares at 8 cents per share, as part of a 1 for 1.7 rights issue.

On 2 December 2015, the Company issued 8,250,000 shares as consideration for a 2.9% stake in Gulf Alumina Limited.

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Notes to the Financial Statements for the half-year ended 31 December 2015

a) Ordinary Shares	31 December 2015		31 December 2014	
	#	\$	#	\$
Balance at beginning of the period	288,717,999	47,491,109	208,883,633	45,149,187
Shares issued during the period:				
- Share placement	25,000,000	2,000,000	-	-
- Rights issue	44,817,857	3,585,429	-	-
- Acquisition of investment	8,250,000	561,000	-	-
- Takeover of Cape Alumina Limited	-	-	79,834,336	2,341,922
Transaction costs recognised during the period	-	(525,222)	-	-
Balance at end of the period	366,785,856	53,112,315	288,717,999	47,491,109

Dividends

No dividends were declared or paid during the interim period.

NOTE 4: CONTINGENT ASSETS AND CONTINGENT LIABILITIES

As part of the sale agreement of its Hey Point bauxite tenement on Western Cape York, the Consolidated Entity is entitled to receive royalties of 3% to 4% of future gross sales proceeds on all bauxite sold from the project. As this project is still in the early stages of production it is premature to determine whether royalties will be received in future years.

The Consolidated Entity has an option of purchasing the Hey Point tenements for \$1 if the minimum production of 100,000 tonnes is not achieved by 17 June 2016 and in each of the three years following this date.

NOTE 5: SUBSEQUENT EVENTS

The following events subsequent to the balance date have occurred:

With regard to the takeover offer for Gulf Alumina announced on 2 December 2015, on 5 January 2016 the Company announced it had received acceptances for 16.3 million Gulf shares (or 19.1% of the total shares on issue in Gulf Alumina). In addition to this, the Company also holds 2.5 million Gulf shares (or 2.9% of the total shares on issue in Gulf Alumina) that were part of the acquisition agreement as announced to the ASX on 2 December 2015. The total of these two tranches is 18.8 million Gulf shares or 22.1% of Gulf's shares on issue.

On 21 January 2016, the Company announced it had secured a Native Title and Land Access Agreement with the traditional owners and Trustee owners of the land for its Bauxite Hills Project.

On 27 January 2016, the Company announced a Pre-Feasibility Study for the Bauxite Hills Project based on a 4Mtpa operation.

Other than the matters disclosed above, no matter or circumstance has arisen since 31 December 2015 that has significantly affected or may significantly affect the operations, results or state of affairs of the consolidated entity in the following or future years.

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Notes to the Financial Statements for the half-year ended 31 December 2015

NOTE 6: SEGMENT REPORTING

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. The consolidated entity is managed primarily on a geographic basis, that is the location of the respective areas of interest (tenements) in Australia. Operating segments are determined on the basis of financial information reported to the board which is at the consolidated entity level. The consolidated entity does not have any products/services it derives revenue from.

Accordingly, management currently identifies the consolidated entity as having only one reportable segment, being exploration for coal and bauxite. There have been no changes in the operating segments during the half-year. Accordingly, 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.

NOTE 7: TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Metro Mining Limited.

In the prior half-year ended 31 December 2014 the group acquired the remaining shares in Cape Alumina Limited, offering existing Cape Alumina shareholders 1 Metro Mining share for every 1.3 shares held in Cape Alumina. The fair value of the Metro Mining shares issued as consideration was \$2,341,922. The carrying amount of the non-controlling interest in Cape Alumina immediately prior to the purchase was \$296,523. The excess of the consideration paid over the decrease in the carrying amount of the non-controlling interest in Cape Alumina, being \$2,045,399, has been recognised in the "Change of interest in subsidiary reserve".

**METRO MINING LIMITED
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Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 4 to 10 are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations*; and
 - b) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Stephen Everett
Chairman

Date: 24 February 2016

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Metro Mining Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Metro Mining Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Metro Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

BDO Audit Pty Ltd

BDO



A J Whyte

Director

Brisbane: 24 February 2016