



**Metro Mining Limited
and controlled entities**

ABN 45 117 763 443

Interim Financial Report

**for the Half-year Ended
31 December 2017**

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Metro Mining Limited
Directors' Report
31 December 2017

Your Directors present their interim financial report on the consolidated entity consisting of Metro Mining Limited (the Company, the Group, or Metro Mining) and the entities it controlled at the end of, or during, the half-year ended 31 December 2017.

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
- Simon Finnis Managing Director
- Lindsay Ward Independent Non-Executive Director
- Philip Hennessy Independent Non-Executive Director
- George Lloyd Independent Non-Executive Director
- Dongping Wang Non-Executive Director
- Jijun Liu Non-Executive Director
- Mark Sawyer 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
- Michael Haworth Alternate Director for Mark Sawyer

2. OPERATING RESULTS

The loss of the consolidated entity for the period was \$3,588,560 (31 December 2016: profit of \$3,172,801) after impairment losses of \$40,173 (31 December 2016: \$8,479). In the prior period, a gain of \$8,607,368 was recognised on the uplift of the value of the Group's 39% interest in Gulf Alumina Limited. The Group's comparative loss, excluding this item and the associated transaction costs of the business combination of \$3,449,498, was \$1,985,069.

3. REVIEW OF OPERATIONS

The key areas of focus for the Group during the period have been the construction of the Bauxite Hills Mine and preparations to operate the mine once construction is complete.

Bauxite Hills Mine

The Group's 2017 construction programme at Bauxite Hills Mine is largely complete with mining operations on schedule to start Q2 2018 after the end of the region's wet season.

The Group made several ASX releases detailing mine construction progress (See Construction Update 16 October 2017, AGM Address 21 November 2017 and Bauxite Hills Mine Commissioning 29 November 2017).

In summary, the marine infrastructure is complete and the barge loading facility was delivered, erected and successfully wet commissioned. The accommodation camp is 95% complete and the fuel farm and wash bay are onsite and to be commissioned shortly.

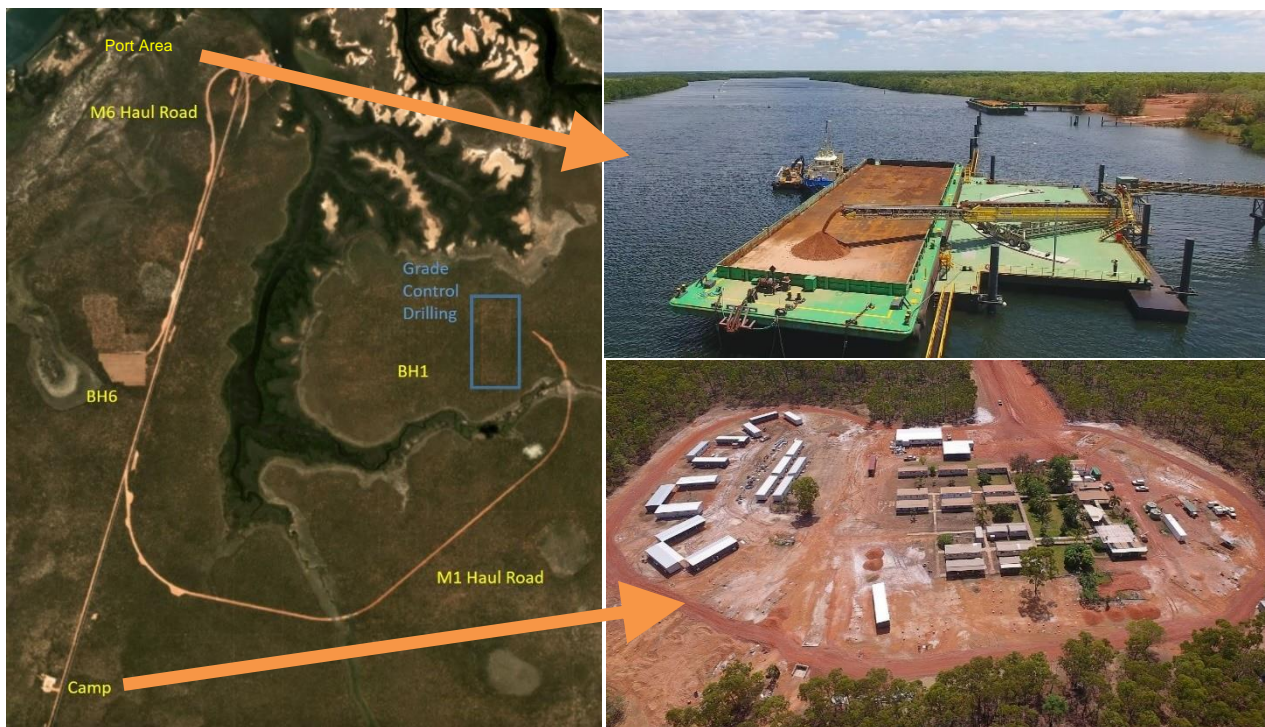
3. REVIEW OF OPERATIONS (continued)

Bauxite Hills Mine (continued)

The haul road to BH6 (the initial mining area) is complete and the road connection to BH1 is also substantially complete, with the final pavement to be completed after the wet season.

Works planned for the wet season include:

- Erection of telecommunications tower (subject to local development approval);
- Cabling and piping at the port area;
- Construction of office;
- Installation of screening plant; and
- Pathways and landscaping at the camp.



Bauxite Hills Mine Map; Barge Loading Facility and Camp

The mine construction programme was completed on time with the civils crew demobilized on 22 December 2017.

The Group announced on 14 September 2017 that SAB Mining (SAB) had been awarded the mining contract for operations at the Bauxite Hills Mine. The award of this contract finalised all major mine contracts.



Port and loading area, Skardon River, Bauxite Hills Mine

3. REVIEW OF OPERATIONS (continued)

Employment and Community Relations

Metro Mining has agreements with the Ankamuthi people, the traditional owners of the land, to provide work and training for the local people. At one point during the construction phase, 42% of the combined workforce from Metro Mining and our contractors SAB Mining, TSA and Cater Care were traditional owners. In 2018 we will continue to work with our contractors to ensure that we achieve our local recruiting targets. Our barge contractor, Dadaru, is currently resourcing 22 personnel from the local community to be trained, certified and employed on the barge fleet as loader, dozer and crane operators, and as deckhands. Metro Mining is employing several trainee technicians from the Ankamuthi people who will serve apprenticeships to attain Cert III qualifications in their chosen careers and, on completion, will take up roles as fully qualified geology, laboratory and environmental technicians.

Bauxite Sales

The Group has been focussed on progressing its bauxite off-take arrangements in advance of operations commencing in Q2 2018. The Group announced on 21 December 2017 that it had signed a non-binding bauxite offtake Memorandum of Understanding (MoU) with the Chinese state-owned enterprise, SPIC Aluminium and Electric Power Investment Co. Ltd (SPIC).

SPIC is a very significant Chinese state-owned enterprise. The MoU covers supply of 6.5 Mt of bauxite over 4 years from 2018.

The MoU with SPIC is in addition to the binding 7Mt, 4-year offtake agreement signed with Xinha (ASX Release 13 Oct 2016) and the non-binding Letter of Intent with Lubei Chemicals (ASX Release 30 May 2017). Negotiations with Lubei Chemicals and SPIC regarding binding offtake agreements continue.

Equity Funding

The Group announced on 19 July 2017 that it had completed a bookbuild to raise \$38M at an issue price of \$0.135 per share (Institutional Placement).

The Institutional Placement was heavily oversubscribed with strong support from existing institutional shareholders and significant demand from new major domestic and international institutional investors.

Greenstone Resources participated to maintain its 19.9% stake via its anti-dilution rights.

Argonaut was sole lead manager to the Institutional Placement with Morgans co-manager for Australia and Tamesis co-manager for Europe.

Debt Funding

The Group announced on 1 August 2017 that it had executed final agreements with Sprott Private Resource Lending (Sprott) and Inगतatus AG Pty Ltd (Inगतatus), a related party of Metro Mining's strategic cornerstone shareholder, Balanced Property, for debt finance facilities of approximately A\$39.4M (based on 0.784 AUD/USD - half of the debt is denominated in USD). The Group has commenced drawdown from these facilities, with US\$5M still to be drawn down, subject to the Group meeting certain conditions precedent.

Sprott and Inगतatus were selected as preferred debt providers following a global, competitive and rigorous tender process.

This funding meant that the Group was fully funded and focused on executing the development and construction of the Bauxite Hills Mine.

Argonaut acted as Metro Mining's financial advisor for the debt financing.

3. REVIEW OF OPERATIONS (continued)

Exploration

The Group has exploration exposure that covers over 1,800km² of tenement holdings (including Bauxite Hills) on Cape York, Queensland.

All tenements are well located on the lateritic plateaus that host bauxite mineralisation with close proximity to the coast. This provides the Group with exploration potential around the Bauxite Hills Mine for internal growth.

Ongoing exploration work planned for 2018 includes reconnaissance sampling, drilling of priority targets and identification of other opportunities on Cape York and in other prospective locations.

The Group spent a total of \$422k on exploration activities during the period (2016: \$1.806M).

Other Activities

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

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

4. EVENTS SUBSEQUENT TO BALANCE DATE

The following event subsequent to the balance date has occurred:

The Group entered into a contract for the provision of flight services to the Bauxite Hills Mine. The contract is for 7 years with a minimum commitment of USD\$2.1million over the contract term. The contract contains usual provisions for force majeure, termination for convenience (subject to payment of the minimum amount) and termination for non-performance.

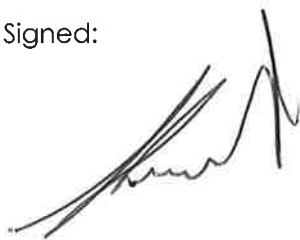
Other than the matter disclosed above, no matter or circumstance has arisen since 31 December 2017 that has significantly affected or may significantly affect the operations, results or state of affairs of the consolidated entity in the following or future years.

5. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under Section 307C of the *Corporations Act 2001* is set out on page 5 for the half-year ended 31 December 2017.

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

Signed:



Stephen Everett
Chairman

Date: 21 February 2018

Auditor's Independence declaration to the Directors of Metro Mining Limited

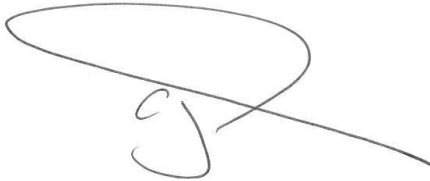
As lead auditor for the review of Metro Mining Limited for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

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

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



Ernst & Young



Andrew Carrick
Partner
21 February 2018

Metro Mining Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2017

	Note	31 Dec 2017	31 Dec 2016
		\$	\$
Gain on fair value adjustment of available-for-sale assets	2.	-	8,607,368
Other income		170,509	132,188
		<hr/>	<hr/>
		170,509	8,739,556
Acquisition expenses	2.	-	(3,449,498)
Employee benefits expense		(1,324,306)	(607,682)
Consulting fees expense		(502,428)	(447,617)
Administrative expense		(421,118)	(112,368)
Marketing expense		(374,595)	(32,309)
Pre-production expenses		(342,718)	-
Occupancy expenses		(81,821)	(76,870)
Corporate finance expenses		(7,932)	(331,553)
Depreciation and amortisation		(140,842)	(9,963)
Impairment of exploration and evaluation assets		(40,173)	(8,479)
Movement in fair value of options not designated as hedges		(165,434)	-
Other expenses		(206,648)	(198,767)
		<hr/>	<hr/>
Results from operating activities		(3,437,506)	3,464,450
Finance income		157,799	83,530
Finance expense		(308,853)	(375,179)
		<hr/>	<hr/>
(Loss)/profit before income tax		(3,588,560)	3,172,801
Income tax benefit/(expense)		-	-
		<hr/>	<hr/>
Net (loss)/ profit for the period after income tax		(3,588,560)	3,172,801
Other comprehensive to be reclassified to the profit or loss statement in subsequent periods, net of tax		70,878	1,914
		<hr/>	<hr/>
Total comprehensive (loss)/ profit, net of tax		(3,517,682)	3,174,715
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive (loss)/profit attributable to:			
Owners of the Company		(3,517,682)	3,175,269
Non-controlling interests		-	(554)
		<hr/>	<hr/>
		(3,517,682)	3,174,715
		<hr/> <hr/>	<hr/> <hr/>
		Cents	Cents
Basic profit/(loss) per share		(0.28)	0.63
Diluted profit/(loss) per share		(0.28)	0.63

The accompanying notes form part of these financial statements.

Metro Mining Limited
Consolidated Statement of Financial Position
As at 31 December 2017

	Note	31 Dec 2017	30 Jun 2017
		\$	\$
Current assets			
Cash and cash equivalents		19,035,264	15,345,709
Trade and other receivables		1,619,839	774,678
Financial assets		88,099	-
Other assets	6.	1,252,365	165,668
Total current assets		<u>21,995,567</u>	<u>16,286,055</u>
Non-current assets			
Financial assets		268,100	16,251
Exploration and evaluation assets		6,768,380	6,639,383
Property, plant and equipment	5.	121,475,887	77,251,358
Other assets	6.	6,402,204	2,079,454
Total non-current assets		<u>134,914,571</u>	<u>85,986,446</u>
TOTAL ASSETS		<u>156,910,138</u>	<u>102,272,501</u>
Current liabilities			
Trade and other payables		3,255,276	4,682,301
Borrowings	7.	1,423,952	15,374,188
Provisions	8.	115,391	81,261
Total current liabilities		<u>4,794,619</u>	<u>20,137,750</u>
Non-current liabilities			
Borrowings	7.	30,981,786	211,713
Provisions	8.	5,033,869	1,145,645
Total non-current liabilities		<u>36,015,655</u>	<u>1,357,358</u>
TOTAL LIABILITIES		<u>40,810,274</u>	<u>21,495,108</u>
NET ASSETS		<u>116,099,864</u>	<u>80,777,393</u>
Equity			
Contributed equity	9.	158,395,238	122,187,029
Reserves		9,120,680	6,417,858
Accumulated losses		<u>(51,416,054)</u>	<u>(47,827,494)</u>
TOTAL EQUITY		<u>116,099,864</u>	<u>80,777,393</u>

The accompanying notes form part of these financial statements.

Metro Mining Limited
Consolidated Statement of Changes in Equity
For the half year ended 31 December 2017

	Contributed equity \$	Foreign currency translation reserve \$	Cash flow hedge reserve \$	Options reserve \$	Accum. losses \$	Controlling interest \$	Non- controlling interest \$	Total equity \$
Balance at 1 July 2017	122,187,029	(6,860)	-	6,424,718	(47,827,494)	80,777,393	-	80,777,393
Loss after income tax expense for the half-year	-	-	-	-	(3,588,560)	(3,588,560)	-	(3,588,560)
Other comprehensive income for the half-year, net of tax	-	(713)	-	-	-	(713)	-	(713)
Fair value changes in cash flow hedges	-	-	71,591	-	-	71,591	-	71,591
Total comprehensive income for the half-year	-	(713)	71,591	-	(3,588,560)	(3,517,682)	-	(3,517,682)
<i>Transactions with owners in their capacity as owners</i>								
Share-based payments	-	-	-	2,631,944	-	2,631,944	-	2,631,944
Shares issued during the period	38,342,500	-	-	-	-	38,342,500	-	38,342,500
Transaction costs	(2,134,291)	-	-	-	-	(2,134,291)	-	(2,134,291)
Total transactions with owners	36,208,209	-	-	2,631,944	-	38,840,153	-	38,840,153
Balance at 31 December 2017	158,395,238	(7,573)	71,591	9,056,662	(51,416,054)	116,099,864	-	116,099,864
Balance at 1 July 2016	56,105,993	(3,145)	-	5,783,311	(45,455,258)	16,430,901	-	16,430,901
Loss after income tax expense for the half-year	-	-	-	-	3,173,355	3,173,355	(554)	3,172,801
Other comprehensive income for the half-year, net of tax	-	1,914	-	-	-	1,914	-	1,914
Total comprehensive income for the half-year	-	1,914	-	-	3,173,355	3,175,269	(554)	3,174,715
<i>Transactions with owners in their capacity as owners</i>								
Share-based payments	-	-	-	20,157	-	20,157	-	20,157
Shares issued during the period	13,226,845	-	-	-	-	13,226,845	-	13,226,845
Transaction costs	(582,297)	-	-	-	-	(582,297)	-	(582,297)
Total transactions with owners	12,644,548	-	-	20,157	-	12,664,705	-	12,664,705
<i>Other</i>								
Recognition of non-controlling interest in Gulf Alumina Limited	-	-	-	-	-	-	45,036	45,036
Balance at 31 December 2016	68,750,541	(1,231)	-	5,803,468	(42,281,903)	32,270,875	44,482	32,315,357

The accompanying notes form part of these financial statements.

Metro Mining Limited
Consolidated Statement of Cashflows
For the half year ended 31 December 2017

	Note	31 Dec 2017	31 Dec 2016
		\$	\$
Cash flows from operating activities			
Receipts in the course of operations		186,276	199,656
Payments to suppliers and employees		(3,473,973)	(2,552,327)
Interest received		118,636	57,831
Net cash used in operating activities		<u>(3,169,061)</u>	<u>(2,294,840)</u>
Cash flows from investing activities			
Proceeds from sale of tenements		-	55,000
Payments for property, plant and equipment		(990,086)	(9,128)
Payments for exploration and evaluation assets		(422,804)	(1,806,670)
Payments for assets under construction		(37,247,474)	-
Payments for financial assurance		(4,493,710)	-
Payment for acquisition of investment		-	(8,957,338)
Payment for acquisition of subsidiary		-	(31,517,984)
Interest received		78,359	-
Cash acquired on acquisition of subsidiary		-	227,737
Net cash used in investing activities		<u>(43,075,715)</u>	<u>(42,008,383)</u>
Cash flows from financing activities			
Interest paid	7.	(1,125,530)	-
Finance costs paid	7.	(2,859,735)	(1,615,975)
Payment of finance lease liabilities	7.	(59,131)	-
Loan advanced to joint venture partner		(6,791)	-
Proceeds from issue of shares		38,000,000	9,250,750
Proceeds from exercise of options		342,500	-
Share issue transaction costs		(2,134,291)	(582,299)
Proceeds from borrowings	7.	32,752,235	48,500,000
Repayment of borrowings	7.	(15,000,000)	(2,470,020)
Net cash from financing activities		<u>49,909,257</u>	<u>53,082,456</u>
Net increase in cash and cash equivalents		3,664,481	8,779,233
Cash and cash equivalents at the beginning of the half-year		15,345,709	2,684,309
Effects of foreign exchange		25,074	-
Cash and cash equivalents at the end of the half-year		<u>19,035,264</u>	<u>11,463,542</u>

The accompanying notes form part of these financial statements.

Metro Mining Limited
Notes to the Financial Statements
For the half-year ended 31 December 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2017 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Metro Mining Limited and its controlled entities (referred to as the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the half-year.

These interim financial statements were authorised for issue on 21 February 2018.

b) Accounting policies

i) AASB 15 Revenue from contracts with customers

The Group has decided to early adopt AASB 15 *Revenue from Contracts with Customers*, as permitted, from 1 July 2017. The Group has no material revenues in the current or prior periods to which this standard currently applies, therefore there are no effects of this early adoption which would require additional disclosure.

ii) AASB 9 Financial instruments

The Group has also decided to early adopt AASB 9 *Financial Instruments*, as permitted, from 1 July 2017. During the current half-year, the Group has entered into hedge arrangements to manage the downside risks from the first 15 months of production. The hedges are designated cash flow hedges and meet the requirements to be hedge accounted. The net effect of the early adoption is to recognise a financial asset for the fair value of the hedge book at inception (2017 \$427,000; 2016: \$nil); and recognise the movement in the fair value of the hedge book at 31 December 2017 in a cash flow hedge reserve in equity (2017: \$71,591; 2016: \$nil).

The only financial instruments noted at 30 June 2017 to which AASB 9 *Financial Instruments* would have been applied are cash and trade receivables, which are held at amortised cost. The value of these assets has been assessed and there are no lifetime credit losses to be recognised on adoption.

The following is the new accounting policy for financial assets and financial liabilities that the Group has adopted under AASB 9 *Financial Instruments* from 1 July 2017:

i) Financial assets

Classification, initial recognition and measurement

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Accounting policies (continued)

i) Financial assets (continued)

Management classifies its investments at initial recognition and re-evaluates this classification each reporting date.

Regular purchases and sales of financial assets are recognised on trade-date (the date on which the Group commits to purchase or sell the asset). Financial assets not carried at FVTPL are initially recognised at fair value plus transaction costs. Financial assets carried at FVTPL are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss and other comprehensive income.

Subsequent measurement

Financial assets at amortised cost

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. This category generally applies to trade and other receivables.

Financial assets at fair value through profit or loss

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

Financial assets at fair value through other comprehensive income

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

Derecognition

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Accounting policies (continued)

i) Financial assets (continued)

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

Impairment of financial assets

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

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

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

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

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

ii) Financial liabilities

Initial recognition and measurement

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

Subsequent measurement

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Accounting policies (continued)

ii) Financial liabilities (continued)

Financial liabilities at fair value through profit or loss

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

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income, unless capitalised as borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset in accordance with AASB 123 *Borrowing Costs*. This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 7.

Derecognition

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

iii) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Accounting policies (continued)

iii) Derivative financial instruments and hedge accounting (continued)

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

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

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

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

Apart from as noted above, 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 or amended Accounting Standards

The Group has considered the implications of new or amended Accounting Standards and has determined that, apart from the effects of AASB 16 *Leases* as noted below, their application to the financial statements is either not relevant or not material.

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

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

The main changes introduced by the new Standard include:

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

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

Applying AASB 16 to the Group's financial statements at 31 December 2017 would not result in a material change to those disclosures made in the 30 June 2017 financial report.

Metro Mining Limited
Notes to the Financial Statements
For the half-year ended 31 December 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Significant Judgments and estimates

i) Capitalisation of project development costs

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

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

The development assets will be categorised and amortised over their useful lives once the assets are deemed ready for intended use.

ii) Going concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

Consistent with the Group constructing its Bauxite Hills Mine during the half year ended 31 December 2017, the Group reported net operating cash outflows of \$3,169,061 and cash used in investing activities of \$43,075,715. These cash outflows were funded by cash proceeds from:

- The Group's oversubscribed \$38M share placement to institutional and sophisticated investors; and
- Project finance of the equivalent of A\$40M (on commercial terms) raised during the half year ended 31 December 2017.

As at 31 December 2017, the Group has cash of \$19,035,264 and undrawn loan facilities of US\$5M under its Sprott Private Resource Lending facility (refer Note 7(c)).

At 31 December 2017, the construction of the Bauxite Hills mine was substantially complete and the commencement of mining operations is on schedule for Q2 2018. This being the case, the Directors are satisfied that the Group has sufficient cash available to complete the construction of the Bauxite Hills mine and fund its operations during the commissioning period.

Once production and sales commence in Q2 2018, the Bauxite Hills mine is forecast to generate operating cash inflows sufficient to meet the Group's capital and corporate expenditure as well as its various cash outflows for financing costs for a period of not less than twelve months from the date of this financial report.

In the unlikely event of a significant delay to commencement of production at the Bauxite Hills mine, the Company retains its ability to raise additional capital to ensure it can pay its debts as and when they become due and payable.

Metro Mining Limited
Notes to the Financial Statements
For the half-year ended 31 December 2017

2. LOSS FOR THE PERIOD

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

	31 Dec 2017	31 Dec 2016
	\$	\$
Gain on fair value adjustment of available-for-sale financial assets (i)	-	8,607,368
Gulf acquisition expenses	-	<u>(3,449,498)</u>

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

3. DIVIDENDS

No dividends were declared or paid during the interim period.

4. SEGMENT REPORTING

Identification of reportable operating segments

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

The Group is managed primarily on a geographic basis; that is the location of the respective areas of interest (tenements). Areas of interest in Australia and Myanmar are not currently identified as separate operating segments. Activity in Myanmar in the current period relates solely to business development and is insignificant in comparison to the activity of the Group as a whole. On 8 December 2016, the Company announced that the Group's interest in the Mahar San exploration project in Myanmar had been farmed out to PanAust Limited. Accordingly, management currently identifies the Group as having only one reportable segment, being exploration for coal and bauxite. All significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

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

Metro Mining Limited
Notes to the Financial Statements
For the half-year ended 31 December 2017

5. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$	\$
Plant and equipment		
Plant and equipment – at cost	1,512,582	504,822
Less: accumulated depreciation	<u>(233,750)</u>	<u>(190,131)</u>
	<u>1,278,832</u>	<u>314,691</u>
Leased plant and equipment – at cost	2,661,505	254,348
Less: accumulated depreciation	<u>(111,212)</u>	<u>(13,989)</u>
	<u>2,550,293</u>	<u>240,359</u>
Total plant and equipment	<u>3,829,125</u>	<u>555,050</u>
Other mineral assets – at cost	72,985,208	69,096,983
Assets under construction – at cost	44,661,554	7,599,325
Total property, plant and equipment	<u>121,475,887</u>	<u>77,251,358</u>

The additions during the period were attributable to the construction of the Bauxite Hills Mine operation.

6. OTHER ASSETS

	31 Dec 2017	30 Jun 2017
	\$	\$
<i>Current</i>		
Deferred borrowing costs	1,246,993	205,000
Accumulated amortisation	-	(45,493)
Other current assets	<u>5,372</u>	<u>6,161</u>
Total other current assets	<u>1,252,365</u>	<u>165,668</u>
<i>Non-current</i>		
Deferred borrowing costs	-	741,893
Financial assurance and other security deposits	6,402,205	1,330,001
Other non-current assets	<u>-</u>	<u>7,560</u>
Total other non-current assets	<u>6,402,205</u>	<u>2,079,454</u>

Metro Mining Limited
Notes to the Financial Statements
For the half-year ended 31 December 2017

7. BORROWINGS

	Consolidated	
	31 Dec 2017	30 Jun 2017
Current	\$	\$
<i>Unsecured liabilities</i>		
Lease liability (a)	1,086,943	39,037
Loans (b)	-	15,335,151
<i>Secured liabilities</i>		
Loans (b)	337,009	-
Total current borrowings	<u>1,423,952</u>	<u>15,374,188</u>
Non-current		
<i>Unsecured liabilities:</i>	\$	\$
Lease liability (a)	1,526,161	211,713
<i>Secured liabilities:</i>		
Loans (b, c)	32,820,513	-
Deferred borrowing costs	(3,953,814)	-
Accumulated amortisation	588,926	-
Total non-current borrowings	<u>30,981,786</u>	<u>211,713</u>

(a) Lease liabilities relate to the accommodation camp and light vehicles purchased on finance leases for the development of the Bauxite Hills Mine. During the period, the light vehicle fleet was increased from 6 vehicles at 1 July 2017 to 18 vehicles at 31 December 2017.

(b) The \$15.3M debt facility with Namrog Investments Pty Ltd, outstanding at 30 June 2017, was repaid on 2 August 2017 with the funds borrowed from Inगतatus AG Pty Ltd (Inगतatus), a related party of Namrog Investments Pty Ltd. The debt facility with Inगतatus is for a total of \$20M. The remaining \$5M available under this facility was drawn down on 29 September 2017.

The Inगतatus facility has a term of 3 years from the date of the final drawdown on the facility and, accordingly, the loan principal of \$20M has been classified as non-current borrowings. The current component of the loan balance represents accrued interest which is paid quarterly.

The Inगतatus facility incurs interest at 10% for the first year of the term, rising to 11% for the second year of the term and 12% thereafter.

(c) On 28 July 2017, the Company executed a US\$15M project debt facility with Sprott Private Resources Lending (Sprott). US\$5M was drawn down on execution of the facility agreement and a further US\$5M was drawn down on 19 December 2017. US\$5M remains undrawn as at 31 December 2017 and may be drawn down upon satisfaction of the remaining conditions precedent.

The Sprott facility has a term of 2.75 years and incurs an arrangement fee of 1% and an interest rate of 6.25% plus 3-month USD LIBOR (reset quarterly) for the term of the facility. The facility also incurs an anniversary fee of 2% of the loan account balance at each anniversary of its establishment.

Repayment of the loan principal commences in January 2019 at US\$1M per month until the loan account balance is repaid.

Sprott is the senior secured lender and Inगतatus has second ranking security.

Metro Mining Limited
Consolidated Statement of Cashflows
For the half year ended 31 December 2017

7. BORROWINGS (continued)

Reconciliation of cashflows

The following table reconciles the cash and non-cash movement in borrowings for the period.

	Opening balance 1 Jul 2017	Cashflow movements					Non-cash movements				Closing balance 31 Dec 2017
		Re- payments	Draw- downs	Interest paid	Other borrowing costs	New leases	Accrued interest	Other borrowing cost, net of amortisation	Effects of foreign exchange	Movt. in trade and other payables	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<i>Current</i>											
Short-term borrowings	15,335,151	(15,000,000)	-	(470,169)	-	-	472,027	-	-	-	337,009
Lease liabilities	39,037	(59,131)	-	-	-	1,107,037	-	-	-	-	1,086,943
	15,374,188	(15,059,131)	-	(470,169)	-	1,107,037	432,990	-	-	-	1,423,952
<i>Non-Current</i>											
Long-term borrowings	-	-	32,752,235	(655,361)	(2,859,735)	-	655,361	(1,367,286)	68,725	861,285 ⁽¹⁾	29,455,224
Lease liabilities	211,713	-	-	-	-	1,314,448	-	-	-	-	1,526,161
	211,713	-	32,752,235	(1,125,530)	(2,859,735)	2,421,485	1,088,351	(1,367,286)	68,725	861,285	30,981,385
Total	15,624,938	(15,059,131)	32,752,235	(1,125,530)	(2,859,735)	2,421,485	1,088,351	(1,367,286)	68,725	861,285	32,405,337

(1) Accrued borrowing costs were included in the trade and other payables balance at 30 June 2017, which have been paid in cash during this period

Metro Mining Limited
Consolidated Statement of Cashflows
For the half year ended 31 December 2017

8. PROVISIONS

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$	\$
Current		
Employee leave provision	115,391	81,261
	<u>115,391</u>	<u>81,261</u>
Non-current		
Rehabilitation provision	5,033,869	1,145,645
	<u>5,033,869</u>	<u>1,145,645</u>

The additional rehabilitation provision in the period was due to the construction and pending operation of the Bauxite Hills mine.

9. CONTRIBUTED EQUITY

	Consolidated	
	31 Dec 2017	31 Dec 2017
	Shares	\$
Ordinary shares – fully paid	1,288,003,657	160,529,529
	<u>1,288,003,657</u>	<u>160,529,529</u>
Ordinary shares		
Balance at beginning of period	1,004,022,176	122,187,029
Shares issued during the year		
• 27 Jul 2017 - Issue of tranche 1 placement shares	201,040,612	27,140,483
• 8 Aug 2017 – Issue of tranche 1 placement shares	49,964,932	6,745,266
• 24 Aug 2017 – Issue of tranche 2 placement shares	24,426,054	3,297,517
• 5 Sep 2017 – Issue of tranche 2 placement shares	6,049,883	816,734
• 24 Oct 2017 – Exercise of Directors' options	500,000	68,500
• 17 Nov 2017 – Exercise of Directors' options	500,000	68,500
• 24 Nov 2017 – Exercise of Directors' options	1,000,000	137,000
• 29 Nov 2017 – Exercise of Directors' options	500,000	68,500
Transaction cost recognised during the period	-	(2,134,291)
	<u>1,288,003,657</u>	<u>158,395,238</u>

Metro Mining Limited
Notes to the Financial Statements
For the half-year ended 31 December 2017

10. SHARE OPTIONS AND PERFORMANCE RIGHTS

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

Grant Date	Expiry Date	Exercise Price	Balance at The Start of The Year	Number Granted	Number Exercised	Number Forfeited or Expired	Balance at The End of The Year
Options							
15/12/15	14/12/17	\$0.137	2,500,000	-	(2,500,000)	-	-
05/05/16	05/05/18	\$0.03	1,047,493	-	-	-	1,047,493
04/01/17	23/12/19	\$0.08	4,000,000	-	-	-	4,000,000
07/04/17	07/04/19	\$0.137	545,000	-	-	-	545,000
28/08/17	28/08/19	\$0.15	-	10,000,000	-	-	10,000,000
28/08/17	28/08/22	\$0.183	-	15,000,000	-	-	15,000,000
25/10/17	01/07/20	\$0.25	-	5,980,056	-	-	5,980,056
			8,092,493	30,980,056	(2,500,000)	-	36,572,549
Performance Rights							
02/06/17	31/07/18	-	3,575,863	-	-	-	3,575,863
Total options and performance rights			11,668,356	30,980,056	(2,500,000)	-	40,148,412

The weighted average remaining contractual life of options and performance rights outstanding at the end of the half-year was 3.0 years (2016: 0.3 years). 30,592,493 options were exercisable at the end of the half-year. No performance rights were exercisable.

Options exercised

In accordance with the terms of issue, 2,500,000 options issued to Directors of the Company on 15 December 2015 vested on 28 August 2017; the date on which the Department of Natural Resources and Mines granted the Mining Licence for the Bauxite Hills Mine.

At vesting, the original exercise price of \$0.15 was adjusted to \$0.137 to account for the dilutive effect of the issue of 281,481,481 placement shares in July and August of 2017.

After the vesting date and prior to the option expiry date of 14 December 2017, this option issue was exercised in full at an exercise price of \$0.137 per option. A total of \$342,500 was received by the Group for the issue of 2,500,000 shares.

Options granted

a) On 28 August 2017, in accordance with a Letter of Mandate dated 26 October 2016 between the Company and Argonaut, the Group's financial advisors, the Company granted 10,000,000 options over ordinary share capital in satisfaction of the terms of the Letter of Mandate. The 10,000,000 options vested on issue and expire on 27 August 2019. The fair value attributed to each option was \$0.076.

b) On 28 August 2017, the Company issued a further 15,000,000 options over ordinary share capital to Sprott Private Resource Lending (Sprott) in satisfaction of one of the terms for the provision of \$US15M of debt financing by Sprott to the Company. The 15,000,000 options vested on issue and expire on 28 August 2022. The fair value attributed to each option was \$0.112.

c) On 25 October 2017, in accordance with the terms of the Company's Employee Incentive Plan, the Company issued 5,980,056 options over ordinary shares to members of the senior management team. The fair value attributed to each option was \$0.157. The options granted to each grantee are in four tranches with each tranche subject to vesting conditions:

Metro Mining Limited
Notes to the Financial Statements
For the half-year ended 31 December 2017

10. SHARE OPTIONS AND PERFORMANCE RIGHTS (continued)

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

11. COMMITMENTS

Operating lease commitments – Group as lessee

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

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

Future minimum rentals payable under non-cancellable operating leases at 31 Dec 2017 are as follows:

	31 Dec 2017	30 Jun 2017
	\$	\$
Operating lease commitments		
Within one year	91,050	135,061
One to five years	265,497	326,832
Total commitments for expenditure	<u>356,547</u>	<u>461,893</u>

Finance lease commitments

	\$	\$
Payable – minimum lease payments:		
Within one year	1,197,815	53,648
One to five years	1,692,549	232,707
Minimum lease payments	2,890,364	286,355
Less: future finance charges	(277,259)	(35,605)
Present value of minimum lease payments	<u>2,613,105</u>	<u>250,750</u>

The finance leases include camp accommodation units (commencing Jan 2018 for 2 years, with lease payments in advance). The Company has also leased motor vehicles (commencing between May 2017 to November 2017) on 3-year leases, with lease payments made monthly in arrears.

Metro Mining Limited
Notes to the Financial Statements
For the half-year ended 31 December 2017

11. COMMITMENTS (continued)

	31 Dec 2017	30 Jun 2017
	\$	\$
Capital expenditure commitments		
<i>Capital expenditure commitments contracted for:</i>		
Capital expenditure – finance leased assets		
<i>Within one year</i>	1,381,735	1,534,765
<i>One to five years</i>	2,623,161	835,037
	<u>4,004,896</u>	<u>2,369,802</u>
Other expenditure commitments		
<i>Operational contracts</i>		
<i>Within one year</i>	7,478,763	-
<i>One to five years</i>	21,548,505	-
	<u>29,027,268</u>	<u>-</u>
Sawfish and Shark CSIRO research project:		
<i>Within one year</i>	157,663	157,663
<i>One to five years</i>	157,662	315,325
	<u>315,325</u>	<u>472,988</u>
Total capital expenditure commitments	<u><u>33,347,489</u></u>	<u><u>2,842,790</u></u>

Mine operations commitments relate to the minimum expenditure requirements the Company has under agreements signed with contractors appointed to provide services to the Bauxite Hills Mine. These contracts contain various clauses, including contractor penalties, termination for non-compliance and force majeure, which the Company may rely on to reduce the payment commitments outlined above in certain circumstances.

Capital commitments relate to non-cancellable expenditure commitments for the construction of the Bauxite Hills Mine. These primarily relate to the construction of the Fuel Farm and trucks and trailers.

Commitments on exploration tenements at 31 December 2017 have not materially changed since the 30 June 2017 financial report.

12. CONTINGENT LIABILITIES

There are no changes to those disclosures made in the 30 June 2017 financial report.

13. CONTINGENT ASSETS

Royalty income – Hey Point bauxite project

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

For the half-year ended 31 December 2017, no bauxite had shipped from the Hey Point bauxite project (31 December 2016: 64,000 tonnes) and no royalty income was accrued in the half-year.

Other than the contingent asset noted above, there is no other change to the disclosures made in the 30 June 2017 financial report.

14. SUBSEQUENT EVENTS

The following event has occurred subsequent to the balance date:

The Group entered into a contract for the provision of flight services to the Bauxite Hills Mine. The contract is for 7 years with a minimum commitment of USD\$2.1million over the contract term. The contract contains usual provisions for force majeure, termination for convenience (subject to payment of the minimum amount) and termination for non-performance.

Other than the matter disclosed above, no matter or circumstance has arisen since 31 December 2017 that has significantly affected or may significantly affect the operations, results or state of affairs of the Group in the following or future years.

Metro Mining Limited
Directors' Declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 1 to 24 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 Group's financial position as at 31 December 2017 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: 21 February 2018

Independent Auditor's Review Report to the Members of Metro Mining Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Metro Mining Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2017, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of description of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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, anything has come to our attention that causes us to 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 Group's consolidated financial position as at 31 December 2017 and its consolidated financial 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 the Group, 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*.



Ernst & Young



Andrew Carrick
Partner
Brisbane
21 February 2018