Metro Mining Limited
and controlled entities

ABN 45 117 763 443

Financial Statements for the Year Ended 30 June 2018

Metro Mining Limited
Corporate Directory
30 June 2018

Directors	Mr Stephen Everett – Independent Chairman Mr Simon Finnis – Executive Managing Director 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 (Retired 27 July 2018) Mr Jijun Liu – Non-Executive Director (Vacated office 30 May 2018) Mr Mark Sawyer – Non-Executive Director Mr Xiaoming Yuan - Alternate Director for Dongping Wang (Appointed Director 27 July 2018) Mr Ken Xiao - Alternate Director for Jijun Liu (Vacated office 30 May 2018) Mr Michael Haworth – Alternate Director for Mark Sawyer
Company secretary	Mr S Waddell (Resigned 23 Feb 2018) Ms A Treble (Appointed 23 Feb 2018)
Notice of annual general meeting	The annual general meeting of Metro Mining Limited will be held at the office of: McCullough Robertson Lawyers Level 11, 66 Eagle Street, Brisbane, Queensland 4000 Date: Tuesday 20 November 2018 Time: 11 am.
Registered office	Level 2, 247 Adelaide Street Brisbane, Queensland 4000 T +61 7 3009 8000 F +61 7 3221 4811
Principal place of business	Level 2, 247 Adelaide Street Brisbane, Queensland 4000
Share register	Link Market Services Limited Level 15, 324 Queen Street Brisbane, Queensland 4000
Auditor	Ernst & Young 111 Eagle Street Brisbane, Queensland 4000
Stock exchange listing	Metro Mining Limited shares are listed on the Australian Securities Exchange (ASX code: MMI)
Website address	www.metromining.com.au

Metro Mining Limited
Directors' Report
30 June 2018

Your directors present their report on the consolidated entity (referred to herein as the Consolidated Entity or the Group) consisting of Metro Mining Limited (the Company or Parent Entity) and its controlled entities for the financial year ended 30 June 2018.

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 M. Sawyer
Mr P. Hennessy	Mr S. Finnis
Mr G. Lloyd	Mr X. Yuan (Alternate for Mr D Wang, appointed director 27 July 2018)
Mr L. Ward	Mr M. Haworth (Alternate for Mr M Sawyer)
Mr D. Wang (retired 27 July 2018)	Mr K. Xiao (vacated office 30 May 2018)
Mr J. Liu (vacated office 30 May 2018)	

Review of Operations

The twelve months to 30 June 2018 has been an exciting period for the Company with financing, construction and commissioning of its flag-ship Bauxite Hills Mine on Western Cape York all completed. The mine commenced production in April 2018, ten months after construction commenced. The first shipment of 61,709 tonnes of bauxite left the site in early May 2018 for delivery to China's Xinfa Group. In the June 2018 quarter, the Company's first operating quarter, 445k tonnes of bauxite had been mined and 399k tonnes shipped to Chinese customers.

Bauxite Hills Project – Cape York, Queensland

Overview

Development of the Bauxite Hills Mine commenced in the September 2017 quarter following the awarding of contracts for construction of mine, marine and other site-based infrastructure. Following receipt of all Federal and State Government environmental approvals during the 2016/2017 financial year, on 29 August 2017 the Department of Natural Resources and Mines (Queensland) granted the Group three additional mining licences. Along with the existing Gulf Alumina mining licences, these make up the tenure upon which the Bauxite Hills Mine is based.

The Bauxite Hills Mine has a relatively simple operating plan. Following clearing of trees and removal of topsoil and overburden, bauxite ore is mined using front end loaders and trucked via dedicated haul roads to a Barge Loading Facility (BLF). The ore is screened to 100mm maximum size and loaded into special purpose barges which are towed down the Skardon River by tugs to an anchorage point in the Gulf of Carpentaria, where they are unloaded into Ocean Going Vessels (OGVs).

The Group had already acquired significant mine infrastructure through the acquisition of Gulf Alumina Limited in December 2016. This included an airstrip, light vehicle roads, a camp and a functioning port comprising a boat ramp, warehouse and other buildings. Additional infrastructure required to be constructed as part of the development included:

- Completion of civil works around the existing port including footings for the BLF conveyor, pad preparation for bauxite stockpiles and the construction of sediment dams;
- Construction of the BLF;
- Construction of a new material offloading facility;
- Installation of cyclone moorings and navigational aids in the Skardon River;
- Construction of a product sampling station, installation of an on-belt analyser and installation of laboratory facilities to support quality control;
- Construction of dedicated haul roads;
- Installation of IT and communications infrastructure;
- Construction of a new camp to upgrade the quality of site accommodation and facilities, and
- Upgrade of the airstrip and surrounding area.

Review of Operations (continued)

Following grant of the mining licences, mobilisation of the workforce to site was ramped up with the aim of largely completing the construction phase by the end of the 2017 calendar year and prior to the commencement of the summer wet season. By calendar year end, all major marine infrastructure projects had reached completion and the BLF had been constructed and successfully wet commissioned. The haul roads and extensions to the accommodation camp were substantially complete with final outstanding items completed in parallel with mine commissioning.

The mining and haulage fleets were mobilised to site and commissioned in early April 2018 in anticipation of allowing mining and stockpiling ahead of the arrival of the first OGV. However, due to an extended wet season and site evacuation caused by Tropical Cyclone Nora, mining activities commenced later than planned on 17 April 2018.

Commissioning issues, expected in any start-up operation, were magnified by wet mining conditions and wetter than usual ore which made it more difficult to handle. These issues were resolved during the initial operating period and by the end of the June 2018 quarter the mine was achieving targeted daily production levels.

The transhipment process has performed in line with expectations with no significant operational issues recorded. The original barge fleet of three 3,000 tonne barges was supplemented in June 2018 as planned by the commissioning of a larger 7,000 tonne barge. Daily barge loading rates steadily increased in line with the improved ore mining rates with bauxite loaded from site to ship averaging over 8,000 tonnes per day by the end of the June 2018 quarter.

Quality specifications of bauxite delivered to China have met contractual obligations. All sales have been undertaken under a Letter of Credit, allowing revenue to be received in a timely manner.

For the first operating quarter (30 June 2018) the Bauxite Hills Mine incurred a loss of $4,577,000 after depreciation and amortisation, whilst commissioning and ramp up activities were being undertaken. The Directors are pleased to report that production and transhipping are now at budgeted operating levels, unit costs are reducing to budgeted levels, and based on anticipated mining and ship loading rates for the remainder of the 2018 calendar year, the Company expects to achieve its targeted production of 2,000,000 Wet Metric Tonnes (WMT) for the year.

An excellent safety culture has always prevailed on site with all personnel and contracting partners embracing a safe working environment. Accordingly, the first quarter of operations resulted in a total of 172,939 working hours without an incident resulting in an injury/Lost Time Injury being recorded. This success is a result of strong commitment to safety by personnel across all levels of the Group and the contractor partners.

Major Contracts Awarded

In September 2017, the Company awarded the mining contract at Bauxite Hills Mine to SAB Bauxite Operations Pty Ltd, a subsidiary of SAB Mining (SAB). SAB is a private Queensland-based mining services company which had undertaken civil works for the Group during the mine construction phase. The contract covers major land-based activities including clearing and pre-strip, mining, operation of the haulage fleet, loading of barges via the BLF, rehabilitation of mined areas and maintenance of plant and equipment. SAB will also provide key mining equipment at a fixed monthly rate and ancillary equipment at an agreed hourly schedule of rates. The contract is for a two-year term with a two-year extension option at the Company's election.

Other contracts awarded included East Air for flights to and from site, Cater Care for on-site food and accommodation services and Trinity Petroleum for the supply of diesel fuel.

The Company had previously awarded the contract for all transhipment activities to Bauxite Transhipment Services Pty Ltd in February 2016.

Review of Operations (continued)

Indigenous Engagement

The Group has continued to promote engagement with the local communities in which it operates. Throughout the construction phase, the traditional owners of the land, the Ankamuthi people, and other indigenous employees, held approximately 40% of the positions created and participated in all facets of the construction program. This participation has been maintained as the Company has moved into production and far exceeds the Company's Indigenous workforce target of 20% in the first operating year.

Bauxite Sales

In addition to the existing 4-year Offtake Agreement in place with Shandong Xinfa Import and Export Co. Ltd (signed October 2016) and the non-binding Letter of Intent with Lubei Chemicals (signed May 2017), in December 2017, the Company signed a non-binding Memorandum of Understanding regarding a bauxite offtake agreement with the Chinese State-owned Enterprise, SPIC Aluminium and Electric Power Investments Co. Ltd. The non-binding Memorandum of Understanding covers 6.5 million tonnes of bauxite over four years from 2018.

Subsequent to year end, the Company announced that it has executed binding offtake agreements with other Chinese customers, meaning 90% of the mine's planned production for calendar year 2018 is now sold, along with 80% of the mine's planned production sold for calendar year 2019.

The Group's marketing strategy is focused on conversion of these existing non-binding agreements into long-term agreements and developing a broad customer base to supply bauxite into long-term evergreen contracts. Spot cargoes, trial shipments and offtake agreements are being negotiated with several Chinese customers. These sales will allow new customers to gain operating experience in processing the Group's bauxite with the intention of either incorporating it as part of feed stock to their existing refineries or incorporating it into the design of new coastal refineries.

Other Assets

Bundi Coal Assets (Surat Basin, Queensland)

For several years, limited expenditure has been incurred on the Group's Bundi coal assets while the Group's attention has been focussed on the development of the Bauxite Hills Mine.

Consistent with this strategic focus, it is unlikely the Group will engage in any substantial exploration and evaluation activity at its Bundi coal tenements in the short to medium term. At 30 June 2018, the Group regard the most likely manner of recovering value from the Bundi coal tenements to be through a transaction in which the Group disposes of an interest in the tenements (e.g. through trade sale, farm-out or joint venture arrangement).

As a result of the above analysis, the Group has identified exploration assets with a cumulative carrying amount of $5,065,000 which are not regarded as recoverable at 30 June 2018. This amount includes the Bundi coal tenements which have been impaired to $nil at 30 June 2018. The decision to further impair the Bundi coal tenements reflects the lack of recent comparable transaction data and other evidence to support the measurement of the recoverable amount of the Bundi coal tenements.

Mahar San Copper Project (Upper Myanmar)

The Group had previously entered into a farm-out arrangement with PanAust Limited (PanAust) in relation to the Group's interest in the Mahar San joint venture. Under the terms of the arrangement, PanAust had the exclusive option to explore the Mahar San Copper Project for one year in exchange for funding all operating costs including an agreed drilling program. In June 2018, following completion of its initial exploration program (and expenditure of US$0.71 million), PanAust advised the Group of its intention to terminate the farm-out arrangement as allowed under the terms of the agreement. The Group is currently assessing future options for the project.

Staff and Board Changes

In February 2018, Mr Scott Waddell, the Company's Chief Financial Officer and Company Secretary, resigned. He was replaced as Chief Financial Officer by Mr Duane Woodbury. Mr Woodbury was appointed initially in an acting capacity and then, following an extensive candidate review by the Board, in a permanent capacity. Ms Amy Treble, previously the Group's Assistant Company Secretary, was appointed to the position of Company Secretary.

The Board acknowledges the significant contribution made by director Mr Jijun Liu to the success of the Company. Mr Liu represented one of the Company's major shareholders, China Xinfa Group Corporation Limited, on the Board. Mr Liu passed away in May 2018.

Review of Financial Condition

The Company undertook two equity placements during the year. The first, an institutional placement of 281,481,481 shares at 13.5 cents completed in July 2017, raised $38 million. Together with previously negotiated debt financing packages of US$15 million from Sprott Private Resource Lending and A$20 million from Ingatatus AG Pty Ltd, this ensured that the Company was fully funded for construction and development of the Bauxite Hills Mine.

A second institutional placement of 87,500,000 shares at 20 cents per share, raising $17.5 million, was completed in June 2018. The placement was undertaken to strengthen the Group's balance sheet, ensuring sufficient working capital was available to the Group while production ramps up at the Bauxite Hills Mine and product sale negotiations continue. The success of the capital raising has put the Group in a strong financial position at 30 June 2018, with $23.3 million of cash on hand. A further $3.46 million of placement funding, subscribed for but outstanding at 30 June 2018, was received in July 2018.

The Group's risk management framework incorporates implementing a currency hedging program to manage the risks to sales revenue associated with a strengthening Australian dollar against the United States dollar during the first 15 months of operation. As part of this strategy, the Company holds US$ / A$ put options totalling US$52.4 million at an average strike price of A$0.85 with expiry dates staggered monthly during the Bauxite Hills operating periods in 2018 and 2019. The options protect revenue should the Australian dollar strengthen above US$0.85. The Company continues to actively monitor currency markets with a view to expanding the hedging program if attractive pricing opportunities arise.

Dividends Paid or Recommended

There were no dividends paid or returns of capital by the Company during the financial year ended 30 June 2018. The directors do not recommend the payment of a dividend and no amount has been declared or paid by way of a dividend since 30 June 2018 and to the date of this report.

Additional Information

The earnings of the Group for the five years to 30 June 2018 are summarised below:

	2018	**2017**	**2016**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Income	25,838	9,033	1,114	473	712
Net loss after tax	(17,378)	(2,372)	(6,834)	(2,773)	(15,695)

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

	2018	**2017**	**2016**	**2015**	**2014**
Share price at financial year end (cents per share)	21.5	14.5	7.0	6.0	3.0
Basic loss per share (cents per share)	(1.38)	(0.33)	(1.83)	(1.07)	(7.45)

Shares Under Option or Subject to Performance Rights

At the date of this report, the unissued ordinary shares of the Company under option or subject to performance rights are as follows:

Grant Date	Expiry Date	Exercise Price	# of Options / Performance Rights
Options granted 04/01/2017	23/12/2019	$0.08	4,000,000
Options granted 07/04/2017	07/04/2019	$0.137	545,000
Options granted 28/08/2017	27/08/2019	$0.15	10,000,000
Options granted 28/08/2017	28/08/2022	$0.183	11,100,000
Options granted 25/10/2017	25/10/2021	$0.25	4,414,610
Performance rights granted 01/02/2018; issued 31/07/2018	31/07/2019	n/a	1,385,004
Total shares under option or subject to performance rights			31,444,614

A total of 3,900,000 shares relating to the exercise of options have been issued since year end. No amounts are unpaid on any shares.

Holders of options and performance rights do not have any rights to participate in any issues of shares or other interests of the Company or any other entity.

Other than the performance rights issued in July 2018 (listed in the table above), there have been no options or performance rights granted over unissued shares or interests in any controlled entity within the Group since the end of the reporting period.

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

During the year ended 30 June 2018, the following ordinary shares of the Company were issued on exercise of options and performance rights granted.

Description	Grant Date	Exercise Price	Number of Shares Issued
Employee Incentive Plan – Options	15 Dec 2015	$0.137	2,500,000
Employee Incentive Plan – Options	05 May 2016	$0.027	1,047,493
Employee Incentive Plan – Vested and Exercised Performance Rights	02 June 2017	n/a	2,985,239
			6,532,732

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 the directors and officers of Metro Mining Limited. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The *Corporations Act 2001* does not require disclosure of the information in these circumstances.

Indemnity and Insurance of Auditor

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

Proceedings on Behalf of the Company

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

Environmental Regulation and Performance

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

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

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

Non-Audit Services

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 28 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 28 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 Ernst &Young

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 29 of the financial report.

Information on Directors

Name:	**Stephen Everett**
Title:	Independent non-executive chairman appointed 12 July 2012
Qualifications:	Bachelor of Engineering (Chem Eng. Honours), MAICD
Experience and expertise:	Mr Everett has forty years management and board experience in the resources and construction industries and has held chairman and non-executive director positions on government development boards and private, ASX listed and TSX listed companies. Mr Everett has also held senior executive positions included managing director and chief executive officer of private and publicly listed companies.
Other current directorships:	None.
Former directorships (in the last 3 years):	▪ Chairman of Agrimin Limited (formerly Global Resources Corporation Limited) Appointed April 2009, Resigned April 2016.
Special responsibilities:	Member of the Audit and Risk Committee and Member of the Remuneration and Nomination Committee.
Interests in shares:	4,391,078 ordinary shares.
Interests in options:	None.

Name:	**Simon Finnis**
Title:	Executive managing director appointed 6 January 2017
Qualifications:	Master of Business and Technology
Experience and expertise:	Mr Finnis has over 30 years' experience in underground and open cut mining operations nationally and internationally. Before joining the Company in January 2015, Mr Finnis was chief executive officer of Grand Cote Operations in Senegal. He previously served as managing director of Global Resources Corporation Limited and was general manager for the Pooncarie Mineral Sands project in the Murray Basin, NSW, where he oversaw development from feasibility through to operations. At Metro Mining Limited Mr Finnis has successfully overseen capital raisings, government permitting, product marketing, traditional owner agreements and, most recently, the commencement of production at the Bauxite Hills Mine.
Other current directorships:	None.
Former directorships (in the last 3 years):	None.
Special responsibilities:	Managing Director and Chief Executive Officer.
Interests in shares:	4,524,581 ordinary shares.
Interests in options:	2,538,836 options.
Interests in performance rights:	455,967 performance rights (issued 31 July 2018).

Information on Directors (continued)

Name:	**Philip Hennessy**
Title:	Independent non-executive director appointed 30 September 2014
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 finance and company reconstruction across a variety of industries including construction, manufacturing, mining, professional services, agriculture and financial services. 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 Alternative Investments Limited. Appointed February 2017.
Former directorships (in the last 3 years):	▪ Blue Sky Alternatives Access Fund Limited. Appointed 15 April 2014. Resigned May 2017; and ▪ Collection House Limited. Appointed 28 August 2013. Ceased 28 November 2017
Special responsibilities:	Chairman of the Audit and Risk Committee.
Interests in shares:	3,178,573 ordinary shares.
Interests in options:	None.

Name:	**George Lloyd**
Title:	Independent non-executive director appointed 8 April 2015
Qualifications:	Bachelor of Engineering Science (Industrial Engineering), Master of Business Administration
Experience and expertise:	Mr Lloyd has over 30 years of resource industry experience including senior executive and board member roles in listed and unlisted companies with interests in minerals, energy, industry services and corporate finance. Mr Lloyd holds a Bachelor of Engineering Science (Industrial Engineering) and a Master of Business Administration, both from the University of NSW. He is also a graduate of the Stanford Executive Program. Mr Lloyd is a Fellow of the Australian Institute of Company Directors (AICD).
Other current directorships:	▪ Ausenco Pty Limited (Chairman). Appointed 13 May 2005. ▪ Melior Resources (TSX: MLR). Appointed 22 June 2018.
Former directorships (in the last 3 years):	▪ Pryme Energy Limited. Resigned December 2015.
Special responsibilities:	Member of the Remuneration and Nomination Committee.
Interests in shares:	1,806,437 ordinary shares.
Interests in options:	None.

Information on Directors (continued)

Name:	**Lindsay Ward**
Title:	Independent non-executive director appointed 4 October 2011
Qualifications:	Graduate Diploma of Business Management, Bachelor of Applied Science (Geology), Diploma of Mining, Graduate Member of the Australian Institute of Company Directors.
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.
Other current directorships:	None.
Former directorships (in the last 3 years):	▪ Cape Alumina Limited. Appointed May 2014. Resigned February 2015.
Special responsibilities:	Member of Audit and Risk Committee and Chair of the Remuneration and Nomination Committee.
Interests in shares:	1,330,358 ordinary shares.
Interests in options:	None.

Name:	**Mark Sawyer**
Title:	Non-executive director appointed 28 July 2016
Qualifications:	LLB (Hons)
Experience and expertise:	Mr Sawyer co-founded Greenstone Resources in 2013 after a 16-year career in the mining sector. Prior to establishing Greenstone Resources, Mr Sawyer was general manager and co-head Group Business Development at Xstrata plc where he was responsible for originating, evaluating and negotiating new business development opportunities. Prior to Xstrata plc, Mr Sawyer held senior roles at Cutfield Freeman & Co, a boutique corporate advisory firm in the mining industry, and at Rio Tinto plc. Mr Sawyer holds a law degree and is also a graduate of the College of Law program (First Class Honours). Mr Sawyer is a director and a joint 50% owner of Greenstone Management Limited (GML). GML is the indirect owner of 100% of Greenstone Management (Delaware) II LLC which holds 273,388,740 ordinary shares in the Company.
Other current directorships:	▪ North River Resources Plc; and ▪ Heron Resources Ltd. ▪ Serabi Gold (AIM/TSV)
Former directorships (in the last 3 years):	None.
Special responsibilities:	Member of the Audit and Risk Committee and Member of the Remuneration and Nomination Committee.
Interests in shares:	None other than as noted above.
Interests in options:	None.

Information on Directors (continued)

Name:	**Dongping Wang**
Title:	Non-executive director (appointed 8 December 2011 and retired on 27 July 2018)
Qualifications:	Bachelor of Coal Preparation
Experience and expertise:	Mr Wang graduated from the China University of Mining and Technology (CMUT) in 1981 with a bachelor's degree in coal processing technology. For many years Mr Wang was process plant manager, and later director of operations, at Pingshuo Antaibao coal mine; a World Bank funded USA – China joint venture project. Mr Wang then became general manager of Long-Airdox (Tianjin) where from 1997 he was instrumental in introducing modern coal process technology from Australia to China. Mr Wang became general manager of Schenck (Tianjin) and worked there from 2001 until 2007. Mr Wang then helped establish the Dadi Engineering Development Group, now China's largest engineering group in the coal industry. Mr Wang has worked at the highest level within the Chinese coal industry for over 30 years and is a highly renowned coal processing expert, and a prominent figure in the Chinese coal industry. Mr Wang brings extensive management experience and an intimate knowledge of modern coal process technology to the Company. Mr Wang is chairman of the Dadi Engineering Development Group which, together with associated entities, holds 78,168,678 ordinary shares in the Company.
Other current directorships:	None.
Former directorships (in the last 3 years):	None.
Special responsibilities:	None.
Interests in shares	500,000 ordinary shares and those noted above.
Interests in options	None.

Name:	**Xiaoming Yuan**
Title:	Alternate director for Mr Dongping Wang (appointed alternate on 1 December 2014 and director on 27 July 2018)
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 a substantial shareholder. Mr Yuan is a graduate of mining engineering from China University of Mining and Technology (CUMT) with over 20 years' experience in the roles of mining engineer, business development, project management and corporate management for mining, construction and equipment manufacturing companies both in China and internationally.
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:	**Michael Haworth**
Title:	Alternate director for Mr Mark Sawyer, appointed 1 September 2016
Qualifications:	Chartered Accountant (SA)
Experience and expertise	Mr Haworth co-founded Greenstone Resources in 2013 after a 20-year career in the mining sector including roles as managing director at JP Morgan and head of Mining and Metals Corporate Finance in London. Mr Haworth is a director and a joint 50% owner of Greenstone Management Limited (GML). GML is the indirect owner of 100% of Greenstone Management (Delaware) II LLC which holds 273,388,740 ordinary shares in the Company.
Other current directorships:	▪ Excelsior Mining (TSX); ▪ Coro Mining (TSX); ▪ Adventus Zinc (TSX); ▪ Northern Vertex (TSX); ▪ Zanaga Iron Ore Co (AIM); and ▪ Ncondezi Energy Ltd (AIM).
Former directorships (in the last 3 years):	None.
Special responsibilities:	Member of the Audit and Risk Committee and Member of the Remuneration and Nomination Committee both as Alternate for Mr Mark Sawyer.
Interests in shares:	None other than as noted above.
Interests in options:	None.

Name:	**Jijun Liu**
Title:	Non-executive director (appointed 12 January 2015 and vacated office 30 May 2018)
Qualifications:	-
Experience and expertise:	Mr Liu was the managing director of the China Xinfa Group Corporation Limited which controls one of the largest alumina-aluminium enterprises in China. Mr Liu was also a member of various government committees. He studied thermal power plant engineering at Shandong Power Junior College. Mr Liu was 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:	**Ken Xiao**
Title:	Alternate director for Mr Jijun Liu (appointed 12 January 2015 and vacated office 30 May 2018)
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 exclude directorships in all other types of entities, unless otherwise stated.

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

Company Secretary

Mr S Waddell was appointed as Company Secretary on 19 May 2014 and resigned 23 February 2018.

Ms A Treble was appointed as Company Secretary on 23 February 2018.

Ms A Treble is a chartered accountant and chartered secretary, with over 17 years' experience as a senior finance professional delivering finance services and providing advice to managers, executives, committees and boards of ASX listed companies. This includes 12 years in the mining sector and 5 years within the Big 4 professional accounting firms both internationally and within Australia.

Meetings of Directors

The number of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2018, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	Attended	**Held**	**Attended**	**Held**	**Attended**	**Held**
Mr S Everett	13	13	7	7	4	4
Mr P Hennessy	13	13	7	7	-	-
Mr G Lloyd	13	13	-	-	3	4
Mr L Ward	13	13	6	7	4	4
Mr D Wang	-	13	-	-	-	-
Mr J Liu	-	11	-	-	-	-
Mr M Sawyer	9	13	4	7	2	4
Mr S Finnis	13	13	-	-	-	-
Mr X Yuan (alternate for Mr D Wang)	10	13	-	-	-	-
Mr K Xiao (alternate for Mr J Liu)	7	11	-	-	-	-
Mr M Haworth (alternate for Mr M Sawyer)	2	13	-	7	-	4

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

Remuneration Report - AUDITED

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

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

A 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 and performance rights 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 Group's policy for determining the nature and amounts of emoluments of board members and other key management personnel of the Group is set out below.

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

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

The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel. The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Remuneration Report – AUDITED (continued)

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

The remuneration structure for key management personnel, excluding non-executive directors, is set by the board of directors (the Board), based on recommendations received from the Remuneration and Nomination Committee. It is based on a number of factors including market remuneration for comparable companies, experience of the individual concerned and overall performance of the Group. The contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are outlined on page 21. The Group retains the right to terminate contracts immediately by making payment as allowed under the termination provisions provided in the individual's contact of employment.

Upon retirement or termination, key management personnel (excluding non-executive directors) are paid employee benefits accrued to date of retirement or termination. Other than as outlined in Section C, no other termination benefits are payable under service contracts. Any options or performance rights issued which are not exercised on or before the date of termination lapse one (1) month after termination.

Alignment to Shareholders' Interests

The executive remuneration framework:

- focuses on sustained growth in shareholder wealth, including growth in share price relative to peer group companies (ASX Mining and Metals Index), and delivering constant, or increasing, return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracts and retains high calibre executives.

Alignment to Program Participants' Interests

The executive remuneration framework:

- rewards capability and experience;
- reflects competitive rates of remuneration in respect of skills and responsibility;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

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

Non-executive Directors' Remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Remuneration and Nomination Committee, who make recommendations to the Board. The Remuneration and Nomination Committee has also agreed where necessary to seek the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

ASX Listing Rules require that the aggregate non-executive directors' remuneration shall be determined periodically by a general meeting of shareholders. The most recent determination was at the extraordinary general meeting held on 21 August 2017, where the shareholders approved an aggregate maximum non-executive directors' remuneration pool of up to $500,000 per annum.

Remuneration Report – AUDITED (continued)

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

Executive Remuneration

The Group aims to reward executives with a level and mix of remuneration based on their positions and responsibilities, and which is both fixed and variable.

The executive remuneration and reward framework has four components:

- fixed remuneration, compromising a base salary, employer super and non-monetary benefits;
- share-based payments (options and performance rights) with a Short-term (STI) and Long-term incentive (LTI);
- cash bonuses; and
- other remuneration such as long service leave.

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

Fixed Remuneration

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually by the Remuneration and Nomination Committee, based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and adds additional value to the executive.

Employee Incentives

The Company has established the Metro Mining Employee Incentive Plan (EIP) 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 EIP, the Company may offer shares, options or performance rights over unissued shares in the Company.

Group Performance and Link to Remuneration

Short-term Incentives

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

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

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

On 6 April 2018, approximately 80% of the STI issued for the 2017 calendar year performance were awarded to employees and executives, and 100% of this award was made in the form of performance rights, with the shares converted from rights subject to a 12-month voluntary escrow.

Remuneration Report – AUDITED (continued)

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

Short-term Incentives (continued)

Significant achievements in calendar year 2017 upon which the award above was based included the refinancing of the Company in early 2017 post the acquisition of Gulf Alumina Ltd in late 2016; receipt of final mine regulatory approvals; the successful raising of debt and equity funding for the construction of the Company's flagship Bauxite Hills mine; and substantial completion of the construction of the mine by the end of calendar year 2017. During calendar year 2017, the Company's market capitalisation increased from $80 million to $334 million, a rise of 315% whilst the ASX 300-Mining and Metals index increased by 22.3% over the same period.

Long-term Incentives

During the current financial year, the Group transitioned away from being an explorer/developer into an emerging Bauxite producer. From 1 July 2017 a Long-term incentive (LTI) was put in place to ensure a direct relationship between the Group's financial performance and achievement of longer term strategies and the level of remuneration paid to key management personnel. It also provides retention incentives for the executive management team, as is usual for a company of the size that Metro Mining Limited has become.

LTI's are issued by the Group in the form of share-based payments.

The share-based payment LTI has 60% of the incentive linked to achievement of the Company's longer-term strategic objectives and is prepared for the executive team by the Remuneration and Nomination Committee and approved by the Board of directors. The KPI include specific milestones and goals that have a strong relationship to the performance and success of the Company. The KPI issued in July 2017 included milestones such as progressing the Company's Bauxite Hills Mine toward production and successful commissioning; achievement of operating costs at better than forecast levels and achieving production ramp-up in years 2019-2020 (subject to Board approval).

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

The Company's share price must increase by at least 20% above the change in the index for the full 40% TSR to be granted and operates on a sliding scale to the point at which there are no TSR benefits to the employee if the Company share price reduces when compared to the index movement. The period for measuring the movement is 36 months, like the performance period for the strategic LTI KPI. The final awards are at the discretion of the Board and the Board may consider it inappropriate to award the LTI in the case where absolute TSR rather than relative TSR has declined in comparison to the ASX 300 Metal and Mining Index.

The LTI plan is limited to the managing director and the senior executive level employees.

The Company may issue options or performance rights to provide an incentive for key management personnel in line with industry standards and practice. Issuing equity-based incentives is also believed to align the interests of key management personnel with those of the Company's shareholders.

At the end of the performance year, the Board compares the actual performances of the managing director and the executive team against the performance criteria set by the Board for those individuals and assesses whether the conditions have been met. This method of assessment was chosen as it provides the Board with an objective assessment of the individual's performance.

The Board reviews the performance conditions to gauge their effectiveness against achievement of the set goals, and adjusts future years' incentives as they see fit, to ensure use of the most cost effective and efficient methods to align Company performance and executive incentives. All bonus and incentive payments are at the discretion of the Board.

Remuneration Report – AUDITED (continued)

B. Details of Remuneration

Amounts of Remuneration

Details of the remuneration of directors and other key management personnel of the Group are set out in the following tables. Key management personnel are defined as those who have the authority and responsibility for planning, directing and controlling the activities of the Group.

The key management personnel (KMP) of the Group consists of the directors of the Company and executives for the period of their tenure as outlined below:

- Mr Stephen Everett – Independent Chairman
- Mr Simon Finnis – Executive Managing Director
- 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 (Retired 27 July 2018)
- Mr Jijun Liu – Non-Executive Director (Vacated office 30 May 2018)
- Mr Mark Sawyer – Non-Executive Director
- Mr Xiaoming Yuan – Alternate Director for Dongping Wang (Appointed Director 27 July 2018)
- Mr Ken Xiao – Alternate Director for Jijun Liu (Vacated office 30 May 2018)
- Mr Michael Haworth – Alternate Director for Mark Sawyer
- Mr Michael O'Brien – Project Director
- Mr Scott Waddell – Chief Financial Officer and Company Secretary (Resigned 23 February 2018)
- Mr Duane Woodbury - Chief Financial Officer (Appointed Interim CFO 23 February 2018 and CFO from 1 July 2018)
- Mr Graham Tanner – Operations Manager - Appointed 25 June 2018; Commenced 2 July 2018

Remuneration Report – AUDITED (continued)

B. Details of Remuneration (continued)

Remuneration Expense Details for the Year Ended 30 June 2018

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 Group. Amounts have been calculated in accordance with Australian Accounting Standards.

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

(i) Resigned 23 February 2018.

(ii) Appointed Interim CFO 23 February 2018.

(iii) In August 2017, the Board awarded the Managing Director, Mr Simon Finnis, a discretionary cash bonus of $100,000 (inclusive of superannuation) for achieving the key project milestone of fully funding the construction of the Bauxite Hills Mine. This bonus was paid in addition to the short and long-term incentives awarded to Mr Finnis as part of his on-going service agreement.

(iv) In February 2018, the Board awarded the incumbent Chief Financial Officer, Mr Scott Waddell discretionary payments totalling $142,734 upon his resignation from the Company, representing compensation for accrued long service leave, unpaid leave entitlements and a 6 months' notice period.

(v) Vacated office 30 May 2018.

Remuneration Report – AUDITED (continued)

B. Details of Remuneration (continued)

Remuneration Expense Details (continued)

	Short-term Benefits			Post employ. Benefits	Long-term Benefits	
	Cash Salary and Fees	**Bonus**	**Non-monetary**	**Super-annuation**	**Share-based Payments Equity-settled**	**Total**
2017	**$**	**$**	**$**	**$**	**$**	**$**
Executive Directors:						
Mr S Finnis	308,468	36,094	6,685	16,625	58,393	426,265
Non-Executive Directors:						
Mr S Everett	88,250	-	-	-	7,997	96,247
Mr P Hennessy	51,484	-	-	4,891	7,997	64,372
Mr G Lloyd	46,250	-	-	-	7,997	54,247
Mr L Ward	51,250	-	-	-	7,997	59,247
Mr D Wang	23,125	-	-	-	7,997	31,122
Mr J Liu	46,250	-	-	-	-	46,250
Mr M Sawyer	-	-	-	-	-	-
Mr X Yuan	23,125	-	-	-	-	23,125
Mr K Xiao	-	-	-	-	-	-
Mr M Haworth	-	-	-	-	-	-
Other KMP						
Mr M O'Brien	247,500	-	-	-	16,318	263,818
Mr S Waddell	224,091	-	-	21,289	11,716	257,096
	1,109,793	36,094	6,685	42,805	126,412	1,321,789

Remuneration Report – AUDITED (continued)

B. Details of Remuneration (continued)

Remuneration Expense Details (continued)

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

	Fixed Remuneration		At Risk - STI		At Risk – LTI	
	2018	2017	2018	2017	2018	2017
	%	%	%	%	%	%
Executive Directors						
Mr S Finnis	69	78	16	22	15	-
Non-Executive Directors						
Mr S Everett	96	92	-	-	4	8
Mr P Hennessy	94	88	-	-	6	12
Mr G Lloyd	94	85	-	-	6	15
Mr L Ward	94	87	-	-	6	13
Mr D Wang	77	74	-	-	23	26
Mr J Liu	100	100	-	-	-	-
Mr M Sawyer	-	-	-	-	-	-
Mr X Yuan	100	100	-	-	-	-
Mr K Xiao	-	-	-	-	-	-
Mr M Haworth	-	-	-	-	-	-
Other KMP						
Mr M O'Brien	86	94	-	6	14	-
Mr S Waddell	97	95	-	5	3	-
Mr D Woodbury	89	-	-	-	11	-

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.

Remuneration Report – AUDITED (continued)

C. Service Agreements

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

Name:	**Mr Simon Finnis**
Title:	Managing Director and Chief Executive Officer (CEO)
Agreement commenced:	1 January 2017
Term of agreement:	Until terminated in accordance with the provisions of the agreement.
Details:	The key terms of this agreement are as follows:

- The term is ongoing whilst Mr Finnis is CEO.
- Base salary of $350,000 (FY 2018), exclusive of superannuation, subject to annual review by the Board.
- A short-term annual incentive of up to 35% of base annual salary assessed against agreed KPI which include maximising shareholder value, project construction, and other milestones approved by the Board. The bonus is paid as 100% performance rights or options.
- A long-term annual incentive of up to 35% of base annual salary assessed against agreed KPI approved by the Board.
- The agreement may be terminated at any time by either party giving six (6) months' notice. In the event of a change of control of the Company that leads to dismissal or material reduction in responsibilities, the employee will be entitled to six (6) months' salary and any bonuses that have accrued at the time of the event.

Name:	**Mr Duane Woodbury – (Appointed Interim Chief Financial Officer 23 February 2018, and permanently from 1 July 2018)**
Title:	Chief Financial Officer (CFO)
Agreements commenced:	23 January 2017 (as Business Development Manager and Interim CFO from 23 February 2018); fixed term contract expiring 23 January 2018 and extended monthly. From 1 July 2018 as CFO, term is ongoing.
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:

- The term is ongoing whilst Mr Woodbury is CFO;
- Base salary is $295,000, inclusive of superannuation, and is subject to annual review by the Board.
- A short-term annual incentive of up to 25% of base salary assessed against agreed key performance indicators which include establishing a fund-raising strategy, completing funding, and designing and scheduling an investor relations strategy and other measures as approved by the Board. The bonus is paid as 100% performance rights or options.
- A long-term annual incentive of up to 25% of base annual salary assessed against agreed KPI approved by the Board.

Remuneration Report – AUDITED (continued)

C. Service Agreements (continued)

Name:	**Mr Duane Woodbury – (continued)**
Details (continued):	▪ The agreement may be terminated at any time by either party giving six (6) months' notice. In the event of a change of control of the Company that leads to dismissal or material reduction in responsibilities, the employee will be entitled to six (6) months' salary and any bonuses that have accrued at the time of the events.

Name:	**Mr Michael O'Brien** - employed through contract arrangement
Title:	Project Director
Agreement commenced:	12 January 2017 extended to 12 January 2019
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: ▪ Term of 12 months. ▪ The base remuneration is $1,500 per day, based on a 4-day week. ▪ A short-term annual incentive of up to 25% of annual service fees assessed against agreed key performance indicators including construction of the Bauxite Hills Mine on time and on budget and other measures as approved by the Board. The bonus is paid as 100% performance rights or options. ▪ A long-term annual incentive of up to 25% of base annual salary assessed against agreed KPI approved by the Board.

Name:	**Mr Graham Tanner**
Title:	Operations Manager
Appointment commenced:	25 June 2018 (start date 2 July 2018) Mr Tanner commenced after the end of financial year and therefore no payments to KMP are shown for Mr Tanner for the 2018 financial year.
Term of agreement:	The agreement can be terminated by either party giving one (1) months' notice.
Details:	The key terms of this agreement are as follows: ▪ The term is ongoing whilst Mr Tanner is Operations Manager. ▪ Base salary is $250,000, exclusive of superannuation, and is subject to annual review by the Board. ▪ A short-term annual incentive of up to 25% of annual service fees assessed against agreed key performance indicators as approved by the Board. The bonus is paid as 100% performance rights or options. ▪ A long-term annual incentive of up to 25% of base annual salary assessed against agreed KPI approved by the Board. ▪ The agreement may be terminated at any time by either party giving six (6) months' notice. In the event of a change of control of the Company that leads to dismissal or material reduction in responsibilities, the employee will be entitled to six (6) months' salary and any bonuses that have accrued at the time of the event.

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

Remuneration Report – AUDITED (continued)

D. Cash Bonuses and Share-based Payments

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

Name	Remuneration Type	Grant Date	Grant Value $	Reason Granted	Percent Vested/ Paid %	Percent Forfeited %	Percent Remaining Unvested %	Expiry Date	Range for Future Payments
Executive Director									
Mr S Finnis	Cash Bonus	23/08/17	100,000	(i)	100	-	-	-	N/A
Mr S Finnis	Options	25/10/17	207,300	(ii)	-	-	100	25/10/21	N/A
Mr S Finnis	Performance Rights	01/02/18	87,633	(iii)	-	-	100	31/07/19	N/A
Other KMP									
Mr M O'Brien	Options	25/10/17	101,256	(ii)	-	-	100	25/10/21	N/A
Mr S Waddell	Options	25/10/17	79,603	(ii)	-	100	-	25/10/21	N/A
Mr D Woodbury	Options	25/10/17	81,135	(ii)	-	-	100	25/10/21	N/A
Mr D Woodbury	Performance Rights	01/02/18	44,711	(iii)	-	-	100	31/07/19	N/A

(i) In August 2017, the Board awarded the Managing Director, Mr Simon Finnis, a discretionary cash bonus of $100,000 (inclusive of superannuation) for achieving the key project milestone of fully funding the construction of the Bauxite Hills Mine. This bonus was paid in addition to the short and long-term incentives awarded to Mr Finnis as part of his on-going service agreement.

(ii) The options were granted and issued on 25 October 2017 in accordance with the recipient's terms of engagement outlined in the recipient's service contract.

A total of 60% of the options have been granted subject to the satisfaction of key performance indicators, set by the Board, related to the commissioning of and on-going performance and production ramp-up of the Bauxite Hills Mine. 40% of the options vest only if the Total Shareholder Return for the Company is greater than the Total Shareholder Return for the S&P / ASX 300 Metals & Mining Index over the vesting period. All awards are at the discretion of the Board.

After the end of the period, performance hurdle 1, representing 20% of the 2017 LTI award, vested. Refer to note 32 and note 34 for further details.

(iii) The performance rights were granted on 1 February 2018, and issued 31 July 2018, in accordance with the recipient's terms of engagement. Vesting of the performance rights is determined by measuring performance against key performance indicators, set by the Board, related to the on-going safety, performance and production at the Bauxite Hills mine, as well as individual performance targets. All awards are at the discretion of the Board.

Remuneration Report – AUDITED (continued)

E. Options and Performance Rights Granted as Remuneration

Options Granted as Remuneration

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, 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 Number	Balance at End of Year Number
Executive Director								
Mr S Finnis	1,592,493	25 Oct 17	1,993,836	207,300	(1,047,493)	46,194	-	2,538,836
Non-Executive Directors								
Mr S Everett	500,000	-	-	-	(500,000)	16,016	-	-
Mr P Hennessy	500,000	-	-	-	(500,000)	16,016	-	-
Mr G Lloyd	500,000	-	-	-	(500,000)	16,016	-	-
Mr L Ward	500,000	-	-	-	(500,000)	16,016	-	-
Mr D Wang	500,000	-	-	-	(500,000)	16,016	-	-
Other KMP								
Mr M O'Brien	-	25 Oct 17	973,897	101,256	-	-	-	973,897
Mr S Waddell	-	25 Oct 17	765,633	79,603	-	-	765,633	-
Mr D Woodbury	-	25 Oct 17	780,366	81,135	-	-	-	780,366
	4,092,493		4,513,732	469,294	(3,547,493)	126,274	765,633	4,293,099

	Balance at End of Year Number	Vested Exercisable Number	Vested Un-exercisable Number	Unvested Total at End of Year Number
Executive Director				
Mr S Finnis (i)	2,538,836	545,000	-	1,993,836
Other KMP				
Mr M O'Brien (i)	973,897	-	-	973,897
Mr D Woodbury (i)	780,366	-	-	780,366
	4,293,099	545,000	-	3,748,099

(i) Subsequent to the end of the financial year, 398,767 of the 1,993,836 unvested options held by Mr S Finnis, 194,779 of the 973,897 options held by Mr M O'Brien and 156,073 of the 780,366 options held by Mr D Woodbury vested and are exercisable. Shares issued upon exercise will be subject to escrow until 1 July 2020.

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. Refer to note 32 for further details.

Remuneration Report – AUDITED (continued)

E. Options and Performance Rights Granted as Remuneration (continued)

Description of Options Granted 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
25/10/2017[i]	Metro Mining Limited	1:1 Ordinary Share in Metro Mining Limited	From 01/07/2020 – 25/10/2021	$0.25	$0.157	$Nil
25/10/2017[ii]	Metro Mining Limited	1:1 Ordinary Share in Metro Mining Limited	From 01/07/2020 – 25/10/2021	$0.25	$0.071	$Nil

(i) Tranches 1 to 3 of options issued 25 October 2017. Refer to note 32.

(ii) Tranche 4 of options issued 25 October 2017. Refer to note 32.

Option values at grant date were determined using the Black-Scholes method (for non-Total Shareholder Return (TSR) performance hurdles) and the Monte-Carlo method (for the TSR based performance hurdle). Refer to note 32 for further detail.

The options granted to each grantee are in four tranches with each tranche subject to vesting conditions:

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.

Subsequent to the end of the financial year, the Tranche 1 vesting criteria were reviewed and assessed as having been satisfied in full. Accordingly, 882,921 options were vested. Refer to note 37 for further information.

Remuneration Report – AUDITED (continued)

E. Options and Performance Rights Granted as Remuneration (continued)

Performance Rights Granted as Remuneration

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

	Balance at Beginning of Year Number	Granted Number	Granted Value $	Exercised Number	Exercised Value $	Lapsed Number	Balance at End of Year Number
Executive Director							
Mr S Finnis	814,348	455,967	87,633	(677,945)	59,320	(136,403)	455,967(i)
Other KMP							
Mr M O'Brien	518,524	-	-	(409,634)	35,843	(108,890)	-
Mr S Waddell	372,273	-	-	(253,146)	22,150	(119,127)	-
Mr D Woodbury	415,484	232,636	44,741	(407,174)	35,627	(8,310)	232,636(i)
	2,120,629	688,603	132,374	(1,747,899)	152,940	(372,730)	688,603(i)

(i) Issued on 31 July 2018

Description of Performance Rights Issued as Remuneration

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

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

(i) Issued on 31 July 2018

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

Remuneration Report – AUDITED (continued)

F. Key Management Personnel Shareholdings

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

	Balance at Beginning of Year	Granted as Remuneration During the Year	Issued on Exercise of Options and performance rights	Other Changes During the Year	Balance at End of Year
	Number	Number	Number	Number	Number
Executive Director					
Mr S Finnis	2,799,143	-	1,725,438	-	4,524,581
Non- Executive Directors					
Mr S Everett	4,191,078	-	500,000	(300,000)	4,391,078
Mr P Hennessy	2,678,573	-	500,000	-	3,178,573
Mr G Lloyd	1,306,437	-	500,000	-	1,806,437
Mr L Ward	830,358	-	500,000	-	1,330,358
Mr K Xiao	51,491	-	-	-	51,491
Mr D Wang	-	-	500,000	-	500,000
Other KMP					
Mr M O'Brien	3,378,185	-	-	(1,730,274)	1,647,911
Mr S Waddell	2,820,000	-	253,146	(3,073,146)	-
Mr D Woodbury	-	-	407,174	90,000	497,174
	18,055,265	-	4,885,758	(5,013,420)	17,927,603

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

Loan to Managing Director

During the year, the Board approved an interest-bearing short-term loan of $32,476 to the managing director, lent on an arms' length basis terms. The loan was made to enable the managing director to satisfy personal tax liabilities whilst being unable to exercise his vested Metro Mining Limited share options due to the Company remaining in an extended closed trading window.

Aside from the loan above, there were no other transactions conducted between the Group and key management personnel or their related parties, apart from those disclosed above relating to equity and compensation, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated parties.

Remuneration Report – AUDITED Ends

Events Occurring after the Reporting Date

Exercise of Share Options

On 4 July 2018, Natural Resource Income Investing Limited Partnership, a related party of the Group's primary lender Sprott Private Resource Lending, exercised 3,900,000 options over unissued ordinary shares in the Company. The options had an exercise price of $0.183 per option and the Company received $713,700 on 4 July 2018.

Sprott Private Resource Lending continues to hold 11,100,000 vested options over unissued ordinary shares in the Company on the same terms and conditions. These options have an expiry date of 27 August 2022.

Events Occurring after the Reporting Date (continued)

Receipt of Outstanding Placement Subscriptions

On 6 July 2018, the Company received $3,458,275 being the subscriptions outstanding in respect of 17,291,377 ordinary shares at $0.20 per share. The receipt of outstanding subscriptions finalised the institutional placement of a total of 87,500,000 new ordinary shares at $0.20 per share undertaken in June 2018.

Issue of New Ordinary Shares

On 10 July 2018, following the receipt of outstanding subscriptions, the Company issued 17,291,377 new ordinary shares. In accordance with the terms of the Subscription and Cooperation Deed between the Company and Greenstone Resources II L.P. (Greenstone) dated 11 July 2016, Greenstone exercised its anti-dilution rights with respect to the 87,500,000 placements shares issued in June and July 2018. A further 770,640 new ordinary shares were issued to Greenstone on 31 July 2018 in satisfaction of Greenstone's anti-dilution rights. The Company received $141,027 ($0.183 per new ordinary share) in consideration.

Change of Group Financial Year End

Following a resolution by directors under S323D of the *Corporation Act 2001* to change the Group's financial year end from 30 June to 31 December, the Group applied to ASIC for the change to be registered. On 23 July 2018 ASIC agreed to accept the directors' resolution. The Group's next audited financial statements will be for the six-month period ended 31 December 2018. Thereafter, year-end financial information will be presented for the 12 months ended 31 December.

Changes to the Board of Directors

On 27 July 2018, the Company announced that Mr Dongping Wang was retiring from the Board of Directors of Metro Mining Limited. On the same date, Mr Wang's current serving Alternate Non-Executive Director, Mr Xiaoming Yuan, was appointed to the Board of Directors to replace Mr Wang.

Issue and Vesting of Employee Incentives

On 31 July 2018, the Company issued 1,385,004 performance rights to its employees under its Employee Incentive Plan (approved by shareholders on 21 November 2017). The performance rights vest in future periods if several pre-determined hurdles are satisfied.

The Company further advised that 882,921 options granted to employees of the Company on 25 October 2017 had vested on 31 July 2018 following satisfaction of the first performance hurdle provided for under the terms of the Option Award Agreements. The vested options may be exercised between the vesting date and 24 October 2021. Shares issued on exercise of the vested options will be subject to voluntary escrow until 1 July 2020.

New Bauxite Offtake Agreements

On 13 August 2018, the Company announced that the Group had executed two additional binding offtake agreements for bauxite sales in 2018 and 2019. The new offtake agreements are for a total of 780,000 (+/- 10%) tonnes. Of this, 580,000 (+/- 10%) tonnes are for shipment in 2018 and the remainder is for shipment in either 2018 or 2019 at the Group's option. The contracts are based on market pricing with typical bonus and penalty clauses associated with the bauxite specification.

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

S Everett
Chairman

28 August 2018,

Brisbane

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

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

As lead auditor for the audit of Metro Mining Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

Andrew Carrick
Partner
28 August 2018

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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 2, 247 Adelaide Street
Brisbane Queensland 4000

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 28 August 2018. 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 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Revenue from contracts with customers	4	25,304	-
Cost of sales	5	(29,881)	(553)
Gross Loss		(4,577)	(553)
Other income	6	229	8,784
Impairment expenses	7	(5,120)	(16)
Exploration expenses		(128)	(249)
Administrative expenses	8	(5,094)	(6,178)
Operating profit / (loss)		(14,690)	1,788
Finance costs	9	(2,993)	(4,409)
Finance income	10	305	249
Loss before tax from continuing operations		(17,378)	(2,372)
Income tax benefit	11	-	-
Loss for the year from continuing operations		(17,378)	(2,372)
Other comprehensive income/ (losses)			
Items that will be reclassified to profit or loss when specific conditions are met:			
Change in fair value of cash flow hedges		(264)	-
Foreign currency translation differences		2	(4)
Loss for the year		(17,640)	(2,376)
Attributable to:			
Owners of the Company		(17,640)	(2,376)
		(17,640)	(2,376)
		Cents	**Cents**
Basic loss per share	26	(1.38)	(0.33)
Diluted loss per share	26	(1.38)	(0.33)

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

Metro Mining Limited
Consolidated statement of financial position
As at 30 June 2018

		Consolidated	
		2018	**2017**
Assets	**Note**	**$'000**	**$'000**
Current assets			
Cash and cash equivalents	12	23,295	15,346
Inventories	13	1,868	-
Trade and other receivables	14	12,451	775
Financial assets	16	57	-
Other assets	15	7,491	1,336
Total current assets		45,162	17,457
Non-current assets			
Financial assets	16	-	16
Property, plant and equipment	17	136,825	77,251
Exploration and evaluation assets	19	1,843	6,639
Other assets	15	-	749
Total non-current assets		138,668	84,655
Total assets		183,830	102,112
Liabilities			
Current liabilities			
Trade and other payables	20	15,622	4,682
Lease liabilities	21	3,135	39
Borrowings	21	8,138	15,175
Provisions	22	161	81
Total current liabilities		27,056	19,977
Non-current liabilities			
Lease liabilities	21	3,410	212
Borrowings	21	29,256	-
Provisions	22	5,173	1,146
Total non-current liabilities		37,839	1,358
Total liabilities		64,895	21,335
Net assets		118,935	80,777
Equity			
Contributed equity	23	171,810	122,187
Other shares subscribed	14	3,458	-
Reserves	24	8,872	6,417
Accumulated losses		(65,205)	(47,827)
Total equity		118,935	80,777

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

Metro Mining Limited
Consolidated statement of changes in equity
For the year ended 30 June 2018

Consolidated	Contributed Equity $'000	Other Shares Subscribed $'000	Translation Reserve $'000	Cash Flow Hedge Reserves $'000	Options Reserve $'000	Accumulated Losses $'000	Total Equity $'000
Balance at 1 July 2016	56,106	-	(3)	-	5,783	(45,455)	16,431
Comprehensive income for the year							
Loss after income tax expense	-	-	-	-	-	(2,372)	(2,372)
Other comprehensive income, net of tax	-	-	(4)	-	-	-	(4)
Total comprehensive income for the year	-	-	(4)	-	-	(2,372)	(2,376)
Transactions with owners in their capacity as owners							
Shares issued during the year	68,912	-	-	-	-	-	68,912
Transaction costs	(2,831)	-	-	-	-	-	(2,831)
Share-based payments	-	-	-	-	641	-	641
Total transactions with owners	66,081	-	-	-	641	-	66,722
Balance at 30 June 2017	122,187	-	(7)	-	6,424	(47,827)	80,777
Balance at 1 July 2017	122,187	-	(7)	-	6,424	(47,827)	80,777
Comprehensive income for the year							
Loss after income tax expense	-	-	-	-	-	(17,378)	(17,378)
Other comprehensive income, net of tax	-	-	2	-	-	-	2
Fair value changes in cash flow hedges	-	-	-	(264)	-	-	(264)
Total comprehensive income for the year	-	-	2	(264)	-	(17,378)	(17,640)
Transactions with owners in their capacity as owners							
Shares issued during the year	52,413	-	-	-	-	-	52,413
Shares subscribed for but not yet paid	-	3,458	-	-	-	-	3,458
Transaction costs	(2,790)	-	-	-	-	-	(2,790)
Share-based payments – employees	-	-	-	-	285	-	285
Share-based payments – other	-	-	-	-	2,432	-	2,432
Total transactions with owners	49,623	3,458	-	-	2,717	-	55,798
Balance at 30 June 2018	171,810	3,458	(5)	(264)	9,141	(65,205)	118,935

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

Metro Mining Limited
Consolidated statement of cash flows
For the year ended 30 June 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Cash flows from operating activities			
Receipts from customers		18,241	289
Payments to suppliers and employees		(23,119)	(3,766)
Interest received		383	224
Net cash used in operating activities	27	(4,495)	(3,253)
Cash flows from investing activities			
Payments for plant and equipment		(1,903)	(167)
Payments for exploration and evaluation assets		(269)	(4,263)
Payments for assets under construction		(47,080)	(4,383)
Payments for available-for-sale financial assets		-	(8,957)
Payments for financial assurance and other security bonds		(5,773)	(572)
Payments for acquisition of subsidiary (net of cash acquired)		-	(34,359)
Proceeds from sale of exploration and evaluation assets		-	55
Net cash used in investing activities		(55,025)	(52,646)
Cash flows from financing activities			
Proceeds from issue of shares		52,042	62,611
Share issue transaction costs		(2,790)	(2,831)
Proceeds from exercise of options		371	624
Proceeds from borrowings		39,205	63,500
Interest paid		(2,849)	(1,720)
Finance costs paid		(2,144)	(2,632)
Finance lease payments		(1,492)	(5)
Repayment of borrowings		(15,000)	(50,970)
Loans advanced		(41)	(16)
Net cash provided by financing activities		67,302	68,561
Net increase in cash and cash equivalents		7,782	12,662
Net foreign exchange difference		167	-
Cash and cash equivalents at the beginning of the financial year		15,346	2,684
Cash and cash equivalents at the end of the financial year	12	23,295	15,346

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

Note 1. Significant accounting policies

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

a. Basis of preparation

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

Historical cost convention

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

Rounding

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

Going concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The Consolidated Entity has net current assets of $18,106,000 at 30 June 2018.

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

- The Bauxite Hills mine is now in operation, having been commissioned in the second quarter of 2018, and is generating operating cash inflows for the entity.
- In June 2018, the mine ramped up to budgeted mining and transhipping rates, and the mine is becoming cashflow positive. This trend has continued post year end.
- A share placement of 87,500,000 shares was completed in June 2018, at $0.20 per share to raise a total of $17,500,000 (before costs). Of this amount Metro received $14,042,000 during the year and has a share subscription receivable of $3,458,000 at year end (now fully settled), providing working capital which helped to strengthened Metro's balance sheet during the ramp up period.
- Post year end, the Group has announced further binding offtake arrangements, which cover 90% of 2018 calendar year production, and 80% of 2019 calendar year production, providing confidence in sales volumes at prices that generate profit for the Group.

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.

Note 1. Significant accounting policies (continued)

a. Basis of preparation (continued)

New accounting policies adopted during the year

- *AASB15 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 prior years to which this standard currently applies, therefore there are no effects of this early adoption which would require additional disclosure.

- *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 year, the Group has entered into hedge arrangements to manage the downside risks arising 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 (2018 $427,000; 2017: $nil); and recognise the movement in the fair value of the hedge book at 30 June 2018 in a cash flow hedge reserve in equity (2018: $264,000; 2017: $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.

b. Principles of consolidation

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity is disclosed in note 36.

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

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

Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the Business Combinations accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Consolidated Entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated Entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

c. Operating segments

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

Note 1. Significant accounting policies (continued)

d. Revenue

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

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

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

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

Sale of bauxite

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

Interest income

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

Government grants

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

e. Income tax

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

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

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

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

Note 1. Significant accounting policies (continued)

e. Income tax (continued)

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

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered, or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

f. Cash and cash equivalents

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

g. Trade and other receivables

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

h. Stores inventories

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

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

i. Bauxite inventories

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

Note 1. Significant accounting policies (continued)

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

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

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

Subsequent measurement

(i) Financial assets at amortised cost

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

(ii) Financial assets at fair value through profit or loss

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

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

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

Note 1. Significant accounting policies (continued)

j. Financial assets (continued)

Derecognition

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

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

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

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

Impairment of financial assets

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

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

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

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

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

Note 1. Significant accounting policies (continued)

k. Financial liabilities

Initial recognition and measurement

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

Subsequent measurement

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

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

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

(ii) Loans and borrowings

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

The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income, unless capitalised as borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset in accordance with AASB 123 *Borrowing Costs*. This category generally applies to interest-bearing loans and borrowings. For more information, refer to note 21.

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.

l. 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.

Note 1. Significant accounting policies (continued)

l. Derivative financial instruments and hedge accounting (continued)

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

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

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

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

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

m. Property, plant and equipment

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

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

▪ Plant and equipment	Units of production
▪ Infrastructure	Units of production
▪ Ancillary assets	
- Software	20% per annum
- Office equipment	33% per annum
- Field equipment	20% per annum
- Motor vehicles	33% per annum
- Heavy equipment	33% per annum

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

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.

Note 1. Significant accounting policies (continued)

m. Property, plant and equipment (continued)

Other mineral assets

Other mineral assets include the following types of assets

- Capitalised expenditure from 'Exploration and evaluation assets' which is transferred to 'Other mineral assets' once work completed to date supports the future development of the property and such development receives appropriate approvals;
- The cost of rehabilitation recognised as a rehabilitation asset which is amortised to the profit or loss over the period of rehabilitation, usually being the mine life; and
- The fair value attributable to mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of an acquisition.

From April 2018 the assets are deprecated over the life of the mine on a units of production basis.

Mine development assets

Mine development expenditure incurred is capitalised as a 'Mine Development Asset' and is depreciated over the life of the mine on a units of production basis.

Assets under construction

All expenditure on the construction, installation or completion of infrastructure facilities is capitalised in 'Assets under construction', a sub-category of 'Property, Plant and Equipment, until such time as they are completed and capable of intended use. At this time, these assets will be transferred to the relevant category of Property, Plant and Equipment to be depreciated over their assessed useful lives.

n. Exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

o. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of assets that necessarily take a substantial period of time to prepare for their intended use are added to the cost of those assets until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

p. Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership – are transferred to entities in the Consolidated Entity, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Note 1. Significant accounting policies (continued)

p. Leases (continued)

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

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the period in which they are incurred

q. Restoration, rehabilitation and environmental expenditure

Costs of site restoration for development activities are provided for over the life of the area of interest. When development commences, site restoration costs would include the dismantling and removal of mining plant, equipment and building 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.

r. Impairment of non-financial assets

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

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

s. Joint arrangements

The Consolidated Entity undertakes a number of business activities through joint arrangements. A joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control over an arrangement which exists only when the decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. The Consolidated Entity's joint arrangements are joint operations.

Joint operations

A joint operation is a type of joint arrangement in which the parties with joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

In relation to interests in joint operations, the financial statements of the Consolidated Entity include:

- Assets, including the Consolidated Entity's share of any assets jointly held;
- Liabilities, including the Consolidated Entity's share of any liabilities incurred jointly;
- Revenue from the sale of the Consolidated Entity's share of the output arising from the joint operation; and
- Expenses, including the Consolidated Entity's share of any expenses incurred jointly.

Note 1. Significant accounting policies (continued)

s. Joint arrangements (continued)

Joint operations (continued)

All such amounts are measured in accordance with the terms of each arrangement which are in proportion to the Consolidated Entity's interest in the joint operation.

Reimbursement of the costs of the operator of the joint arrangement

When the Consolidated Entity charges a management fee to cover general costs incurred in carrying out activities on behalf of the joint arrangement, the general overhead expenses and the management fee are recognised in the statement of profit or loss as an expense and income, respectively.

t. Borrowings

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

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

u. Provisions

Provisions are recognised when the Consolidated Entity has a present (legal or constructive) obligation as a result of a past event, it is probable the Consolidated Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

v. Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Share-based payments

Equity-settled share-based compensation benefits are provided to directors and employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using an appropriate option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Consolidated Entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Note 1. Significant accounting policies (continued)

v. Employee benefits (continued)

Share-based payments (continued)

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether that market condition has been met, provided all other conditions are satisfied.

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

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

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

w. Dividends

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

x. Business combinations

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

x. Business combinations (continued)

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

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

y. Investments in associates

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

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

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

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

z. Earnings per share

Basic earnings per share

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

aa. Goods and services tax (GST) and other similar taxes

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

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

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

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

Note 1. Significant accounting policies (continued)

ab. New accounting standards for application in future periods

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

(i) AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 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 leasee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

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

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

Applying AASB 16 would impact the Consolidated Entity's financial statements at 30 June 2018 by increasing current assets by $107,000 and current liabilities by $2,887,000; and increasing non-current assets by $10,348,000 and non-current liabilities by $6,087,000. The increase in the loss for the period would be $457,000.

(ii) AASB 2016-5: Amendments to Australian Accounting Standards– Classification and Measurement of Share-based Payment Transactions (applicable to annual reporting periods beginning on or after 1 January 2018)

This Standard amends AASB 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- Share-based payment transactions with a net settlement feature for withholding tax obligations;
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

There would be no material impact on the Consolidated Entity's financial statements for the year ended 30 June 2018.

(iii) AASB Interpretation 22: Foreign Currency Transaction sand Advance Consideration Transactions (applicable to annual reporting periods beginning on or after 1 January 2018)

The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transaction for each payment or receipt of advance consideration.

There would be no material impact on the Consolidated Entity's financial statements for the year ended 30 June 2018.

Note 1. Significant accounting policies (continued)

ab. New accounting standards for application in future periods (continued)

(iv) AASB 2017-7: Amendments to Australian Accounting Standards– Long-term Interests in Associates and Joint Ventures (applicable to annual reporting periods beginning on or after 1 January 2019)

This Standard amends AASB 128 *Investments in Associates and Joint Ventures* to clarify that an entity is required to account for long- term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied, using AASB 9 *Financial Instruments* before applying the loss allocation and impairment requirements in AASB 128.

There would be no material impact on the Consolidated Entity's financial statements for the year ended 30 June 2018.

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

The amendments clarify certain requirements in:

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

There would be no material impact on the Consolidated Entity's financial statements for the year ended 30 June 2018.

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

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

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

There would be no material impact on the Consolidated Entity's financial statements for the year ended 30 June 2018.

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

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

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

There would be no material impact on the Consolidated Entity's financial statements for the year ended 30 June 2018.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

Management bases its judgements, estimates and assumptions on historical experience and on 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:

Capitalisation of project development costs – note 17

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

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

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

Carrying value of exploration and evaluation assets – note 19

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

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

Financing arrangements for the development of the Bauxite Hills mine – note 21

The Group has interest bearing liabilities of $47,553,000 at 30 June 2018 ($15,426,000 30 Jun 2017) comprising $41,005,000 of secured debt and accrued interest, and $6,545,000 of lease liabilities. Deferred borrowing costs of $3,611,000 offset the secured debt at 30 June 2018 (30 June 2017: $nil).

The secured debt was raised in July 2017 for the purposes of construction of the Bauxite Hills mine. Various lease liabilities were entered into during the year for the purposes of financing various pieces of equipment and infrastructure at the Bauxite Hills mine.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Financing arrangements for the development of the Bauxite Hills mine – note 21(continued)

Costs directly attributable to the debt raising have been measured in accordance with AASB 9 *Financial Instruments* and will be amortised over the life of the debt. The costs included in the deferred costs include facility fees, legal fees and the cost of warrants and options issued the senior secured lender, and a third-party service provider. These equity-settled costs were valued in accordance with AASB2, *Share-based payments*.

Rehabilitation provision - note 22

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

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

Note 3. Operating segments

Identification of reportable operating segments

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

The Consolidated Entity is managed primarily on a geographic basis; that is the location of the respective areas of interest (tenements). Areas of interest in Australia and Myanmar are not currently identified as separate operating segments. Activity in Myanmar in the current financial year relates solely to business development and is insignificant in comparison to the activity of the Consolidated Entity as a whole. The carrying value of non-cash assets in Myanmar at the reporting date is $nil (2017: $nil)

Accordingly, management currently identifies the consolidated entity as having only one reportable segment, being exploration for coal and bauxite. All significant operating decisions are based upon analysis of the Consolidated Entity as one segment. The financial results from this segment are equivalent to the financial statements of the Consolidated Entity as a whole.

The consolidated entity's customers are all located in one geographic area, China, with 100% of the income derived in the period being from that area. The Consolidated Entity has one customer which accounts for greater than 10% of its revenue from contracts with customers during this first operating period.

Note 4. Revenue from contracts with customers	**Consolidated 2018 $'000**	**2017 $'000**
Revenue from sales of bauxite	25,304	-
Total revenue from contracts with customers	25,304	-

- The Group has a binding off-take agreement in place for 50% of planned calendar year 2018 production, with the majority of revenues recognised during this financial year being supplied as part of that agreement. With operations commencing in mid-April 2018, six ocean-going vessels (OGVs) were loaded and shipped in the current year, with one vessel being partially loaded at year end.
- The Groups' bauxite is sold on the INCO terms Cost Insurance and Freight (CIF) from the Port of Skardon River, Queensland to main ports in China. The binding off-take pricing is based on a formula linked to the published Chinese Alumina index (Aladdiny). Spot sale prices are negotiated based on the bauxite spot market price at the time of signing the spot sale contracts. Both the binding offtake and spot sales contracts contain agreed product specification ranges and have usual provisions for bonuses and penalties for variances therefrom.
- Payment is received for each shipment via irrevocable Letter of Credit for between 85% - 90% of the unadjusted cargo value, with the balancing receipt (including bonus or penalty) drawn down after the product has been discharged and analysed by the customer in China.

Note 5. Cost of sales	**Consolidated 2018 $'000**	**2017 $'000**
Production expenses	17,625	-
Depreciation expense	233	-
Amortisation expense	1,092	-
Leasing expenses	307	-
Selling and distribution expenses		
Ocean freight	7,226	-
Royalties expense	2,689	-
Marketing expense (i)	709	553
Total cost of sales	29,881	553

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

Note 6. Other income		
Other income	129	8
Joint venture income	100	100
Royalties	-	69
Gain on acquisition (i)	-	8,607
Total other income	229	8,784

(i) The gain on acquisition in the prior year related to the Group's step-acquisition of Gulf Alumina Limited in 2016. At the date just before the Consolidated Entity obtained control of Gulf Alumina Limited, under AASB 3 *Business Combinations*, the investment was re-valued to its fair value of $21,540,000, realising a gain of $8,607,000 which has been recognised in the consolidated statement of profit or loss and other comprehensive income for the prior year.

	Consolidated	
	2018	**2017**
Note 7. Impairment expenses	**$'000**	**$'000**
Impairment of coal assets (i)	5,000	-
Other tenement impairments	65	16
Other plant and equipment and investment assets impaired	55	-
Total impairment expenses	5,120	16

(i) As required by Australian Accounting Standards, at 30 June 2018, the Group reviewed its various areas of interest for the existence of impairment indicators. As a result of this review, the recoverable amount of the Group's coal assets was written down to $nil. Refer to note 19 Exploration and Evaluation Assets for further details.

Note 8. Administrative expenses

Salary and wages expenses	2,801	1,358
Share-based payments	296	138
Occupancy costs	153	154
Depreciation	48	26
Professional fees	898	836
Acquisition expenses	-	3,459
Bank fees	125	23
Other expenses	773	184
Total administrative expenses	5,094	6,178

Note 9. Finance costs

Interest paid (i)	1,310	2,055
Borrowing costs	568	1,616
Currency loss	935	7
Other finance cost	180	731
Total finance costs	2,993	4,409

(i) During the year, $1,787,000 (2017: $nil) was capitalised to other mineral assets in accordance with AASB123 *Borrowing Costs*. In addition, $1,225,000 of deferred borrowing cost amortisation was capitalised to other mineral assets in accordance with AASB 123 *Borrowing Costs*. (2017: $nil)

Note 10. Finance income

Interest income	305	249
Total finance income	305	249

Note 11. Income tax

	Consolidated 2018 $'000	Consolidated 2017 $'000
Numerical reconciliation of income tax benefit to prima facie tax payable		
Loss before tax benefit	(17,378)	(2,372)
Income tax using the Company's domestic tax rate of 30% (2017: 30%)	(5,214)	(711)
Amounts that are not deductible/(taxable) in calculating taxable income:		
Acquisition expenses	-	758
Share-based payments	106	-
Other permanent differences	28	4
Tax losses recognised	-	(51)
Deferred tax asset not recognised on current year loss	5,080	-
Total income tax expense/(benefit)	-	-

Unrecognised deferred tax assets

	2018	2017
Exploration and evaluation expenditure	251	-
Rehabilitation provision	1,545	-
Other provisions and accruals	1,319	-
Lease liabilities	1,963	-
Other deductible temporary differences	4,530	5,237
Tax losses carried forward	26,594	20,126
Tax losses and temporary differences brought to account to reduce the deferred tax liability	(11,474)	(11,311)
Total unrecognised deferred tax assets	24,728	14,052

Deferred tax liabilities

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

	2018	2017
Exploration and evaluation expenditure	-	1,855
Property, plant and equipment (including other mineral assets)	8,593	9,115
Inventory	560	-
Leased assets	2,321	-
Other temporary differences	-	340
Deferred tax asset attributable to tax losses and temporary differences brought to account to reduce the deferred tax liability	(11,474)	(11,310)
	-	-

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

Note 11. Income tax (continued)

Deferred tax liabilities (continued)

During the current year, the Group commenced the operations at the Bauxite Hills mine and is now generating revenues but, as of 30 June 2018, it is yet to generate an annual accounting or taxable profit.

As the Bauxite Hills mine was in ramp-up phase at 30 June 2018, it does not yet have a history of operating performance sufficient to support the recognition of the deferred tax assets relating to the carried forward tax losses at this time. This will be reassessed each reporting period.

The Consolidated Entity has no franking credits.

Note 12. Cash at Bank

	Consolidated	
	2018	**2017**
	$'000	**$'000**
Cash at bank	13,295	8,336
Cash on deposit (i)	10,000	7,010
Total cash and cash equivalents	23,295	15,346

(i) The cash on deposit has maturity dates of between 1 and 2 months (2017: 1 to 4 months).

Note 13. Inventories

Bauxite inventories	697	-
Fuel, critical spares, and consumables	1,171	-
Total Inventories	1,868	-

Note 14. Trade and other receivables

Trade debtors	4,415	46
Other receivables (i)	1,593	700
Accrued income	2,953	29
Subscription receivable(ii)	3,458	-
Loans to related parties (iii)	32	-
Total trade and other receivables	12,451	775

(i) Other receivables include a net GST receivable of $932,177 at 30 June 2018.

(ii) At 30 June 2018, as part of the June 2018 capital raising, shares were subscribed for but unpaid. The cash was received in full in July 2018.

(iii) Loans to related parties are detailed in note 33.

Note 14. Trade and other receivables (continued)

Impairment of receivables

In 2016, Metro Resources and Exploration Co. Limited, a wholly-owned subsidiary of the Company, entered into a joint venture agreement with Mahar San Group Company (Mahar San) Limited to jointly undertake copper exploration and mining activities at the Yar Taung mine in Myanmar. A joint venture company, Mahar San Metro Company Limited, was incorporated in Myanmar in the same year and the Group contributed US$50,000 to acquire an 80% interest in the ordinary share capital of the joint venture vehicle. In addition to this investment, the Group made a loan of US$12,500 available to Mahar San to enable Mahar San to subscribe for a 20% interest in the ordinary share capital of the joint venture company.

In December 2016, the Group entered into a farm-out arrangement with PanAust Limited (PanAust) in relation to its interest in the Mahar San joint venture. Under the terms of the arrangement, PanAust had the exclusive option to explore the Mahar San Copper Project for one year in exchange for funding all operating costs including an agreed drilling program. In June 2018, following completion of its initial exploration program, PanAust advised the Group of its intention to terminate the farm-out arrangement as allowed under the terms of the agreement. In light of this decision, the Board has impaired in full the loan advanced to Mahar San Group Company (A$24,317).

Note 15. Other assets

	Consolidated	
	2018	**2017**
Current	**$'000**	**$'000**
Other current assets – term deposits held as security(i)	7,094	1,336
Other current assets – held in trust	397	-
Total other current assets	7,491	1,336
Non-current		
Deferred borrowing costs (ii)	-	742
Other non-current assets	-	7
Total other non-current assets	-	749

(i) Financial assurance security deposits are cash deposits held as security against various tenements, mining leases and leased vehicles of the consolidated entity.

(ii) 1 July 2017 the opening balance of $742,000 has been re-classified against the associated loan balances in the current financial year. Refer note 21.

Note 16. Financial assets

Current		
Derivative asset (i)	57	-
Total financial assets	57	-
Non-current		
Other receivables	-	16
Total financial assets	-	16

(i) Derivative assets are the mark-to-market value of the US$52,400,000 85 cent put-options outstanding at year end. The put-options were purchased to hedge against adverse movements in the USD: AUD exchange rate now that Company has USD cash inflows. The options have expiry dates between 1 and 12 months.

Note 17. Property, plant and equipment

	Consolidated	
	2018	**2017**
Owned assets	**$'000**	**$'000**
Plant and equipment - at cost	866	505
Less: Accumulated depreciation	(4)	(190)
	862	315
Infrastructure – at cost	34,236	-
Less: Accumulated depreciation	(145)	-
	34,091	-
Ancillary assets – at cost	1,379	-
Less: Accumulated depreciation	(305)	-
	1,074	-
Leased assets		
Leased assets – at cost	8,402	254
Less: Accumulated amortisation	(664)	(14)
	7,738	240
Other mineral assets		
Other mineral assets – at cost	93,294	69,097
Less: Accumulated amortisation	(442)	-
	92,852	69,097
Assets under construction		
Assets under construction – at cost	208	7,599
Total property, plant and equipment	136,825	77,251

Movements in carrying amounts

Movements in the carrying amount for each class of property, plant and equipment between the beginning and the end of the current financial year are shown in the following table:

Note 17. Property, plant and equipment (continued)

Consolidated	Plant and equipment $'000	Infra-structure $'000	Ancillary assets $'000	Other mineral assets $'000	Assets under construction $'000	Leased assets $'000	Total $'000
Balance at 1 July 2016	10	-	-	-	-	-	10
Additions	150	-	-	-	7,599	254	8,003
Transferred from exploration and evaluation assets	-	-	-	20,661	-	-	20,661
Acquired in a business combination	189	-	-	48,436	-	-	48,625
Disposals	(8)	-	-	-	-	-	(8)
Depreciation expense	(26)	-	-	-	-	(14)	(40)
Balance at 30 June 2017	315	-	-	69,097	7,599	240	77,251
Balance at 1 July 2017	315	-	-	69,097	7,599	240	77,251
Group reclassifications	(315)	160	155	1,776	(1,776)	-	-
Additions	291	-	837	16,986	34,968	7,887	60,969
Transferred from assets under construction	575	34,076	237	5,435	(40,583)	260	-
Disposals	-	-	(23)	-	-	-	(23)
Depreciation / amortisation expense	(4)	(145)	(132)	(442)	-	(649)	(1,372)
Balance at 30 June 2018	862	34,091	1,074	92,852	208	7,738	136,825

Note 17. Property, plant and equipment (continued)

Other mineral assets

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

Assets under construction

Assets under construction includes mine related infrastructure and plant and equipment under development but not commissioned at 30 June 2018. Assets under construction are not depreciated until development is complete and the assets are available for their intended use.

Note 18. Investments in associate

Information relating to associates is set out below:

		Ownership Interest		Consolidated	
Name of company	**Country of Incorporation**	**2018 %**	**2017 %**	**2018 $'000**	**2017 $'000**
Tenement to Terminal Pty Ltd	Australia	20	20	-	-

Tenement to Terminal Pty Ltd was formed to develop a new coal terminal in Gladstone. The investment was fully impaired in a prior year.

	Consolidated	
	2018	**2017**
Note 19. Exploration and evaluation assets	**$'000**	**$'000**
Exploration and evaluation - at cost	1,843	6,639

Reconciliations

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

Consolidated	**Exploration and Evaluation $'000**
Balance at 1 July 2016	10,587
Exploration and evaluation assets acquired	12,998
Financial assurance security deposits reclassified to other assets	(40)
Expenditure during the year	3,819
Research and development tax offset	(56)
Transferred to other mineral assets	(20,661)
Written off during the year	(8)
Balance at 30 June 2017	6,639
Expenditure during the year	269
Written off during the year	(5,065)
Balance at 30 June 2018	1,843

Note 19. Exploration and evaluation assets (continued)

Exploration and evaluation costs are only capitalised to the extent they are expected to be recovered either through successful development or sale of the relevant mineral interest. As required by Australian Accounting Standards, at 30 June 2018 the Group assessed if impairment indicators existed in respect of its various areas of interest.

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

Consistent with this strategic focus:

- It is unlikely the Group will engage in any substantial exploration and evaluation activity at its Bundi coal tenements (located in the Surat Basin) in the short to medium term. At 30 June 2018, the Group regard the most likely manner of recovering value from the Bundi coal tenements to be through a transaction in which the Group disposes of an interest in the tenements (e.g. through trade sale, farm-out or joint venture arrangement); and
- The Group has allowed to expire, or will relinquish at the next renewal date, certain bauxite exploration tenements which are not regarded as prospective or are not proximate to the existing mine and associated infrastructure.

As a result of the above analysis, the Group has identified exploration assets with a cumulative carrying amount of $5,065,000 which are not regarded as recoverable at 30 June 2018. This amount includes the Bundi coal tenements which have been impaired to $nil at 30 June 2018. The decision to further impair the Bundi coal tenements reflects the lack of recent comparable transaction data and other evidence to support the measurement of the recoverable amount of the Bundi coal tenements.

	Consolidated	
	2018	**2017**
Note 20. Trade and other payables	**$'000**	**$'000**
Trade payables	7,196	2,614
Accrued expenses	8,426	2,068
Total trade and other payables	15,622	4,682

Refer to note 31 for detailed information on financial instruments.

Note 21. Borrowings

	Consolidated	
Current	**2018**	**2017**
Secured liabilities	**$'000**	**$'000**
Lease liability (i)	3,135	39
Loans (ii)	8,827	15,175
Deferred borrowing costs, net of amortisation (iii)	(689)	-
	8,138	15,175
Total current borrowings	11,273	15,214
Non-current		
Secured liabilities		
Lease liability (i)	3,410	212
Loans (ii)	32,178	-
Deferred borrowing costs, net of amortisation (iii)	(2,922)	-
	29,256	-
Total non-current borrowings	32,666	212

(i) Lease liabilities relate to the accommodation camp, sewage and water treatment facilities at the camp, the fuel farm, the BLF screen and stacker and the haulage and light vehicle fleets which were all purchased on finance leases for the operation of the Bauxite Hills Mine. The leases are secured over the assets to which they relate.

(ii) The $15,300,000 debt facility with Namrog Investments Pty Ltd, outstanding at 30 June 2017, was repaid on 2 August 2017 with the funds borrowed from Ingatatus AG Pty Ltd (Ingatatus), a related party of Namrog Investments Pty Ltd. The debt facility with Ingatatus is for a total of $20,000,000. The final $5,000,000 of this facility was drawn down on 29 September 2017.

The Ingatatus facility has a term of 3 years from the date of the final drawdown on the facility and, accordingly, the loan principal of $20,000,000 has been classified as non-current borrowings. The current component of the loan balance represents accrued interest which is paid quarterly.

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

On 28 July 2017, the Company executed a US$15,000,000 project debt facility with Sprott Private Resources Lending (Sprott). US$5,000,000 was drawn down on execution of the facility agreement, a further US$5,000,000 was drawn down in December 2017 and the final US$5,000,000 instalment was drawn down in March 2018.

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$1,000,000 per month until the loan account balance is repaid.

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

During the year, $1,787,000 in interest costs was capitalised to other mineral assets in accordance with AASB123 *Borrowing Costs*.

(iii) At 30 June 2018, the loan balances include $3,611,000 of deferred borrowing cost, net of amortisation, which will be amortised over the remaining life of the loans. (2017: $nil)

Note 21. Borrowings (continued)

	Cash Movements					Non-cash Movements						
	Opening Balance 1 July 2017 $'000	Principal Repaid $'000	Drawn Down $'000	Interest Paid $'000	Finance Costs Paid $'000	Finance Costs Incurred $'000	Amortisation of Deferred Borrowing Costs [ii] $'000	New Leases $'000	Accrued Interest $'000	Effects of Foreign Exchange $'000	Movt. In Trade and Other Payables $'000	Closing Balance 30 June 18 $'000
Current												
Short-term borrowings	15,175	(15,000)	8,118	(470)	(530)	-	-	-	845	-	-	8,138
Lease liabilities	39	(1,492)	-	-		-	-	4,588	-	-	-	3,135
	15,214	(16,492)	8,118	(470)	(530)	-	-	4,588	845	-	-	11,273
Non-current												
Long-term borrowings	(742)[i]	-	31,087	(2,379)	(1,381)	(2,432)	1,634	-	2,376	1,093	-	29,256
Lease liabilities	212	-	-	-		-	-	2,977	320	-	(99)	3,410
	(530)	-	31,087	(2,379)	(1,381)	(2,432)	1,634	2,977	2,696	1,093	(99)	32,666
Total	14,684	(16,492)	39,205	(2,849)	(1,911)	(2,432)	1,634	7,565	3,541	1,093	(99)	43,939

(i) The opening balance of deferred borrowing cost was shown in other non-current assets at 30 June 2017 as the related loans were not drawn down at this date. The loans were drawn down from July 2017, at which time the deferred borrowing costs were transferred against the borrowings owing.

(ii) During the year $1,225,000 of deferred borrowing cost amortisation expense was capitalised to other mineral assets in accordance with AASB123 *Borrowing Costs*.

Note 22. Provisions

	Consolidated 2018 $'000	Consolidated 2017 $'000
Current – Employee benefits	161	81
Non-current – Mine restoration	5,150	1,116
Non-current - Employee benefits	23	30
Total non-current provisions	5,173	1,146
Total provisions	5,334	1,227

Analysis of movement in provisions	**Mine Restoration $'000**	**Employee Benefits $'000**	**Total $'000**
Opening balance at 1 July 2017	1,116	111	1,227
Additional provisions made	3,888	304	4,192
Amounts used	-	(227)	(227)
Change in discount amount arising because of time and the effect of any change in the discount rate	147	(5)	142
Balance at 30 June 2018	5,151	183	5,334

Provision for mine restoration

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

Provision for employee benefits

The provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion of this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Consolidated Entity does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Consolidated Entity does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlements.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

Note 23. Contributed equity

		Consolidated		Consolidated	
		2018 No. Shares '000	2017 No. Shares '000	2018 $'000	2017 $'000
Ordinary shares – fully paid		1,362,245	1,004,022	171,810	122,187
Ordinary shares					
Balance at beginning of period		1,004,022	420,572	122,187	56,106
Shares issued during the year:					
Date	**Description**				
28 Jul 2016	Investment in Gulf Alumina Ltd	-	891	-	-
28 Jul 2016	Share placement	-	94,800	-	8,058
19 Sep 2016	Share placement	-	10,450	-	888
18 Nov 2016	Share issue to contractor	-	478	-	59
30 Nov 2016	Exercise of employee options	-	1,750	-	101
14 Dec 2016	Exercise of employee options	-	1,000	-	58
20 Dec 2016	Investment - Gulf Alumina Ltd	-	22,916	-	3,438
21 Dec 2016	Investment - Gulf Alumina Ltd	-	3,147	-	472
22 Dec 2016	Investment - Gulf Alumina Ltd	-	1	-	-
28 Dec 2016	Investment - Gulf Alumina Ltd	-	50	-	8
28 Dec 2016	Exercise of employee options	-	2,500	-	145
5 Jan 2017	Exercise of options	-	5,500	-	319
20 Jan 2017	Investment - Gulf Alumina Ltd	-	11,220	-	1,702
20 Jan 2017	Exercise of subscription rights	-	9,409	-	1,247
7 Mar 2017	Share placement	-	126,996	-	15,874
24 Mar 2017	Non-renounceable rights issue	-	292,342	-	36,543
	Sub-total at 30 June 2017		1,004,022	-	125,018
27 Jul 2017	Issue of tranche 1 placement shares	201,041	-	27,140	-
8 Aug 2017	Issue of tranche 1 placement shares	49,965	-	6,745	-
24 Aug 2017	Issue of tranche 2 placement shares	24,426	-	3,297	-
5 Sep 2017	Issue of tranche 2 placement shares	6,050	-	816	-
24 Oct 2017	Exercise of directors' options	500	-	69	-
17 Nov 2017	Exercise of directors' options	500	-	69	-
24 Nov 2017	Exercise of directors' options	1,000	-	138	-
29 Nov 2017	Exercise of directors' options	500	-	69	-
6 Apr 2018	Exercise of employee performance rights	2,307	-	-	-
30 Apr 2018	Exercise of director's options	1,047	-	28	-
1 May 2018	Exercise of director's performance rights	678	-	-	-
28 Jun 2018	Issue of placement shares	70,209	-	14,042	-
Transaction costs recognised during the year		-	-	(2,790)	(2,831)
Balance at the end of the year		1,362,245	1,004,022	171,810	122,187

Note 23. Contributed equity (continued)

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

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

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

Capital risk management

The Consolidated Entity's objectives when managing capital are:

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

In common with many other mine production companies, the parent entity raises finance for the Consolidated Entity's activities through reinvestment of operating cash flows, equity raisings or debt financing, whichever is available and that maximises returns for shareholders.

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

	Consolidated	
	2018	2017
Note 24. Reserves	$'000	$'000
Options reserve	9,141	6,424
Cash flow hedge reserve	(264)	-
Foreign currency translation reserve	(5)	(7)
Total reserves	8,872	6,417

	Translation Reserve $'000	Cash flow hedge Reserve $'000	Options Reserve $'000	Total Reserves $'000
Consolidated				
Balance at 1 July 2016	(3)	-	5,783	5,780
Options granted during the year	-	-	529	529
Performance rights granted during the year	-	-	112	112
Translation of foreign subsidiaries	(4)	-	-	(4)
Balance at 30 June 2017	(7)	-	6,424	6,417
Options granted during the year	-	-	2,717	2,717
Fair value changes in cash flow hedges	-	(264)	-	(264)
Translation of foreign subsidiaries	2	-	-	2
Balance at 30 June 2018	(5)	(264)	9,141	8,872

Note 24. Reserves (continued)

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.

Note 25. Dividends

There were no dividends paid or declared during the current or previous financial year. There were no franking credits at 30 June 2018 (2017: nil).

	Consolidated	
	2018	**2017**
Note 26. Loss per share	**$'000**	**$'000**
Loss after income tax attributable to the owners of the Company	(17,378)	(2,372)

	Consolidated	
	2018	**2017**
	Number	**Number**
	'000	**'000**
Weighted average number of ordinary shares used in calculating basic and diluted loss per share	1,313,691	724,076

Subsequent to the end of the financial year, 21,962,017 new ordinary shares have been issued by the Company. Refer to note 37.

	Consolidated	
	2018	**2017**
	Cents	**Cents**
Basic loss per share	(1.38)	(0.33)
Diluted loss per share	(1.38)	(0.33)

At 30 June 2018, the following tranches of options over unissued ordinary shares in the Company had vested:

- 4,000,000 options at exercise price of $0.08 per option and expiry date of 23 Dec 2019;
- 545,000 options at exercise price of $0.137 per option and expiry date of 7 Apr 2019;
- 10,000,000 options at exercise price of $0.15 per option and expiry date of 27 Aug 2019; and
- 15,000,000 options at exercise price of $0.183 per option and expiry date of 28 Aug 2022.

3,900,000 options with an exercise price of $0.183 have been exercised subsequent to year end. Refer to note 37.

All vested options could potentially dilute basic earnings per share in future financial periods but have been excluded from the calculation of diluted earnings per share for the year ended 30 June 2018 as they are anti-dilutive in the current period.

Note 27. Reconciliation of loss after income tax to net cash used in operating activities

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Loss after income tax benefit for the year		(17,378)	(2,372)
Cash flows excluded from loss attributable to operating activities:			
Interest expense		1,310	2,055
Finance costs		14	2,348
Exploration expense		1	-
Acquisition expenses		-	3,004
Non-cash flows in loss:			
Depreciation and amortisation	17	1,940	40
Inventory stockpile		(697)	-
Share-based payments expense		353	653
Impairment expense	7	5,120	8
Fair value movement in hedge		165	-
Loss on write-off of fixed assets		-	8
Finance lease interest		313	-
Unrealised foreign exchange movements		926	-
Gain on revaluation of investment in Gulf Alumina	6	-	(8,607)
Change in operating assets and liabilities:			
(Increase)/decrease in trade and other receivables		(7,201)	(753)
(Increase)/decrease in prepayments		(877)	(561)
Increase/(decrease) in trade and other payables		12,686	887
Increase/decrease in inventories		(1,170)	-
Increase/(decrease) in employee benefits		-	37
Net cash used in operating activities		(4,495)	(3,253)

Non-cash financing and investing activities

- *Options issued:*

  10,000,000 options over ordinary shares in the Company were issued to a consultant as part of remuneration payable for financial consulting services provided to the Group. The options were valued at $759,657.

  A further 15,000,000 options were issued to the Group's primary lender as a component of consideration payable for the provision of project debt financing. The options, which were valued at $1,672,699, were issued in accordance with the terms of a Subscription Deed executed on 31 July 2017. Subsequent to year end, 3,900,000 of these options were exercised. Refer to note 37 Events Occurring after the Reporting Date.

  Refer to note 32 for further details of options issued.

- *Assets acquired under finance lease:*

  During the year, the Group acquired infrastructure, plant and equipment and ancillary assets with an aggregate value of $7,886,993 (2017: $254,348) by means of finance leases. These acquisitions are not reflected in the consolidated statement of cash flows. Refer to note 17.

Note 27. Reconciliation of loss after income tax to net cash used in operating activities (continued)

	Consolidated	
Loan facilities	**2018 $'000**	**2017 $'000**
Facility amount	41,005	15,000
Amount utilised	(41,005)	(15,000)
Total undrawn loan facilities	-	-

Refer to note 21 for information on the loan facility terms.

	Consolidated	
Note 28. Remuneration of auditors	**2018 $**	**2017 $**

The auditor of Metro Mining Limited is Ernst & Young in 2018.

In 2017 the auditor of Metro Mining Limited was BDO Audit Qld Pty Ltd.

	2018 $	2017 $
Amounts received or due and receivable by the auditor for:		
▪ An audit or review of the financial report of the entity and any other entity in the Consolidated Entity	88,000	86,000
▪ Other services in relation to the entity and any other entity in the Consolidated Entity:		
- Tax compliance	-	105,560
- Other assurance procedures	20,000	-
- Corporate services	-	4,630
	108,000	196,190
Amounts received or due and receivable by related practices of auditor for:		
▪ An audit or review of the financial report of an entity in the Consolidated Entity by an overseas affiliated audit firm	-	6,605
▪ Corporate services provided by an overseas affiliated audit firm	-	5,196
	-	11,801
Amounts received or due and receivable by auditor affiliated audit firms for:		
▪ An audit or review of the financial report of an entity in the Consolidated Entity.	-	2,990

Note 29. Commitments

Operating lease commitments – Consolidated Entity as lessee

The Consolidated Entity 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 Consolidated Entity 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 30 June 2018 are as follows:

	Consolidated	
	2018	**2017**
Operating lease commitments	**$'000**	**$'000**
- Within one year	139	135
- One to five years	229	327
Total	368	462

Finance lease commitments		
Payable – minimum lease payments:		
- Within one year	3,675	54
- One to five years	3,615	233
Minimum lease payments	7,290	287
Less future finance charges	(745)	(36)
Present value of minimum lease payments	6,545	251

The following finance leases were entered into in the current financial year:

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

All finance leases entered into during the year have lease payments made monthly in arrears.

Note 29. Commitments (continued)

	Consolidated	
	2018	**2017**
Capital expenditure commitments	**$'000**	**$'000**
Capital expenditure commitments contracted for:		
- Within one year	30	1,535
- One to five years	64	835
	94	2,370
Other expenditure commitments:		
- Within one year	7,305	158
- One to five years	9,330	315
- More than five years	2,888	-
	19,523	473
Minimum expenditure commitments on the exploration tenements:		
- Within one year	3,781	941
- One to five years	4,806	5,994
	8,587	6,935
Total expenditure commitments	28,204	9,778

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

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

Note 30. Contingent liabilities and assets

Contingent liabilities

Rehabilitation

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

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

Contingent assets

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

Note 31. Financial risk management

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

Significant accounting policies

Each category of financial instruments is measured in accordance with AASB9 *Financial Instruments*, as detailed in the accounting policies to these financial statements. Refer to note 1.

Financial risk management policies and objectives

Risk management is carried out under policies set by the board of directors (the Board) and overseen by the Audit and Risk Committee. The Board provides principles for overall risk management, as well as policies covering specific areas. The Board monitors the financial risk relating to the operations of the Consolidated Entity. The Consolidated Entity does not enter into, or trade, financial instruments, including derivative financial instruments, for speculative purposes. The overall risk management program focuses on the unpredictability of the finance markets and seeks to minimise the potential adverse effects on financial performance. Risk management is carried out under the oversight of the Board.

Specific financial risk exposures and management

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

There have been several substantive changes in the types of risks the Consolidated Entity is exposed to, how these risks arise, and the policies and processes for managing or measuring the risks from the previous period.

During the year, the Bauxite Hills mine commenced operation, exposing the entity to greater commodity price risk (as revenues are derived from the sale of bauxite); currency price risk from items denominated in USD, including revenues, payables (ocean freight) and a loan; and interest rate risk from LIBOR-linked loans drawn down in the period. The Group is also exposed to increased credit risk from its trade receivables derived from its Bauxite Hills operation. Repayments on the USD denominated loan will commence in January 2019, and this represents a higher liquidity risk exposure for the Group than in prior years. Since the Group's customers are 100% based in China, there are also sovereign risk exposures for the Group in the current year.

Note 31. Financial risk management (continued)

Credit risk

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

The Consolidated Entity has a strict code of credit risk management, including selling all bauxite under binding contracts with irrevocable letters of credit required. The maximum exposure to credit risk 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 only trades with credit-worthy third parties and tries to diversify its customer base where possible.

Liquidity risk

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

Vigilant liquidity risk management requires the Consolidated Entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able 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 development activities in discrete tranches.

At 30 June 2018, the financial liabilities of the consolidated entity are trade payables and accruals, lease liabilities and borrowings.

Financial liability and financial asset maturity analysis

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

	Within 1 Year		1 to 5 Years		Total	
	2018	2017	2018	2017	2018	2017
Consolidated	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities due for payment						
Trade payables	7,196	2,614	-	-	7,196	2,614
Other payables	8,426	2,068	-	-	8,426	2,068
Lease liability	3,675	39	3,614	212	7,289	251
Loans	11,918	15,175	35,626	-	47,544	15, 175
Total contractual and expected outflows	31,215	19,896	39,240	212	70,455	20,108
Financial assets – cash flows realisable						
Cash and cash equivalents	23,295	15,346	-	-	23,295	15,346
Trade and other receivables	12,419	775	-	-	12,419	775
Financial assets	57	-	-	16	57	16
Loan to related party	32	-	-	-	32	-
Total anticipated inflows	35,803	16,121	-	16	35,803	16,137
Net (outflow)/inflow on financial instruments	4,588	(3,775)	(39,240)	(196)	(34,652)	(3,971)

Note 31. Financial risk management (continued)

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

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, interest rates and equity prices will affect the Consolidated Entity's income, balance sheet or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return. During the year, the Bauxite Hills mine commenced production resulting in substantive changes to the Consolidated Entity's exposure to market risks.

Foreign currency risk

The Consolidated Entity's sales transactions are denominated in United States dollars. The risk management framework for revenue includes a currency hedging program to manage the risks to sales revenue associated with a strengthening A$ against the US$ during the first 15 months of operation. As part of this strategy, the Consolidated Entity holds US$ / A$ put options totalling US$52.4 million at an average strike price of $0.85 with expiry dates staggered monthly during the Bauxite Hills operating periods in 2018 and 2019. The options protect revenue should the Australian dollar strengthen above US$0.85. At 30 June 2018, the fair value of the put options is insignificant, due to the spot forward rate being below the strike price of US$0.85, and it is not expected to rise over US$0.85 over the remaining term of the options. The Consolidated Entity continues to actively monitor currency markets with a view to expanding the hedging program if attractive pricing opportunities arise.

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

Price risk

The Group's major commodity price exposures are the price of bauxite and the price of alumina. It is currently not possible to hedge against movement in either of these products and so the Group is exposed to fluctuations in the price of both commodities.

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the Consolidated Entity to interest rate risk are borrowings and cash and cash equivalents. At 30 June 2018, 50.40% of consolidated entity debt is at a variable (LIBOR linked) rate and 49.60% a stepped-fixed or fixed rate. (30 June 2017, 100% fixed-rate)

Interest rate sensitivity

The Consolidated Entity's main interest rate risk arises from cash and cash equivalents and from variable interest rate borrowings. The sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Consolidated Entity profit / loss before taxes through a decrease or an increase of 0.25% (2017: 0.25%) in interest rates at 30 June 2018 is an increase / decrease in cash and cash equivalents of $58,239 (2017: $38,364) and an increase / decrease in variable interest rate borrowings of $51,669 (2017: $nil).

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 31. Financial risk management (continued)

	Note	Consolidated Carrying Amount 2018 $'000	Consolidated Fair Value 2018 $'000	Consolidated Carrying Amount 2017 $'000	Consolidated Fair Value 2017 $'000
Assets					
Cash and cash equivalents	12	23,295	23,295	15,346	15,346
Trade and other receivables	14	12,451	12,451	775	775
Financial assets	16	57	57	-	-
Other assets	15	7,491	7,491	1,336	1,336
Total assets		43,294	43,294	17,457	17,457
Liabilities					
Trade payables	20	7,196	7,196	2,614	2,614
Other liabilities	20	8,426	8,426	2,068	2,068
Lease liability	21	6,544	6,544	251	251
Loans	21	41,005	41,005	15,175	15,175
Total liabilities		63,171	63,171	20,108	20,108

Note 32. Share-based payments

Employee incentive plan

The Company has established the Metro Mining Employee Incentive Plan (EIP) to enable the issue of shares, performance rights or share options in Metro Mining Limited to employees of the Company to assist in the retention and motivation of employees. Under the EIP, the Company may offer shares or options over unissued shares in the Company.

Features of the EIP are as follows:

- The persons who are eligible to participate in the EIP are full-time or part-time continuing employees of the Company or an associated body corporate of the Company, or their nominee, who have been selected by the Board to participate in the EIP (Participants);
- The Company is entitled under the terms of the EIP to determine a period that any shares or options offered under the EIP will be unable to be transferred by Participants (Disposal Restrictions);
- The Company is entitled to determine, at its discretion, any conditions which may apply to the offer of shares or options (including the issue price, exercise price, vesting conditions and Disposal Restrictions);
- Where options subject to Disposal Restrictions are exercised, the resulting shares will be subject to the balance of the Disposal Restrictions;
- The options may be exercised wholly or in part by notice in writing to the Company received at any time during the relevant exercise period together with a cheque for the exercise price 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 pari-passu 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.

Note 32. Share-based payments (continued)

Employee incentive plan (continued)

- All arrangements under the plan are equity settled.

The maximum number of shares and options that may be offered to Participants under the EIP is 5% of the issued capital of the Company at the time.

Quotation of options on the ASX will not be sought; however, quotation of shares (not subject to Disposal Restrictions) issued under the EIP will be sought. The Company will apply for quotation of shares arising upon the exercise of options.

Options and performance rights granted to key management personnel

Options and performance rights granted to key management personnel are as follows:

Grant date	Number
25 Oct 2017	5,980,056

On 25 October 2017, in accordance with the terms of the Company's EIP, the Company issued 5,980,056 options over ordinary shares to members of the senior management team. The weighted average fair value attributed to each option was $0.104. The options granted to each grantee are in four tranches with each tranche subject to vesting conditions:

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.

Subsequent to the end of the financial year, the Tranche 1 vesting criteria were reviewed and assessed as having been satisfied in full. Accordingly, 882,921 options vested. Refer to note 37 for further information.

Other options granted

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.

On 28 August 2017, the Company issued a total of 15,000,000 options over ordinary share capital to Sprott Private Resource Lending (Sprott) and its related entities in satisfaction of one of the terms for the provision of $US15 million 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. Subsequent to the end of the financial year, 3,900,000 of these options were exercised by a related entity of Sprott. Refer to note 37 for further information.

Note 32. Share-based payments (continued)

Summary of share-based payments

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

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

(i) Options granted on 1 Feb 2018 for the 2018 performance year were not issued until 31 July 2018.

The prior year summary of the movements of all options and performance rights issued to 30 June 2017 is as follows:

Grant Date 2017	Expiry Date	Exercise Price	Balance at the Start of the Year No. '000	Granted No. '000	Exercised No. '000	Expired/ Forfeited/ Other No. '000	Balance at the End of the Year No. '000
12/01/2015	11/01/2017	$0.06	10,750	-	(10,750)	-	-
15/12/2015	14/12/2017	$0.15	2,500	-	-	-	2,500
05/05/2016	05/05/2018	$0.03	1,047	-	-	-	1,047
04/01/2017	23/12/2019	$0.08	-	4,000	-	-	4,000
07/04/2017	07/04/2019	$0.137	-	545	-	-	545
02/06/2017	31/07/2018	-	-	3,576	-	-	3,576
Total options & performance rights			14,297	8,121	(10,750)	-	11,668

Subsequent to the end of the financial year, 1,385,004 performance rights were issued to senior management and employees of the Group under the terms of the EIP. Refer to note 37 for further information.

The weighted average remaining contractual life of options and performance rights outstanding at the end of the financial year was 2.80 years (2017: 1.60 years). 29,545,000 options were exercisable at the end of the financial year (2017: 5,592,493 options exercisable). No performance rights are exercisable at the end of the financial year.

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

Note 32. Share-based payments (continued)

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Expected Volatility	Dividend Yield	Risk-free Interest Rate	Fair Value at Grant Date
28/08/2017	27/08/2022	$0.165	$0.15	87.950%	-	2.23%	$0.076
28/08/2017	28/08/2019	$0.165	$0.183	78.778%	-	1.83%	$0.112
25/10/2017 (i)	25/10/2021	$0.245	$0.25	89.376%	-	2.32%	$0.157
25/10/2017 (ii)	25/10/2021	$0.245	$0.25	89.376%	-	2.32%	$0.071
01/02/2018 (iii)	31/07/2019	$0.270	-	73.851%	-	1.94%	$0.192

Included under employee benefits expense in the statement of comprehensive income is $296,406 (2017: 137,932) which relates to equity-settled share-based payment transactions.

(i) Tranches 1 to 3 of options issued 25 October 2017.

(ii) Tranche 4 of options issued 25 October 2017.

(iii) Issued on 31 July 2018.

Note 33. Related party transactions

Parent entity

Metro Mining Limited is the ultimate parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 34.

Joint arrangements

Interests in joint arrangements are set out in note 35.

Key management personnel

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

	Consolidated 2018 $	Consolidated 2017 $
Short-term employee benefits	1,365,265	1,152,572
Post-employment benefits	72,147	42,805
Share-based payments	170,925	126,412
Termination benefits	142,734	-
Total compensation to directors and KMP	1,751,071	1,321,789

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 2018.

During the year, the Board approved an interest-bearing short-term loan of $32,476 to the managing director, lent on arms' length basis terms. The loan was made to enable to managing director to satisfy personal tax liabilities whilst being unable to exercise his vested Metro Mining Limited share options whilst the Company remained in an extended closed trading window.

Note 33. Related party transactions (continued)

Short-term employee benefits

These amounts include fees and benefits paid to the board of directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other key management personnel.

Post-employment benefits

These amounts are superannuation contributions made during the 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 or performance rights granted on grant date.

Note 34. Interests in subsidiaries

Information about principal subsidiaries

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

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

		Equity Holding	
	Country of	2018	2017
Name of Entity	Incorporation	%	%
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	Australia	100	100
Metro Bauxite Hills Operations Pty Ltd	Australia	100	100
Metro Bauxite Hills Holding Pty Ltd	Australia	100	100
Metro Bauxite Hills Sales Pty Ltd	Australia	100	100
Metro Mining Singapore Pte. Limited	Singapore	100	100
Metro Resources and Exploration Co., Ltd.	Myanmar	100	100
Gulf Alumina Pty Ltd	Australia	100	100
Metro Mining Ltd Employee Share Trust	Australia	100	-

On 4 April 2018, the Company established the Metro Mining Limited Employee Share Trust (the Trust) to act as custodian for shares issued to employees under the Employee Incentive Plan that are currently under voluntary escrow. The Company is the sole unit holder and beneficiary of the Trust. At 30 June 2018, the Trust held 2,985,239 shares in the Company which were issued to employees in settlement of the Company's performance rights incentive (Refer note 32 Share-based Payments). The shares will be allocated to employees on expiry of the voluntary escrow period on 6 April 2019.

Note 35. Interests in joint arrangements

Interests in joint operations

Columboola joint operation

In April 2010, the Company entered into a Joint Venture Agreement (JVA) with China Coal Import & Export Company (CCIEC), a wholly-owned subsidiary of China National Coal Group Corp. Under the terms of the JVA, CCIEC acquired a 51% interest the consolidated entity's EPC 1165 Columboola in the Surat Basin, Queensland, for an agreed expenditure commitment of A$30 million on EPC 1165. The funds will be used for exploring and evaluating the potential for future commercialisation options within the Columboola tenement. The opportunity also exists for participation in the Consolidated Entity's other tenements. Exploration was commenced in 2011. The Columboola JVA requires a minimum expenditure of A$4 million within the first two years of the JVA and this amount has been expended. Approximately A$25 million has been expended on this project to date. The Group's interest in the Columboola assets has a carrying value of $nil (2017: $nil), having been fully impaired in prior years.

Mahar San joint operation

On 12 May 2016, Metro Resources and Exploration Co. Limited (Metro Resources), a wholly-owned subsidiary of the Company, entered into a Joint Venture Agreement (Agreement) with Mahar San Group Company Limited (Mahar San) to jointly undertake copper exploration and mining activities at the Yar Taung mine, located in the Sagaing region of Upper Myanmar (the Project).

The terms of the Agreement required Metro Resources and Mahar San to establish a joint venture company. Accordingly, Mahar San Metro Company Limited (Mahar San Metro) was incorporated in Myanmar on 27 July 2016. As Mahar San Metro has no output and is dependent on the parties to the arrangement for funding, the arrangement is accounted for by the Consolidated Entity as a joint operation.

Metro Resources contributed US$50,000 to acquire an 80% interest in the ordinary share capital of Mahar San Metro and Mahar San contributed its interest in the Yar Taung copper mine and exploration concession. Under the terms of the Joint Venture Agreement dated 12 May 2016, Metro Resources made a loan of US$12,500 available to Mahar San to enable Mahar San to subscribe for a 20% interest in the ordinary share capital of Mahar San Metro.

On 7 December 2016, the Group entered into a farm-out arrangement with PanAust Limited (PanAust) in relation to its interest in the Mahar San joint operation. Under the terms of the arrangement, PanAust had the exclusive option to explore the Project for one year in exchange for funding all operating costs including an agreed drilling program. The farm-out arrangement also gave PanAust the option to acquire up to 100% of the Group's interest in the Project on committing to additional agreed expenditure programs.

In June 2018, following completion of its initial exploration program (and expenditure of US$0.71 million), PanAust advised the Group of its intention to terminate the farm-out arrangement as allowed for under the terms of the agreement. Considering this decision, the Group has impaired in full the loan made to Mahar San (refer note 14). The Group is currently assessing future options for the project.

Note 36. Parent entity information

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

	Parent	
Statement of comprehensive income	**2018 $'000**	**2017 $'000**
Loss after income tax	(13,500)	(1,975)
Total comprehensive income	(13,500)	(1,975)

Statement of financial position		
Total current assets	30,277	15,621
Total non-current assets	147,819	84,940
Total assets	178,096	100,561
Total current liabilities	21,030	17,131
Total non-current liabilities	31,621	18
Total liabilities	52,651	17,149
Net assets	125,445	83,412
Contributed equity	175,268	122,187
Reserves	8,877	6,425
Accumulated losses	(58,700)	(45,200)
Total equity	125,445	83,412

Contingent liabilities

Refer to note 30 for details of contingent liabilities.

Capital commitments - property, plant and equipment

The parent entity had no capital commitments at 30 June 2018 (30 June 2017 $Nil).

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Consolidated Entity which are disclosed in note 1.

Note 37. Events occurring after the reporting date

Exercise of Share Options

On 4 July 2018, Natural Resource Income Investing Limited Partnership, a related party of the Group's primary lender Sprott Private Resource Lending, exercised 3,900,000 options over unissued ordinary shares in the Company. The options had an exercise price of $0.183 per option and the Company received $713,700 on 4 July 2018.

Sprott Private Resource Lending continues to hold 11,100,000 vested options over unissued ordinary shares in the Company on the same terms and conditions. These options have an expiry date of 27 August 2022.

Receipt of Outstanding Placement Subscriptions

On 6 July 2018, the Company received $3,458,275 being the subscriptions outstanding in respect of 17,291,377 ordinary shares at $0.20 per share. The receipt of outstanding subscriptions finalised the institutional placement of a total of 87,500,000 new ordinary shares at $0.20 per share undertaken in June 2018.

Issue of New Ordinary Shares

On 10 July 2018, following the receipt of outstanding subscriptions, the Company issued 17,291,377 new ordinary shares. In accordance with the terms of the Subscription and Cooperation Deed between the Company and Greenstone Resources II L.P. (Greenstone) dated 11 July 2016, Greenstone exercised its anti-dilution rights with respect to the 87,500,000 placements shares issued in June and July 2018. A further 770,640 new ordinary shares were issued to Greenstone on 31 July 2018 in satisfaction of Greenstone's anti-dilution rights. The Company received $141,027 ($0.183 per new ordinary share) in consideration.

Change of Group Financial Year End

Following a resolution by directors under S323D of the *Corporation Act 2001* to change the Group's financial year end from 30 June to 31 December, the Group applied to ASIC for the change to be registered. On 23 July 2018 ASIC agreed to accept the directors' resolution. The Group's next audited financial statements will be for the six-month period ended 31 December 2018. Thereafter, year-end financial information will be presented for the 12 months ended 31 December.

Changes to the Board of Directors

On 27 July 2018, the Company announced that Mr Dongping Wang was retiring from the Board of Directors of Metro Mining Limited. On the same date, Mr Wang's current serving Alternate Non-Executive Director, Mr Xiaoming Yuan, was appointed to the Board of Directors to replace Mr Wang.

Issue and Vesting of Employee Incentives

On 31 July 2018, the Company issued 1,385,004 performance rights to its employees under its Employee Incentive Plan (approved by shareholders on 21 November 2017). The performance rights vest in future periods if several pre-determined hurdles are satisfied.

The Company further advised that 882,921 options granted to employees of the Company on 25 October 2017 had vested on 31 July 2018 following satisfaction of the first performance hurdle provided for under the terms of the Option Award Agreements. The vested options may be exercised between the vesting date and 24 October 2021. Shares issued on exercise of the vested options will be subject to voluntary escrow until 1 July 2020.

New Bauxite Offtake Agreements

On 13 August 2018, the Company announced that the Group had executed two additional binding offtake agreements for bauxite sales in 2018 and 2019. The new offtake agreements are for a total of 780,000 (+/- 10%) tonnes. Of this, 580,000 (+/- 10%) tonnes are for shipment in 2018 and the remainder is for shipment in either 2018 or 2019 at the Group's option. The contracts are based on market pricing with typical bonus and penalty clauses associated with the bauxite specification.

Metro Mining Limited
Directors' declaration

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

1. In the opinion of the directors:

   a. the financial statements and notes of Metro Mining Limited for the financial year ended 30 June 2018 are in accordance with *Corporations Act 2001*, including:

      i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its performance for the year ended on that date: and

      ii. complying with Accounting Standard and the Corporations Regulations 2001;

   b. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and

   c. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2018.

On behalf of the board of directors

S Everett
Chairman

28 August 2018
Brisbane

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Metro Mining Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Construction and Commissioning of Bauxite Hills Project

Why significant	How our audit addressed the key audit matter
As at 30 June 2018 the consolidated statement of financial position includes property, plant and equipment of $136.8 million. This balance includes capital additions of $61.0 million for the financial year ended 30 June 2018. During the year ended 30 June 2018, the Group completed construction of the Bauxite Hills Project. Production of bauxite commenced in April 2018 with first sales in May 2018. The Group assessed the Bauxite Hills Project was a qualifying asset as defined by Australian Accounting Standard AASB 123 *Borrowing Costs* and as a consequence capitalised eligible borrowing costs during construction of the Bauxite Hills Project. Given the significant value of the capital additions for the year and the impact of the judgements made in respect of the timing of the cessation of capitalisation of eligible borrowing costs and commencement of depreciation, this was considered a key audit matter. Details of the Group's property, plant and equipment are included in Note 17 to the financial report.	In evaluating the Group's capital expenditure on the Bauxite Hills Project, our audit procedures included the following: · We assessed whether the Group's capitalisation policy met the requirements of the Australian Accounting Standards. · We assessed the nature and amount of costs capitalised in respect of the Bauxite Hills Project by agreeing amounts recorded to third party documentation and assessing whether the nature of the expenditure met the capitalisation criteria. · We tested the calculation of interest capitalised as part of the construction of the Bauxite Hills Project and determined whether the Group ceased capitalising interest once the mine was commissioned and production commenced. · We tested whether the Group commenced depreciation of items of property, plant and equipment once the items were in use at the Bauxite Hills mine site; and · We inspected the Bauxite Hills Project site.

Financing arrangements for the development of Bauxite Hills

Why significant	How our audit addressed the key audit matter
The Group has interest bearing liabilities of $43.9 million at 30 June 2018, comprising loans of $37.4 million and finance lease liabilities of $6.5 million. During the year the Group incurred financing and interest costs of which $1.9 million has been recognised in the consolidated income statement and $1.8 million has been capitalised to the Bauxite Hills Project. Finance costs include the fair value attributed to options and warrants granted in connection with establishment of the Group's loan facilities as detailed in Note 32 to the financial report. The Group's indebtedness is significant to understanding financial position and liquidity. Details of the Group's borrowings are included in Note 21 to the financial report.	Our audit procedures included the following: · We confirmed all loan balances directly with applicable counterparties. · We recalculated interest recognised in the consolidated income statement and interest capitalised as part of the construction of the Bauxite Hills Project for the year ended 30 June 2018 to assess whether these were calculated in accordance with the Group's accounting policy detailed in Note 1(o). · We assessed whether the maturity profile of the Group's interest bearing liabilities to determine whether loans maturing within the next twelve months were classified as current liabilities.

Building a better working world

Capitalised exploration and evaluation expenditure

Why significant	How our audit addressed the key audit matter
During the year ended 30 June 2018, the Group recorded an impairment charge of $5.1 million against capitalised exploration and evaluation assets, leaving the group with remaining capitalised exploration and evaluation expenditure of $1.8 million at 30 June 2018. The carrying value of exploration assets is impacted by the Group's ability, and intention, to continue to explore its exploration assets or its decision to recover the carrying amount of the exploration assets through sale. The impairment testing process in respect of these assets is judgmental and commences with an assessment of whether any indicators of impairment are present. The Group performed a review of exploration and evaluation assets during the period and identified certain non-core exploration assets where: · The Group no longer intended to explore or evaluate the exploration asset; or · The exploration tenement for the exploration asset had expired during the financial year and would not be renewed; or · The Group had determined it would relinquish the exploration tenement at the next renewal date. As a result the Group identified indicators of impairment and recorded an impairment charge of $5.1 million predominantly related to its Surat Basin coal areas of interest. Disclosure regarding this matter can be found in Note 19 to the financial report.	In evaluating the impairment charge recorded by the Group during the period and assessing the recoverability of the remaining capitalised exploration and evaluation expenditure, our audit procedures included the following: · We assessed whether the Group's accounting for exploration costs was consistent with its accounting policy and Australian Accounting Standard AASB 6 *Exploration for & Evaluation of Mineral Resources* ("AASB 6"). · We considered the Group's right to explore in the relevant exploration area which included obtaining and assessing supporting documentation such as license agreements and correspondence with relevant government agencies. · We considered the Group's intention and financial capacity to carry out significant exploration and evaluation activities in relevant exploration areas. This included the review of budgets and inquiries of executive and operational management. · We considered the completeness of the Group's identified indicators of impairment under AASB 6. · Where AASB 6 impairment indicators were identified we evaluated the Group's estimate of recoverable amount for the impacted assets and recalculated the impairment charge recognised.

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

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

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

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

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Metro Mining Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Andrew Carrick
Partner
Brisbane
28 August 2018

Metro Mining Limited
Shareholder information
30 June 2018

The shareholder information set out below was applicable as at 28 August 2018.

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	135
1,001 to 5,000	328
5,001 to 10,000	374
10,001 to 50,000	853
50,001 to 100,000	342
100,001 and over	458
	2,490

The number of shareholdings held in less than marketable parcels is 204.

b) 20 largest shareholders – ordinary shares

	Ordinary shares	
	Number held	% of total Shares Issued
Greenstone Management (Delaware) II LLC	273,388,740	19.75
HSBC Custody Nominees (Australia) Limited	206,185,980	14.90
Balanced Property Pty Ltd	168,301,124	12.16
Balanced Property Pty Ltd	42,402,909	3.06
Citicorp Nominees Pty Ltd	38,730,107	2.80
Mr Gregory Ian Williams	35,447,530	2.56
J P Morgan Nominees Australia Limited	34,825,875	2.52
Dadi (Australia) Engineering Co Pty Ltd	30,918,678	2.23
Dadi Engineering Development (Group) Co. Ltd.	28,800,000	2.08
National Nominees Limited	27,552,684	1.99
Netwealth Investments Limited	21,287,631	1.54
China Xinfa Group Corporation Limited	20,327,883	1.47
Mr Charles Victor Alexander	19,750,000	1.43
Edale Capital Pty Ltd	18,815,247	1.36
Dadi Engineering Development (Group) Hong Kong Co. Ltd	18,450,000	1.33
Ms Qing Xia	17,527,838	1.27
Bondline Limited	16,050,223	1.16
BNP Paribas Nominees Pty Ltd	15,247,363	1.10
BNP Paribas Noms Pty Ltd	13,546,200	0.98
Equity & Permanent Investment Capital Limited	11,550,000	0.83
	1,059,106,012	76.52

c) Unquoted equity securities

Options and performance rights over unissued shares

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

d) Substantial holders

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

	Ordinary shares	
	Number Held	% of total Shares Issued
Greenstone Management (Delaware) II LLC	273,388,740	19.75
Balanced Property Pty Ltd	210,704,033	15.22
BlackRock Group (BlackRock Inc and related entities)	149,769,602	10.82
Dadi Engineering Development (Group) Co. Ltd and related entities	78,168,678	5.65
Renaissance Smaller Companies	72,775,982	5.26

e) Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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

There are no other classes of equity securities.