



**Metro Mining Limited  
and Controlled Entities  
ABN 45 117 763 443**

**Interim Financial Report  
for the Half-year Ended 30 June 2019**

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**Metro Mining Limited**  
**Directors' Report**  
**30 June 2019**

Your directors present their interim financial report on the consolidated entity consisting of Metro Mining Limited (the Company, the Group, or Metro Mining) and the entities it controlled at the end of, or during, the half-year ended 30 June 2019.

## **1. DIRECTORS**

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

- Stephen Everett                      Independent Non-Executive Chairman
- Simon Finnis                         Managing Director
- Philip Hennessy                     Independent Non-Executive Director
- Fiona Murdoch                      Independent Non-Executive Director (Appointed 11 March 2019)
- Mark Sawyer                        Non-Executive Director
- Lindsay Ward                        Independent Non-Executive Director (Resigned 26 February 2019)

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

- Michael Haworth                  Alternate Director for Mark Sawyer

## **2. OPERATING RESULTS**

The loss of the consolidated entity for the period was \$9,003,000 (30 June 2018: loss of \$13,789,000). The loss results primarily from the Bauxite Hills mine being in planned wet-season shutdown during the first quarter of 2019 and the associated holding costs incurred during this period.

## **3. REVIEW OF OPERATIONS**

### **Overview**

The focus of the Group's activities continued to be the Bauxite Hills mine located on western Cape York in Queensland. Following the planned wet-season shutdown during the first quarter of the reporting period, the Group is pleased to report that 880k Wet Metric Tonnes (WMT) of bauxite was mined and 836k WMT shipped.

These results were particularly pleasing given the adverse weather conditions which impacted the commencement of operations for the 2019 production year. Tropical Cyclone Trevor in early-April delayed the commencement of transshipment until 13 April 2019 while large and sustained swell conditions further disrupted shipping from late May to early June.

### **Bauxite Sales Review**

The Group's revenue from the sale of bauxite is denominated in United States dollars (USD) and a sustained weakening of the AUD / USD exchange rate has had a beneficial impact on the Group's reported revenue for the half-year ended 30 June 2019. All production during the half-year was sold and shipped to Chinese customers, with deliveries within contractual specifications.

During the 2019 calendar year, approximately 2.2 million WMT will be sold to Shandong Xinfu Import and Export Co., Ltd (Xinfu) under the terms of a long-term off-take agreement with prices received linked to an RMB denominated alumina price index.

A new binding contract was signed subsequent to period end with a major State-Owned Chinese aluminium group which owns alumina refineries in the provinces of Shanxi, Shandong, Guangxi and Guizhou. The contract is for 420k WMT (+/- 10%) to be delivered in the second half of the 2019 calendar year. Approximately 90% of the Group's planned 2019 production of 3.3-3.5 million WMT is now under contract and the balance of 2019 production is anticipated to be sold at prices linked to the prevailing market price.

### **3. REVIEW OF OPERATIONS (Continued)**

#### **Bauxite Production Review**

By the end of the reporting period, daily ship-loading rates at the Bauxite Hills mine were averaging 15,000 WMT per day, with a daily record of 20,835 WMT set in June. This level of production exceeds the daily average required to meet the current production and shipping guidance for the production year.

Ultramax class (~ 61,000t capacity) Ocean Going Vessels (OGVs) are now being loaded on average in just over 4 days. To ensure that these daily ship-loading rates are maintained throughout the 2019 production year, loading of the next OGV is commenced while finishing off the incumbent OGV. In addition, OGVs with larger cranes and grabs are being targeted for charter, with strong-performing vessels returning for repeat cargoes.

Mining during the reporting period was predominantly from the BH1 deposit located approximately 25km from the port at Skardon River. For the remainder of the 2019 production year, a higher proportion of bauxite will be mined from the closer BH6 deposit. Approximately 60,000 tonnes of bauxite were stockpiled at the end of the reporting period.

#### **Change of Status to Owner / Operator**

In the previous financial period, the Board made the decision to transition to owner operator of the Bauxite Hills mine. The Board considered this the next logical step for the Bauxite Hills mine given the anticipated cost reductions and efficiency increases expected from the owner-operator model. This decision necessitated the early termination of the contract between the Group and SAB Bauxite Operations Pty Ltd (SAB) for mining services at the Bauxite Hills mine.

The decision to transition mining activities to an owner-operator model was successful, generating the anticipated efficiencies and cost reductions across the business. This success is evidenced by the steady improvement in site production unit costs from an average of \$24.23 per WMT for the 2018 production year to an average of \$23.47 per WMT for the quarter ended 30 June 2019 (\$19.87 per WMT in June 2019).

#### **Safety Performance**

The Group is committed to providing a safe working environment for its employees and contract partners. Continuous improvement to the Group's safety systems and the maintenance of a good safety culture are on-going priorities. During the reporting period, 149,320 work hours were completed lost time injury (LTI) free.

#### **Indigenous Engagement**

As at 30 June 2019, the traditional owners of the land, the Ankamuthi people, and other indigenous employees, held 38% of the positions at the Bauxite Hills mine. This exceeds the Group's indigenous workforce target of 20% during the 2019 operating year.

The Group continues to promote engagement with the local communities in which it operates and is pleased to sponsor community events that encourage and maintain the cultural heritage of the region. During the reporting period:

- A native seed collection program was commenced in Injinoo and Mapoon. The program is focused on native seed collection by the Indigenous communities that form part of the Group's Bauxite Hills Ancillary Agreement. Seed collection workshops are now held in Mapoon and Injinoo on a monthly basis. All seed collected is used at the mine in the rehabilitation process.
- The Group sponsored the Connect to Country program organised by the Ankamuthi Tribal Aboriginal Corporation. The program brought together Ankamuthi school children and Ankamuthi Elders out on country to share traditional customs and stories.

### **3. REVIEW OF OPERATIONS (Continued)**

- Two Ankamuthi community members were sponsored to the Indigenous Business Development Summit in Darwin. This forum was focussed on gathering ideas and information to assist development of local Indigenous business opportunities.

The Group views the promotion of cultural awareness among its employees and contract partners as a priority. Cultural Awareness training, undertaken by Ankamuthi presenters, commenced during the reporting period. All employees and contract partners are now required to complete this training prior to commencement of their work on site. During the second half of 2019, the program will be extended so that all staff of the Group, and the board of directors, will have completed the training.

#### **Update to the Bauxite Hills Mine Definitive Feasibility Study (DFS)**

A focus for the Group during the reporting period has been updating the Bauxite Hills mine DFS for the stage 2 expansion to 6 million WMT per annum by 2021. The revised DFS will incorporate operating experience to date, updated capital costs, operational improvements and upgrades being implemented and the prevailing bauxite market conditions in China.

Fundamental to the updated DFS is the optimisation of on-water transshipment equipment that will facilitate the loading of larger vessels at significantly higher loading rates. To ensure that ore supply will match improved ship-loading capacity, mine planning and efficiency improvement studies regarding materials handling at the port and barge Loading facility are also being completed.

The updated DFS is expected to be released in the third quarter of 2019 at which time implementation of stage 2 will be considered by the Board.

#### **Other Assets**

##### *Bundi Coal Assets (Surat Basin, Queensland)*

At 30 June 2019, the Group continues to 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). Assessment of the optimum means of value generation is on-going. The Bundi Coal tenements were impaired to \$nil at 30 June 2018 and no further material expenditure has been incurred on the tenements.

##### *Mahar San Copper Project (Upper Myanmar)*

The Group is in the process of de-registering both its Myanmar incorporated subsidiary, Metro Resources and Exploration Co., Ltd, and the Mahar San joint venture vehicle, Mahar San Metro Company Ltd. No expenditure, other than minor compliance expenditure, has been incurred on the project in the six months to 30 June 2019.

#### **Financial Performance**

The annual (and planned) wet-season shutdown at Bauxite Hills had a negative impact on the first half results as no bauxite was shipped during the March quarter. Whilst transshipment activities recommenced in April 2019, the holding costs during the first quarter were the major contributor to the loss reported by the Group for the period to 30 June 2019. Because of the wet season, it is planned that the mine will shut down in this manner each year.

The expansion program to 3.5M WMT per annum was completed during the period. Part of the capital required for the expansion (duplicate screen and grizzly and three triple trailer sets) was sourced via an increase to the Group's existing equipment leasing facility during the period. The terms were in line with the existing facility which has a 36 month term with a 10% residual payment at completion of the term.

The Group's pre-existing debt facilities remain unchanged. Repayment of the US\$15 million facility with Sprott Private Resource Lending commenced in July 2019 at US\$1.07 million per month. The \$20 million facility with Inगतatus AG Pty Ltd is repayable in full on 29 September 2020. Negotiations are already underway to extend the repayment dates of this facility.

**Metro Mining Limited**  
**Directors' Report**  
**30 June 2019**

Whilst the Group has net current liabilities of \$4,146,000 at 30 June 2019, the directors believe that the going concern basis of preparation is appropriate.

**4. EVENTS SUBSEQUENT TO BALANCE DATE**

The following events have occurred subsequent to the balance date:

(i) New contract for the supply of bauxite

On 1 July 2019, the Company announced that a new binding contract for the supply of 420,000 Wet Metric Tonnes (WMT) of bauxite had been signed with a major State-owned Chinese aluminium group. The contracted tonnage is for delivery in the second half of the 2019 calendar year at a price that is market-based and subject to typical bonus and penalty clauses associated with the agreed product specifications.

(ii) Update to Bauxite Hills Mine reserve

On 17 July 2019, the Company announced an updated reserve and resource estimate for the Bauxite Hills mine.

Total reserves increased from 92.2Mt to 109.5Mt; an increase of 18.8%. The revised estimate takes into account depletion to March 2019 and additional conversion of resources. The increase extends the life of the Bauxite Hills mine by approximately 3 years, to 2037, at the expanded production rate of 6Mt pa (note: the expanded production level is subject to Board approval).

The total resource for Bauxite Hills is 138.2Mt (dry), representing a decrease of 4.6% from March 2017. The decrease incorporates total bauxite ore mined to date, application of a more conservative dry bulk density of 1.83, reflecting initial mining reconciliations undertaken in 2018 and small areas of inferred resource being removed as a result of in-fill drilling results, offset by a small area of indicated resource at the southern end of the BH6 area.

Other than the matters disclosed above, no matter or circumstance has arisen since 30 June 2019 that has significantly affected or may significantly affect the operations, results or state of affairs of the consolidated entity in the following or future years.

**5. AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration under Section 307C of the *Corporations Act 2001* is set out on page 5 for the half-year ended 30 June 2019.

**6. ROUNDING OF AMOUNTS**

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191 relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with this instrument.

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

Signed:



Stephen Everett

Chairman

Date: 23 August 2019



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

Tel: +61 7 3011 3333  
Fax: +61 7 3011 3100  
ey.com/au

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

As lead auditor for the review of the half-year financial report of Metro Mining for the half-year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink that reads 'Ernst + Young' with a stylized flourish at the end.

Ernst & Young

A large, stylized handwritten signature in black ink, appearing to be 'A Carrick'.

Andrew Carrick  
Partner  
23 August 2019

**Metro Mining Limited**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the half-year ended 30 June 2019**

		<b>Consolidated</b>	
		<b>6 months</b>	<b>6 months</b>
		<b>30 Jun 2019</b>	<b>30 Jun 2018</b>
		<b>\$'000</b>	<b>\$'000</b>
	<b>Note</b>		
Revenue from contracts with customers	2	48,413	25,255
Cost of sales		(51,015)	(29,119)
<b>Gross loss</b>		<b>(2,602)</b>	<b>(3,864)</b>
Other income		126	59
Impairment expenses		(5)	(5,033)
Exploration expenses		(299)	(30)
Cost of transition to owner - operator	2	(1,921)	-
Administrative expenses	2	(3,220)	(2,692)
<b>Operating loss</b>		<b>(7,921)</b>	<b>(11,560)</b>
Finance costs		(4,138)	(1,590)
Finance income		143	147
Foreign exchange gains and losses - realised		(182)	71
Foreign exchange gains and losses - unrealised		(764)	(857)
<b>Loss before tax from continuing operations</b>		<b>(12,862)</b>	<b>(13,789)</b>
Income tax benefit		3,859	-
<b>Loss for the period from continuing operations</b>		<b>(9,003)</b>	<b>(13,789)</b>
<b>Other comprehensive loss</b>			
<b>Items that will be reclassified to profit or loss when specific conditions are met:</b>			
Change in fair value of cash flow hedges		397	(335)
Foreign currency translation differences		-	2
<b>Loss for the period</b>		<b>(8,606)</b>	<b>(14,122)</b>
<b>Attributable to:</b>			
Owners of the Company		(8,606)	(14,122)
		<b>(8,606)</b>	<b>(14,122)</b>

  

	<b>Cents</b>	<b>Cents</b>
Basic loss per share	(0.65)	(1.06)
Diluted loss per share	(0.65)	(1.06)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.



**Metro Mining Limited**  
**Consolidated Statement of Financial Position**  
**As at 30 June 2019**

		<b>Consolidated</b>	
		<b>30 Jun 2019</b>	<b>31 Dec 2018</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>	<b>Note</b>		
<b>Current assets</b>			
Cash and cash equivalents		11,350	23,367
Inventories		2,987	1,940
Trade and other receivables		21,088	20,651
Financial assets		48	-
Other assets		7,275	6,963
<b>Total current assets</b>		<b>42,748</b>	<b>52,921</b>
<b>Non-current assets</b>			
Property, plant and equipment	5	136,423	138,801
Right-of-use assets	13	21,185	-
Exploration and evaluation assets		2,218	1,979
Deferred tax assets		11,030	7,165
<b>Total non-current assets</b>		<b>170,856</b>	<b>147,945</b>
<b>Total assets</b>		<b>213,604</b>	<b>200,866</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		22,400	20,328
Lease liabilities	6	4,815	3,060
Borrowings	7	19,078	8,104
Other financial liabilities		-	242
Provisions		601	206
<b>Total current liabilities</b>		<b>46,894</b>	<b>31,940</b>
<b>Non-current liabilities</b>			
Lease liabilities	6	14,150	1,953
Borrowings	7	24,789	31,163
Provisions		6,727	6,315
<b>Total non-current liabilities</b>		<b>45,666</b>	<b>39,431</b>
<b>Total liabilities</b>		<b>92,560</b>	<b>71,371</b>
<b>Net assets</b>		<b>121,044</b>	<b>129,495</b>
<b>Equity</b>			
Contributed equity	8	176,104	176,106
Reserves		9,806	9,237
Accumulated losses		(64,866)	(55,848)
<b>Total equity</b>		<b>121,044</b>	<b>129,495</b>

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 half-year ended 30 June 2019**

<b>Consolidated</b>	<b>Contributed Equity \$'000</b>	<b>Other Shares Subscribed \$'000</b>	<b>Translation Reserve \$'000</b>	<b>Cash Flow Hedge Reserves \$'000</b>	<b>Options Reserve \$'000</b>	<b>Accumulated Losses \$'000</b>	<b>Total Equity \$'000</b>
Balance at 1 Jan 2018	158,395	-	(7)	71	9,057	(51,416)	116,100
Loss after income tax expense	-	-	-	-	-	(13,789)	(13,789)
Other comprehensive income, net of tax	-	-	2	-	-	-	2
Fair value changes in cash flow hedges	-	-	-	(335)	-	-	(335)
Total comprehensive income for the period	-	-	2	(335)	-	(13,789)	(14,122)
<i>Transactions with owners in their capacity as owners</i>							
Shares issued during the period	13,415	-	-	-	-	-	13,415
Shares subscribed for but not yet paid	-	3,458	-	-	-	-	3,458
Transaction costs	-	-	-	-	-	-	-
Share-based payments – employees	-	-	-	-	84	-	84
Total transactions with owners	13,415	3,458	-	-	84	-	16,957
Balance at 30 June 2018	171,810	3,458	(5)	(264)	9,141	(65,205)	118,935
Balance at 1 Jan 2019	176,106	-	(4)	(349)	9,590	(55,848)	129,495
Change in accounting policy	-	-	-	-	-	(15)	(15)
Restated total equity at 1 Jan 2019	176,106	-	(4)	(349)	9,590	(55,863)	129,480
Loss after income tax expense	-	-	-	-	-	(9,003)	(9,003)
Other comprehensive income, net of tax	-	-	-	-	-	-	-
Fair value changes in cash flow hedges	-	-	-	397	-	-	397
Total comprehensive income for the period	-	-	-	397	-	(9,003)	(8,606)
<i>Transactions with owners in their capacity as owners</i>							
Shares issued during the period	-	-	-	-	-	-	-
Transaction costs	(2)	-	-	-	-	-	(2)
Share-based payments – employees	-	-	-	-	172	-	172
Total transactions with owners	(2)	-	-	-	172	-	170
Balance at 30 June 2019	176,104	-	(4)	48	9,762	(64,866)	121,044

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 half-year ended 30 June 2019**

**Cash flows from operating activities**

Receipts from customers  
Payments to suppliers and employees

Other revenue  
Interest received  
Net cash used in operating activities

**Cash flows from investing activities**

Payments for plant and equipment  
Payments for exploration and evaluation assets  
Payments for assets under construction  
Payments for financial assurance and other security bonds  
Net cash used in investing activities

**Cash flows from financing activities**

Proceeds from issue of shares  
Share issue transaction costs  
Proceeds from exercise of options  
Proceeds from borrowings  
Repayment of borrowings  
Interest paid  
Principal elements of lease payments (2018: Principal elements of  
finance lease payments)  
Finance costs paid  
Repayment of related party loan  
Loans advanced  
Net cash provided by / (used in) financing activities

Net increase / (decrease) in cash and cash equivalents  
Net foreign exchange difference  
Cash and cash equivalents at the beginning of the period  
Cash and cash equivalents at the end of the period

<b>Consolidated</b>	
<b>6 months 30 Jun 2019 \$'000</b>	<b>6 months 30 Jun 2018 \$'000</b>
47,170	18,055
(50,198)	(18,917)
(3,028)	(862)
76	-
145	263
(2,807)	(599)
(4,553)	(913)
(405)	(107)
(845)	(8,330)
(308)	(1,097)
(6,111)	(10,447)
-	14,042
(2)	(655)
-	(31)
3,170	6,452
(211)	-
(2,189)	(2,716)
(3,329)	(1,433)
(27)	(487)
32	-
-	(34)
(2,556)	15,138
(11,474)	4,092
(543)	167
23,367	19,036
11,350	23,295

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

**Metro Mining Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 30 June 2019**

**1. SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD**

The Group's relationship with its Chinese customer base remains strong and Metro Mining built on these relationships during the reporting period. The Group has reviewed its exposure to climate-related and other emerging business risks during the reporting period but has not identified any risks that could impact the financial performance or position of the Group as at 30 June 2019. The Group has sufficient capacity to enable it to meet covenants on its existing borrowings and sufficient working capital to service its operating activities.

The financial position and performance of the Group was impacted by the following events and transactions during the six months to 30 June 2019:

- As a result of the planned wet-season shutdown, mining and transshipment from the Group's Bauxite Hills mine in North Queensland was not undertaken in the first quarter of the period. Transshipment recommenced on 13 April 2019. Revenue from the sale of bauxite for the half year ended 30 June 2019 therefore represents the result for a 79-day operational period only. Refer note 2.
- All contractual obligations and arrangements with SAB were settled subsequent to the end of the period. Refer note 2.
- Additional equipment financing totalling \$4.75 million was secured during the period related to funding of the expansion and upgrade program. Refer notes 6 and 7.
- The Group adopted the new leasing standard AASB 16 Leases as of 1 January 2019. The transition to AASB 16 has resulted in reclassifications in the Group's balance sheet and a \$15,000 increase to opening Accumulated Losses. Refer note 13.

For a detailed discussion about the Group's performance and financial position, please refer to our review of operations on pages 1 to 3.

**2. PROFIT AND LOSS INFORMATION**

The loss for the half-year includes the following items that are unusual because of their nature, size or incidence:

**Revenue from contracts with customers**

Revenue from sales of bauxite (i)

**Expenses**

Cost of transition to owner - operator (ii)

<b>Consolidated</b>	
<b>6 months 30 Jun 2019 \$'000</b>	<b>6 months 30 Jun 2018 \$'000</b>
48,413	25,255
1,921	-

- (i) Revenue for the six months ended 30 June 2019 was derived from the shipment of 836,545 Wet Metric Tonnes of bauxite from the Group's Bauxite Hills mine on western Cape York, Queensland. The bauxite was shipped over the period 13 April 2019 to 30 June 2019. The Bauxite Hills mine was in the planned wet-season shutdown for the first quarter of the financial period.

## **2. PROFIT AND LOSS INFORMATION (Continued)**

- (ii) In the previous financial period, the Board made the decision to transition to owner-operator of the Bauxite Hills mine. The Board considered this the next logical step for the Bauxite Hills mine given the anticipated cost reductions and efficiency increases expected from the owner-operator model. The decision necessitated the termination of the contract between the Group and SAB Bauxite Operations Pty Ltd (SAB) for mining services at the Bauxite Hills mine.

Additional costs were incurred as a result of this transition totalling \$1.92 million and have been reported in the Statement of Profit or Loss. These related to a number of items including settlement costs, mobilisation and demobilisation expenses and legal costs. \$1.5 million of this balance remained outstanding at 30 June 2019 having been scheduled for payment on 5 July 2019. All outstanding obligations were accrued at 30 June 2019 and have been settled subsequent to the end of the reporting period.

## **3. DIVIDENDS**

No dividends were declared or paid during the financial period.

## **4. SEGMENT REPORTING**

### *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. Other than minor administrative expenditure, there has been no activity in Myanmar in the current financial period. The carrying value of non-cash assets in Myanmar at the reporting date is \$nil (31 December 2018: \$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 revenue from sales of bauxite derived in the period being from that area. The Consolidated Entity had two customers which accounted for greater than 10% of its revenue from contracts with customers during the operating period.

**Metro Mining Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 30 June 2019**

**5. PROPERTY, PLANT AND EQUIPMENT**

	<b>Plant and equipment \$'000</b>	<b>Infra- structure \$'000</b>	<b>Ancillary assets \$'000</b>	<b>Other mineral assets \$'000</b>	<b>Assets under construction \$'000</b>	<b>Leased assets \$'000</b>	<b>Total \$'000</b>
<b>Consolidated</b>							
<b>At 31 December 2018</b>							
Cost	1,690	34,236	1,641	95,964	1,493	8,501	143,525
Accumulated depreciation	(24)	(714)	(489)	(2,079)	-	(1,418)	(4,724)
Net book amount	1,666	33,522	1,152	93,885	1,493	7,083	138,801
<b>Half-year ended 30 June 2019</b>							
Opening net book amount	1,666	33,522	1,152	93,885	1,493	7,083	138,801
Adjustment for change in accounting policy <sup>(i)</sup>	-	-	-	-	-	(7,083)	(7,083)
Restated opening net book amount	1,666	33,522	1,152	93,885	1,493	-	131,718
Additions	1,730	289	145	1,975	845	-	4,984
Reclassifications from right-of-use assets <sup>(ii)</sup>	1,180	-	-	-	-	-	1,180
Transferred from assets under construction	841	-	56	-	(897)	-	-
Disposals	-	-	(3)	-	-	-	(3)
Depreciation / amortisation expense	(48)	(307)	(210)	(891)	-	-	(1,456)
Closing net book amount	5,369	33,504	1,140	94,969	1,441	-	136,423
<b>At 30 June 2019</b>							
Cost	5,467	34,525	1,834	97,940	1,441	-	141,207
Accumulated depreciation	(98)	(1,021)	(694)	(2,971)	-	-	(4,784)
Net book amount	5,369	33,504	1,140	94,969	1,441	-	136,423

**Metro Mining Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 30 June 2019**

**5. PROPERTY, PLANT AND EQUIPMENT (Continued)**

- (i) Property, plant and equipment decreased on 1 January 2019 when the adoption of AASB 16 Leases resulted in the reclassification of leased assets as right-of-use assets. Refer note 13 for details of the change in accounting policy.
- (ii) During the period, a portable feed hopper and a track-mounted jaw crusher, which had been reclassified as right-of-use assets at 1 January 2019, were transferred to property, plant and equipment following the pay-out of the lease over these assets.

<b>Consolidated</b>	
<b>30 Jun 2019</b>	<b>31 Dec 2018</b>
<b>\$'000</b>	<b>\$'000</b>
4,815	3,060
14,150	1,953

**6. LEASE LIABILITIES**

**Current**

*Secured liabilities*

Lease liability

**Non-current**

*Secured liabilities*

Lease liability

During the financial reporting period:

- Eight new light vehicles were added to the existing leased light vehicle fleet and three new triple-set trailers were added to the existing leased haulage fleet. All vehicles have lease terms of 36 months (refer to note 7).
- The Group entered into a contract for the dry-hire of mining equipment. The terms of the agreement have been assessed as meeting the definition of a lease under AASB 16 Leases which the Group adopted on 1 January 2019. Accordingly, a liability has been recognised for the minimum value of lease payments expected to be made over the 48-month term of the agreement. A corresponding right-of-use asset has also been recognised. Refer to note 13.
- As a result of the adoption of AASB 16 Leases on 1 January 2019, the accounting for leases over the Group's premises in Brisbane and in Cairns has been amended such that a right-of-use asset and a liability have been recognised for these obligations. Refer to note 13 for information on the changed accounting policy.

**Metro Mining Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 30 June 2019**

**7. BORROWINGS**

**Current**

*Secured liabilities*

Loans

Deferred borrowing costs, net of amortisation

Total current borrowings

**Non-current**

*Secured liabilities*

Loans

Deferred borrowing costs, net of amortisation (iii)

Total non-current borrowings

<b>Consolidated</b>	
<b>30 Jun 2019</b>	<b>31 Dec 2018</b>
<b>\$'000</b>	<b>\$'000</b>
19,961	9,479
(883)	(1,375)
<b>19,078</b>	<b>8,104</b>
25,123	32,309
(334)	(1,146)
<b>24,789</b>	<b>31,163</b>

The Group has existing debt funding arrangements in place with Inगतatus AG Pty Ltd and Sprott Private Resource Funding.

*Inगतatus AG Pty Ltd (Inगतatus)*

The debt facility with Inगतatus is for a total of \$20,000,000. The facility has a term of 3 years from the date of the final drawdown (29 September 2017) 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 current interest rate on the facility, effective from 2 August 2018, is 11%. The interest rate increases to 12% on 2 August 2019 for the final year of the loan term.

*Sprott Private Resource Lending (Sprott)*

On 28 July 2017, the Company executed a US\$15,000,000 project debt facility with Sprott. In November 2018, the terms for the debt facility were renegotiated to align with production ramp-up. The renegotiated Sprott facility has a term of 3 years from the original start date and incurs 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 July 2019 at US\$1,071,000 per month until the loan account balance is repaid. The first repayment instalment was made on 26 July 2019.

Sprott is the senior secured lender and Inगतatus has second ranking security over all assets of the Consolidated Entity.

*New Equipment Financing Arrangements*

On 14 March 2019, the Group entered into a new Australian dollar denominated equipment financing facility for the purpose of re-financing some existing items of plant and equipment and increasing haulage and production capacity at the mine. A total of \$4,752,000 was drawn down as at 30 June 2019.

The initial drawdown of the facility occurred in March 2019 and totalled \$3,170,000. The funding allowed the Group to re-finance its existing screen and crusher and acquire a duplicate screen. This is a fixed rate facility, carried at amortised cost, and will be repaid in monthly instalments over a 3-year term with a 10% residual payment at the completion of the facility term. Repayments commenced in March 2019.



**Metro Mining Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 30 June 2019**

**7. BORROWINGS (Continued)**

A second drawdown, totalling \$1,582,000, occurred in April 2019 and related to the acquisition of three triple-set trailers. Management has determined that, under AASB 16 Leases, this drawdown meets the definition of a lease and it has been accounted for accordingly. Refer note 6.

At 30 June 2019, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

	Within 1 Year		1 to 5 Years		Total	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated</b>						
<b>Financial liabilities due for payment</b>						
Trade payables	9,753	11,520	-	-	9,753	11,520
Other payables	12,647	8,808	-	-	12,647	8,808
Finance lease liabilities	-	3,060	-	1,953	-	5,013
Lease liabilities (refer note 13)	5,625	-	16,257	-	21,882	-
Borrowings	19,961	9,479	25,123	32,309	45,084	41,788
Total contractual and expected outflows	47,986	32,867	41,380	34,262	89,366	67,129

**8. CONTRIBUTED EQUITY**

Ordinary shares – fully paid

**Ordinary shares**

Balance at beginning of period

Shares issued during the period:

- Exercise of employee performance rights

Transaction costs recognised during the period

Total contributed equity

Consolidated	
30 Jun 2019	30 Jun 2019
No. of Shares	
'000s	\$'000
1,384,897	176,104
1,384,207	176,106
690	-
-	(2)
1,384,897	176,104

On 28 February 2019, 689,534 new ordinary shares were issued to employees in satisfaction of employee performance rights awarded under the 2018 Short Term Incentive (STI) program. A further 227,984 ordinary shares were acquired on-market by the Company to satisfy in full the obligation to issue 917,518 shares under the 2018 STI program. Refer to note 9.

**Metro Mining Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 30 June 2019**

**9. SHARE OPTIONS AND PERFORMANCE RIGHTS**

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

<b>30 Jun 2019</b>			<b>Balance at</b>			<b>Expired/</b>	<b>Balance at</b>
<b>Grant</b>	<b>Expiry</b>	<b>Exercise</b>	<b>Start of</b>	<b>Granted</b>	<b>Exercised</b>	<b>Forfeited/</b>	<b>End of Year</b>
<b>Date</b>	<b>Date</b>	<b>Price</b>	<b>Period</b>	<b>No. '000</b>	<b>No. '000</b>	<b>Other</b>	<b>No. '000</b>
			<b>No. '000</b>	<b>No. '000</b>	<b>No. '000</b>	<b>No. '000</b>	<b>No. '000</b>
<b>Options</b>							
04/01/2017	23/12/2019	\$0.08	4,000	-	-	-	4,000
07/04/2017	07/04/2019	\$0.137	545	-	-	(545)	-
27/08/2017	27/08/2019	\$0.15	10,000	-	-	-	10,000
27/08/2017	27/08/2022	\$0.183	11,100	-	-	-	11,100
25/10/2017	25/10/2021	\$0.25	4,415	-	-	(883)	3,532
<b>Perf. Rights</b>							
01/02/2018	31/01/2019	-	1,385	-	(918)	(467)	-
01/01/2019	31/12/2019	-	-	2,957	-	-	2,957
01/01/2019	31/12/2021	-	-	2,718	-	-	2,718
Total options & performance rights			31,445	5,675	(918)	(1,895)	34,307

**Lapse of options**

In a previous financial year, four tranches of options were granted to certain key management personnel and other senior executives. The tranches are subject to vesting conditions which have varying review dates. The vesting condition testing period for Tranche 2 expired on 30 June 2019.

The Tranche 2 vesting criteria have been reviewed by the Board and it has been determined that the criteria have not been met. Accordingly, 882,921 options lapsed on 30 June 2019.

545,000 options with an expiry date of 7 April 2019 have also lapsed in the current period.

**Performance rights - 2018 short-term incentive program**

On 31 January 2019, at the conclusion of the incentive term, the performance rights issued on 1 February 2018 to senior management and employees of the Group under the Group's Employee Incentive Plan were reviewed for satisfaction of the relevant vesting criteria. It was determined that 917,518 performance rights should vest under the incentive program. To satisfy the obligation to award a total of 917,518 ordinary shares to senior management and employees, the Company issued 689,534 new ordinary shares (refer note 8) and acquired a further 227,984 shares on-market.

**Performance rights - 2019 short-term incentive program**

On 1 January 2019, 2,957,406 performance rights were issued to senior management and employees of the Group under the terms of the Group's Employee Incentive Plan. The performance rights vest at the conclusion of the current financial year if several pre-determined hurdles are satisfied.

**Long-term incentives granted**

On 1 January 2019, the Company granted a total of 2,717,637 performance rights, in three tranches, to senior management. Each tranche is subject to vesting conditions which will be reviewed for satisfactory performance on 31 December 2021.

**Metro Mining Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 30 June 2019**

**10. RELATED PARTY TRANSACTIONS**

**Transactions with key management personnel**

During a prior financial 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 the managing director to satisfy personal tax liabilities at a time when he was unable to exercise his vested Metro Mining Limited share options as the Company remained in an extended closed trading window. The loan has been repaid in full in the current reporting period.

A summary of the movements on the loan account in the current financial period is as follows:

	\$
Opening balance of loan account – 1 January 2019	32,476
Interest charged to loan account	511
Interest paid	(511)
Loan repayment	(32,476)
Closing balance of loan account – 30 June 2019	-

**11. SUBSEQUENT EVENTS**

The following events have occurred subsequent to the balance date:

(i) New contract for the supply of bauxite

On 1 July 2019, the Company announced that a new binding contract for the supply of 420,000 Wet Metric Tonnes (WMT) of bauxite had been signed with a major State-owned Chinese aluminium group. The contracted tonnage is for delivery in the second half of the 2019 calendar year at a price that is market-based and subject to typical bonus and penalty clauses associated with the agreed product specifications.

(ii) Update to Bauxite Hills Mine reserve

On 17 July 2019, the Company announced an updated reserve and resource estimate for the Bauxite Hills mine.

Total reserves increased from 92.2Mt to 109.5Mt; an increase of 18.8%. The revised estimate takes into account depletion to March 2019 and additional conversion of resources. The increase extends the life of the Bauxite Hills mine by approximately 3 years, to 2037, at the expanded production rate of 6Mt pa (note: the expanded production level is subject to Board approval).

The total resource for Bauxite Hills is 138.2Mt (dry), representing a decrease of 4.6% from March 2017. The decrease incorporates total bauxite ore mined to date, application of a more conservative dry bulk density of 1.83, reflecting initial mining reconciliations undertaken in 2018 and small areas of inferred resource being removed as a result of in-fill drilling results, offset by a small area of indicated resource at the southern end of the BH6 area.

**Metro Mining Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 30 June 2019**

**11. SUBSEQUENT EVENTS (Continued)**

Other than the matters disclosed above, no matter or circumstance has arisen since 30 June 2019 that has significantly affected or may significantly affect the operations, results or state of affairs of the Group in the following or future years.

**12. BASIS OF PREPARATION OF HALF-YEAR REPORT**

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2019 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 31 December 2018 and any public announcements made by Metro Mining Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial period and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

**a) New and amended standards adopted by the Group**

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting AASB 16 *Leases*.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed in note 13 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

**b) 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 Group has net current liabilities of \$4,146,000 at 30 June 2019.

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

- During the first quarter of the current reporting period, the Bauxite Hills mine was in a planned wet-season shutdown and generated no revenue (refer note 2). The lack of mine revenue in the first quarter of the financial year is an expected result of the location of the Bauxite Hills mine and will be repeated each year during the mine's operation.
- Since transshipment recommenced at the Bauxite Hills mine on 13 April 2019, the mine has ramped up to budgeted mining and transshipment rates and was generating positive cash flow during the June quarter. The directors expect that the Group's cash position will continue to strengthen over the remainder of the 2019 financial year as mining and transshipment activity continues as planned.
- The Group continues to have the support of its major debt financiers Sprott Private Resource Lending (Sprott) and Inगतatus A.G. Pty Ltd. The Group commenced repayment of the Sprott facility in July 2019 in line with the anticipated repayment schedule. In addition, whilst the Inगतatus facility matures in September 2020, negotiations are already underway to extend the repayment date.

### 13. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of AASB 16 *Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 13(b) below.

The Group has adopted AASB 16 *Leases* retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

#### a) Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.2%.

For leases previously classified as finance leases the entity recognised the carry value of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date.

Operating lease commitments disclosed as at 31 December 2018	
Discounted using the Group's incremental borrowing rate of 6.2% at the date of the initial application	
Less: Short-term leases recognised on a straight-line basis as expense	
Less: Low-value leases recognised on a straight-line basis as expense	
Add: Finance lease liabilities recognised as at 31 December 2018	
Lease liability recognised as at 1 January 2019	
Of which are:	
Current lease liabilities	
Non-current lease liabilities	

1 Jan 2019
\$'000
430
(26)
(12)
(37)
5,013
5,368
3,222
2,146
5,368

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 Jun 2019	1 Jan 2019
	\$'000	\$'000
Properties	254	334
Infrastructure	3,041	3,069
Equipment	17,234	3,570
Motor vehicles	656	444
Total right-of-use assets	21,185	7,417

### **13. CHANGES IN ACCOUNTING POLICIES (Continued)**

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Property, plant and equipment - decrease by \$7,083,000
- Right-of-use assets – increase by \$7,417,000
- Lease liabilities – increase by \$355,000
- Deferred tax assets – increase by \$6,000

The net impact on accumulated losses on 1 January 2019 was an increase of \$15,000.

(i) Impact on earnings per share

Loss per share increased by 0.01 cents per share for the six months to 30 June 2019 as a result of the adoption of AASB 16.

(ii) Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments of whether leases are onerous;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of the initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining Whether an Arrangement Contains a Lease*.

#### **b) The Group's leasing activities and how these are accounted for**

The Group leases various properties, infrastructure, equipment and vehicles. Rental contracts are typically made for fixed periods of 2 to 4 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the financial period ended 31 December 2018, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

### **13. CHANGES IN ACCOUNTING POLICIES (Continued)**

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a term of 12 months or less. Low-value assets are comprised of IT equipment and small items of office equipment.

**Metro Mining Limited**  
**Directors' Declaration**

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 6 to 21, are in accordance with the *Corporations Act 2001*, including:
  - a) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - b) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the half-year ended on that date.
2. In the Directors' opinion, there are reasonable grounds to believe that Metro Mining Limited will be able to pay its debts as and when they become due and payable.

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



Stephen Everett  
Chairman

Date: 23 August 2019





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

Tel: +61 7 3011 3333  
Fax: +61 7 3011 3100  
ey.com/au

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

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the accompanying half-year financial report of Metro Mining Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 30 June 2019, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of description of accounting policies and other explanatory information, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

#### Directors' Responsibility for the Half-Year Financial Report

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

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's consolidated financial position as at 30 June 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.



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

### Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

A handwritten signature in black ink that reads 'Ernst + Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink, appearing to be 'Andrew Carrick', written in a cursive style.

Andrew Carrick  
Partner  
Brisbane  
23 August 2019