Metro Mining Ltd (ASX: MMI)

METRO MINING LIMITED

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Quarterly Activities Report | January 2023

Q4 2022 Highlights

- **Quarterly production and sales: 1.03 M WMT mined, 1.16 M WMT shipped.**
- **Chinese demand for imported bauxite at record levels; Metro prices rising.**
- **Extension of the strategic cooperation and supply agreement with Xiangsen Aluminium to 2026.**
- **Completion of site upgrades will provide expanded capacity from August 2023. Metro has contracts for, and is targeting, delivered sales volumes in 2023 of between 4.5 M WMT and 5.0M WMT.**

Mining for the quarter was 1.03 M Wet Metric Tonnes (WMT) and shipments were 1.16 M WMT. Revenue received was $60M at an average price of A$51.8/WMT.

Metro was on-track to meet its revised guidance of 3.6 M to 3.7 M WMT sales for the calendar year, however, five days were lost in late December due to unplanned outages of the floating crane barge and then the early onset of severe monsoon weather forced the premature closure of operations on 27 December 2022. Site costs incurred on a cash basis during December will see the benefits realised in the first half of 2023 with customers having agreed to maintain pricing on the rolled over volume which is approximately 15% above the average price received in Q4.

Chinese demand for bauxite continues to be strong. January to November bauxite imports to China of 116 Mt have broken previous records and pricing remains firm. This is expected to continue as Indonesia withdraws from the traded market in 2023. With the combination of negotiated prices and open priced volume in a rising market, Metro's revenue is expected to increase further in 2023.

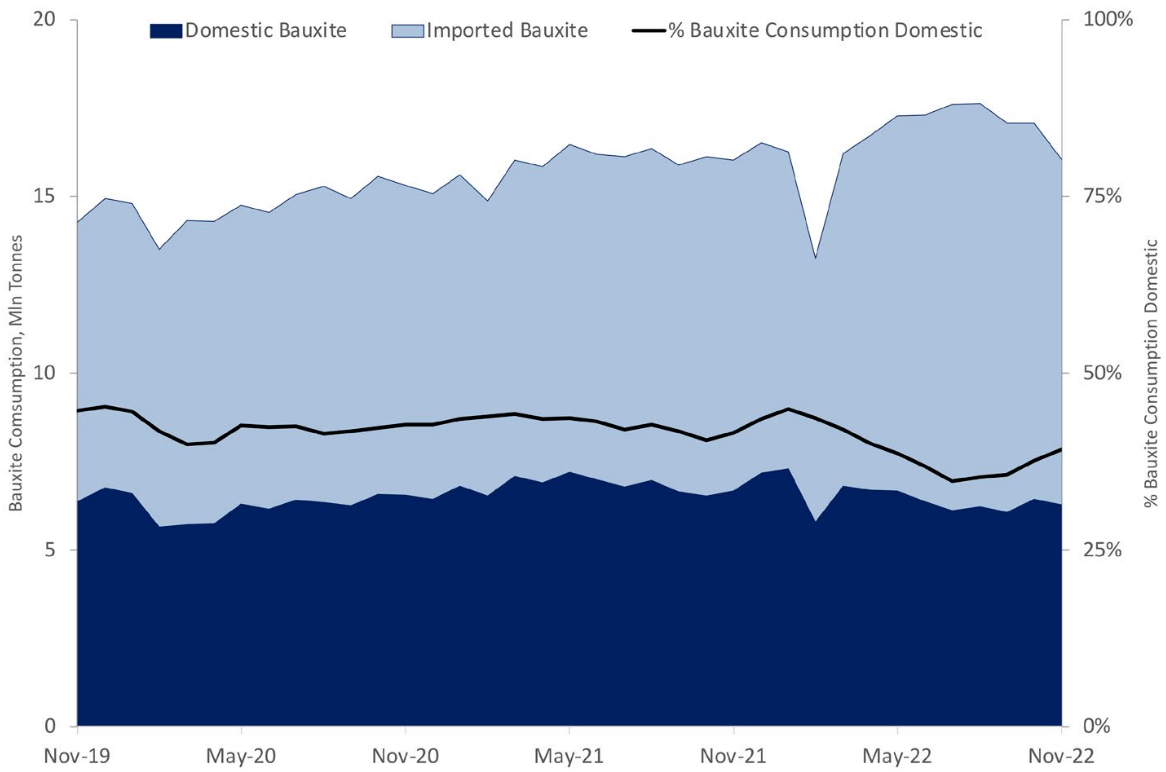
Metro's expansion to 7 Mt/a remains underway with the Board considering a number of financing proposals in addition to the NAIF facility. The arrival of new prime movers and trailers together with the completion of site upgrades will provide expanded site capacity incrementally through to August 2023. Given the capacity of the existing floating crane, additional tonnes will be loaded using smaller, geared vessels until the second floating crane's expected commissioning in early 2024. With the implementation of the dual loading strategy, Metro is targeting sales of 4.5 to 5.0 M WMT in 2023 and 6.0 to 7.0 M WMT in 2024.

Simon Wensley, CEO & MD of Metro said: *"It was naturally disappointing not to meet shipping guidance when we had been on track to do so until the last two weeks of December. Nevertheless, Q4 has been the best quarter of the year for production and shipping. All elements of the supply chain demonstrated lower variability and higher output in the second half of the year. It is exciting to move into 2023 targeting a 50% expanded output to meet our committed offtake in a robust market and leveraging the economy of scale advantages across our operations to improve our bottom line."*

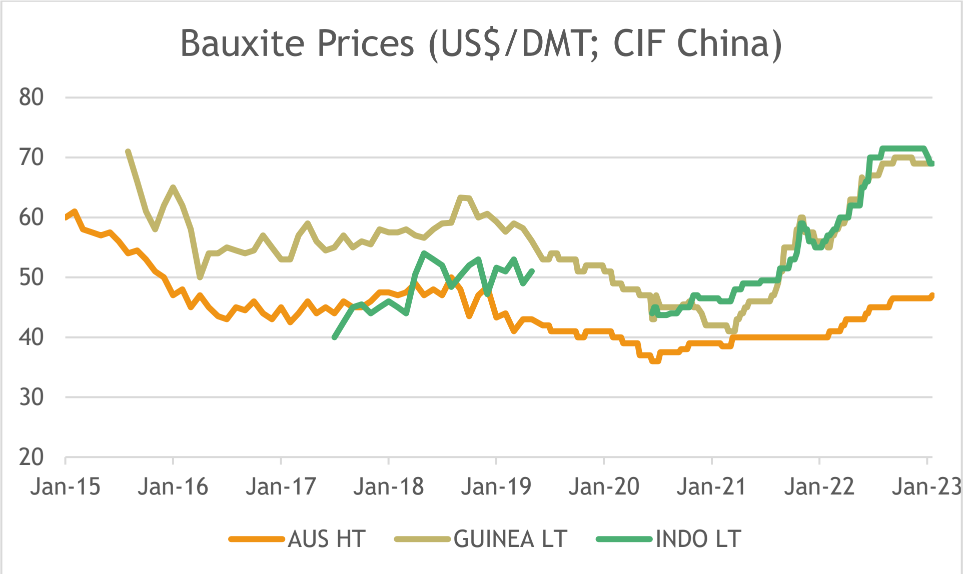
Bauxite market and Metro sales

January to November bauxite imports to China of 116 Mt have broken the previous 12-month record from 2020 of 111 Mt, with still a month a to go. At this rate the total bauxite imports will be up by more than 10% year-on-year, confirming the robust recovery in bauxite consumption alongside further substitution of domestic bauxite. Of this volume, Indonesia makes up approximately 20 Mt/a and its Government has recently confirmed that it intends to execute a ban on bauxite exports during 2023. If traded market demand grows again by 10% in 2023, this would require an additional supply requirement of 35 Mt.

Bauxite consumption (Mt/month. CM Group)



Most recent market pricing (CM Group) shows continued firm pricing for Guinea and Indonesia and average prices rising for Australian bauxite. Metro believes that the delta between these prices must close towards long run value in use levels of US$10/DMT with Guinea prices coming under pressure with lower freight rates and continued incremental rises for Australian material as contract terms roll-over, into 2023.



As mentioned above, it was disappointing to have to curtail shipping early in December due to the early onset of the monsoon season, however, customers have been supportive in re-timing the delivery of the cargos and maintaining pricing which is approximately 15% higher than the Q4 average. Despite this, and in the face of continued high caustic soda and sluggish alumina prices, Metro's Q4 volumes were 9% higher than Q3, including an FOB cargo, and prices moved 2.4% higher.

During the quarter, Metro announced the extension of the strategic cooperation and supply agreement with Xiangsen Aluminium to 2026. Xiangsen has been working with Metro since 2021 to place volume to inland China refineries as part of the transition away from domestic ore. This provides significant confidence in the Metro sales book going forward.

Operational performance for the quarter

Safety performance

The safety of our employees and contractors has and continues to be paramount to Metro. Significant emphasis is placed on safety culture, processes and procedures. Metro is proud of its historic safety record which has seen the Company recognised as a very safe place to work.

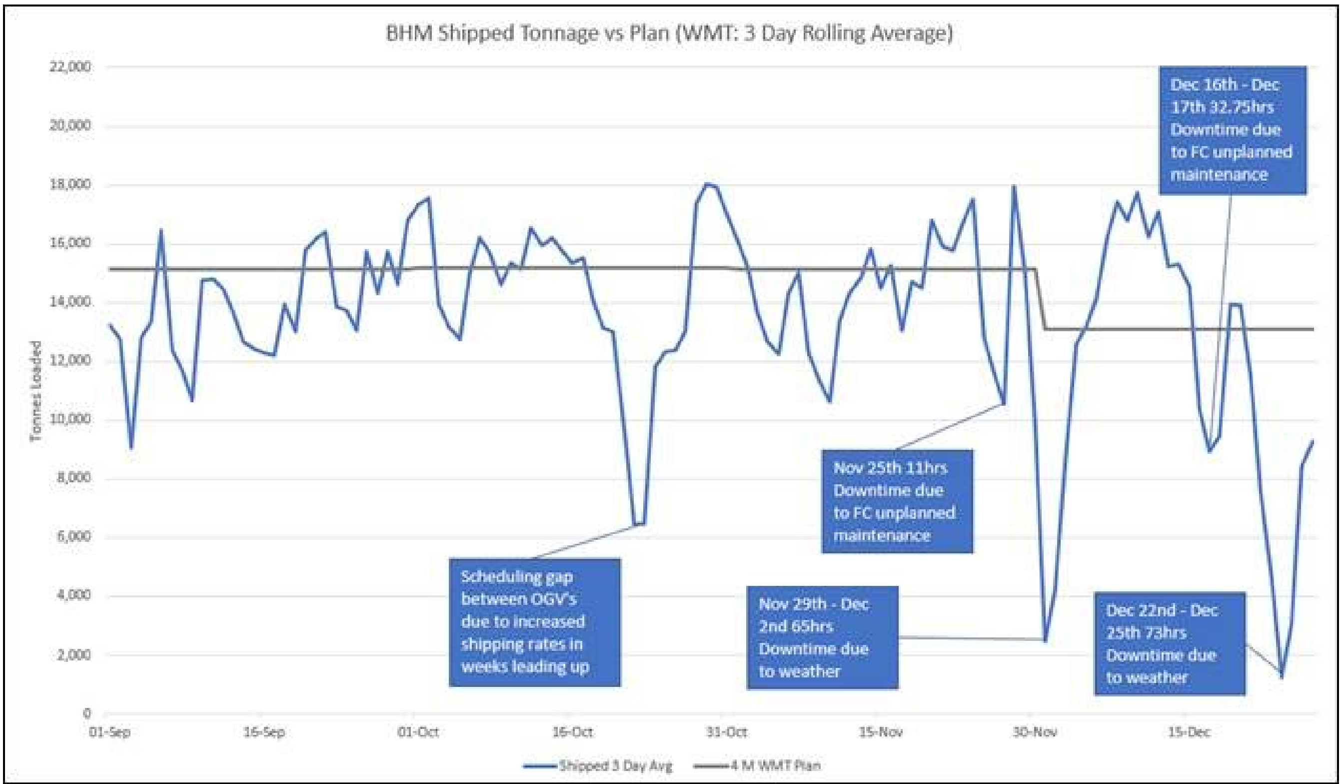
In the quarter 90,234 hours were completed Lost Time Injury (LTI) free, however, a serious truck rollover overshadowed the increased attention that has been applied to safety throughout the 2022 operating season. Whilst the driver of the truck was uninjured and the subsequent investigations and reviews have not revealed one single fundamental cause for that incident or weakness in Metro's safety systems and procedures, the incident highlights the importance of our activities to enhance our safety management system and drive a strong safety culture.

Operations and costs

Production Results (WMT) ('000)	Q4 2022	Q3 2022	Q4 2021
Bauxite Mined	1,034	1,133	1,204
Bauxite Shipped	1,161	1,070	1,077
Unit Operating Results (A$M/WMT)			
Revenue	**51.8**	**50.6**	**61.1**
Costs			
Site Costs	31.1	27.9	21.7
Freight	16.5	17.4	33.0
Royalties	5.0	5.0	5.3
Total	**52.6**	**50.3**	**60.0**
EBITDA Margin	**(0.8)**	**0.3**	**1.1**

Production and shipping achieved for the 2022 operating season was 3.41m WMT. Metro was on track to meeting its guidance of 3.6 M to 3.7 M WMT sales for the calendar year, however in late December 2022 a combination of unexpected severe weather and failure of significant components on the TSA Skardon, floating crane barge, resulted in the early cessation of the 2022 operating season.

As reported in the last Quarterly Activities Report, in 2022 Metro has focused significant efforts on improving both the volume of production and shipping as well as the consistency of operational performance. This has included working with Metro's transhipment services partner to continue to improve the performance of the floating crane. The consistency of operational performance continues to improve within controllable parameters.



Q4 Site Costs on a per unit basis were adversely affected as a result of the additional equipment and labour committed to support the increased production capacity. As reported, planned production was not achieved in Q4 due to the earlier than planned end to the 2022 operating season. These additional resources were able to be redirected toward wet season planning and maintenance programmes, the benefits of which will be realised in 2023.

Throughout 2022 Metro has pursued initiatives to increase consistency of operational performance and drive cost efficiency. During the quarter, these initiatives included:

- implementing a cost effective and dedicated barging service to and from the Bauxite Hills mine;
- procurement of replacement heavy haulage vehicles;
- transition of Barge Loading Facility maintenance to specialist contractors.

In addition, Metro continues to work with major contractors to investigate and implement improvements to processes, with a view to improving efficiency and driving cost effectiveness.

As reported, the expansion of the Bauxite Hills mine will deliver economies of scale and consequently improved economic returns. Independent consultant, CM Group, places Metro when producing at an annual rate of 6 M WMT per annum, as Number 1 on the 2026 delivered China seaborne cost curve.

Expansion

On 29 June 2022 Metro announced that the Metro Board of Directors approved a Final Investment Decision (FID), subject to financing, to expand the capacity of the Bauxite Hills Mine to 7.0 M WMT pa. The approval for the expansion is underpinned by Metro having recently secured additional binding offtake with Xinfa Aluminium Group for 2023 and 2024.	**DFS Philosophical approach** - Rapid and not re-inventing the wheel - Expand capacity beyond planned production - Focus on critical levers - Build in significant redundancy and contingency

On 29 June 2022, Metro announced the Directors had approved, subject to finance, the expansion of the capacity of Bauxite Hills Mine from 4 to 7 M WMT per annum, underpinned by sales commitments. The stated capital required was $28.3 M; $23.3 M for a second floating crane barge and $5 M for site upgrades.

Second floating crane

As previously reported, a combination of lead time on critical items, shipyard delivery and financing timing has delayed the expected commissioning of the floating crane barge completion until early 2024. The second floating crane is now expected to be operational by the commencement of the 2024 operations.

Procurement activities on the major components and shipyard construction has continued in Q4 with 90% of the total build now under firm quotation.

During the quarter Metro received expressions of interest from multiple transhipping contractors for the ship management and operation of the floating crane. It is Metro's intention to finalise its preferred operating model in H1 2023.

Site upgrades

The upgrades to the Barge Loading Facility have been scoped, engineered and procured with improvement works commencing in February 2023. The impact of the premature closure of the operating season has required capital works to be prioritised and phased.

The initial phase of the improvement works is focused on modifications of chutes and sampling station designed to reduce product blockage. This phase is scheduled to be completed by March 2023 and is expected to deliver a steady-state throughput rate of 1,500 tonnes per hour (tph). This is equivalent to a 50% increase relative to the average rates achieved in Q4 2022.

The secondary phase of the improvement works will be carried out from April to August 2023 and will be focused on the electrical and motor upgrades required to achieve the ultimate target of 2,000 tph. These works will be performed in parallel to the operations utilising planned maintenance windows.

The expansion of screening capacity has been amended since the DFS with Metro electing to utilise an Apron and Wobbler Feeder as replacement for one of the existing screens. It is expected that adopting this alternate screening technology will increase throughput and provide greater resiliency in handling wet product.

Based on the procurement activities completed to date we expect to commission the Apron and Wobbler Feeder in March 2024, aligned to the commissioning of the second floating crane. In the interim the existing screening circuit will provide sufficient throughput capacity to meet the improved rates at the Barge Loading Facility.

In partnership with our major equipment contractor, Blake Machinery Group, the new high-efficiency Scania trucks and additional supporting trailers are on track to be mobilised to site from March 2023 with the final units arriving by August 2023.

Impact on 2023 capacity

Given the capacity limitation of the existing floating crane, additional tonnes will be loaded using smaller, geared vessels until the second floating crane's commissioning in early 2024.

With the implementation of the dual loading strategy together with the completion of the site upgrades to provide an expanded site capacity from August 2023, Metro is targeting delivered sales of between 4.5 M WMT and 5.0 M WMT in 2023.

Financing

Equity raising

In Q3 2022, Metro successfully completed a $27.4 million equity raising via a two-tranche Placement and a Share Purchase Plan. As part of the equity raising, a portion ($6.5 million) of the Greenstone and Lambhill short-term unsecured shareholder loans was converted into shares. The remainder of the proceeds were received in cash.

As previously reported, Metro has elected to defer growth study spending to provide additional working capital flexibility during the upcoming wet season. This deferral of spend is not expected to impact the overall growth study timetable.

A summary of the use of funds as at Q4 2022 has been included below:

Use of Funds	Allocated	Actual Spend
Expansion Project	$11.0 m	$1.4 m
Growth Studies	$3.0 m	-
Working Capital and Offer Costs	$6.9 m	$9.0 m
	$20.9 m	**$10.4 m**

Expansion financing

In August 2022 Metro re-engaged with NAIF to refresh the credit approval for the proposed loan to support the expansion project. NAIF have indicated their continued support of the expansion project however they would like to see improved financial performance before seeking necessary approvals and advancing the loan.

Metro is currently considering a number of alternatives to expansion financing including a bridging facility term sheet and a number of marine vendor financing alternatives.

Entering into one of these agreements will satisfy short-term requirements to deliver on the sales target for 2023 and allow the Company to proceed with the full expansion without delay.

Environment, Social, Governance (ESG)

Metro recognises that developing and implementing a long-term commitment to sustainability is integral to the Company's ongoing success. During the quarter, Metro's ESG activities included:

- approval of the terms of the Charter for the ESG Board Sub-Committee (Committee). The Committee intends to hold its first meeting early in 2023 and to review the results of a recent ESG materiality survey undertaken with internal stakeholders as well as a draft ESG plan for 2023 – 2025.
- engagement with the Queensland Department of Environment and Science to review and amend a range of aspects of Metro's Environmental Authorities.
- continuation of rehabilitation works within the mining areas. At the end of the quarter, 102 hectares were available for seeding with 45 hectares seeded by the end of December 2022. The balance will be completed in the January / February 2023 period.
- continuation of an investigation into the use of a solar panel and battery storage arrangement at the accommodation camp to reduce diesel consumption and CO_2 emissions. The system would generate, store and distribute electricity to the mine's accommodation camp.

The Ancillary Agreement and Cultural Heritage Management Agreement are due for review in conjunction with relevant community stakeholder groups. It is hoped that the review of these agreements will be able to be undertaken in the first half of 2023.

No significant community related activities occurred in December due to the wet season conditions.

Metro provided support to the Bamaga Roos and Cape Sisters rugby league teams who were competing in the Dan Ropeyarn Cup, the major rugby league carnival held at Bamaga each year. This is the first time the women's teams were able to participate in the carnival.

Corporate

- Cash position: At the end of the quarter, Metro's cash on hand was $15.593 million (including restricted cash of $3.847 million). This compares with the position at the end of September 2022 of $19.6 million.
- Senior Secured Debt facilities: At the end of the quarter, Metro had two fully drawn $A secured debt facilities totalling $35 million (excluding accrued interest).
- Unsecured Bridging facilities: At the end of the quarter, Metro had two fully drawn A$ unsecured bridging facilities totalling $2.5 million (excluding accrued interest).
- Hedging: At the end of the quarter, Metro had in place forward sale A$/US$ contracts totalling US$ 28 million at an average exchange rate of AUD/USD 0.72.

Tenement Schedule

The following tenements are owned 100% by the Metro Group.

Tenement	Project Name	State
EPM 25879	Southern Cape York	QLD
EPM 26144	Skardon West	QLD
EPM 26198	Skardon Gap West	QLD
EPM 27611	Skardon North West	QLD
MDL 423	Skardon North	QLD
MDL 425	Skardon South	QLD
ML 100130	BH1 Haul Road	QLD
ML 20676	Bauxite Hills 1	QLD
ML 20688	Bauxite Hills 6 East	QLD
ML 20689	Bauxite Hills 6 West	QLD
EPM 15278	Pisolite Hills North	QLD
EPM 15376	Ducie River	QLD
EPM 15984	Port Musgrave	QLD
EPM 16755	Skardon River North	QLD
EPM 16899	Skardon River	QLD
EPM 17499	Eucid	QLD
EPM 18242	Skardon	QLD
EPM 18384	Skardon Channel	QLD
EPM 25878	Northern Cape York	QLD
ML 40069	Skardon Pipeline	QLD
ML 40082	Skardon Buffer	QLD
ML 6025	Skardon River No 1	QLD

The following tenements are owned 100% by the Columboola Joint Venture, of which the Metro Group is a 49% participant.

Tenement	Project Name	State
MDL 3003	Columboola A	QLD
MDL 3038	Columboola B	QLD
EPC 1165	Columboola	QLD

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

METRO MINING LIMITED

ABN	Quarter ended ("current quarter")
45 117 763 443	**31 DECEMBER 2022**

	Consolidated statement of cash flows	Current quarter $A'000	Year to date (12 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers **(Refer: Note A)**	62,486	190,785
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	(51,734)	(168,963)
	(d) staff costs **(Refer: Note B)**	(4,968)	(16,177)
	(e) administration and corporate costs	(2,843)	(5,086)
1.3	Dividends received	-	-
1.4	Interest received	62	91
1.5	Interest and other costs of finance paid **(Refer to Item 3.9)**	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	717	1,181
1.9	**Net cash from / (used in) operating activities**	**3,720**	**1,831**

Note A: 'Receipts from customers' is only cash received and excludes amounts outstanding under letters of credit.

Note B: 'Staff costs' include both corporate and operational staff.

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(367)	(1,442)
	(d) exploration & evaluation	(115)	(1,483)
	(e) investments	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received	-	-
2.5	Other (provide details if material)		
	- Release of / (payment for) Financial Assurance	(1,433)	(3,059)
2.6	**Net cash from / (used in) investing activities**	**(1,915)**	**(5,984)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	21,081
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(1,247)
3.5	Proceeds from borrowings	-	9,500
3.6	Repayment of borrowings	(515)	(515)
3.7	Transaction costs related to loans and borrowings	-	(217)
3.8	Dividends paid	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
3.9	Other (provide details if material)		
	- Interest Paid	(1,631)	(4,358)
	- Principal Elements of Lease Payments	(3,488)	(14,005)
	- Other	-	-
3.10	**Net cash from / (used in) financing activities**	**(5,633)**	**10,240**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	22,027	13,883
4.2	Net cash from / (used in) operating activities (item 1.9 above)	3,720	1,831
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,915)	(5,984)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(5,633)	10,240
4.5	Effect of movement in exchange rates on cash held	(2,606)	(4,377)
4.6	**Cash and cash equivalents at end of period**	**15,593**	**15,593**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	11,746	19,613
5.2	Call deposits	-	
5.3	Bank overdrafts	-	-
5.4	Other (Restricted cash)	3,847	2,414
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**15,593**	**22,027**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1 (**Refer: Note C**)	116
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Note C: Relates to payment of directors' fees

7.	Financing facilities *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	Total facility amount at quarter end $A'000	Amount drawn at quarter end $A'000
7.1	Loan facilities	37,500	37,500
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	**37,500**	**37,500**

7.5	**Unused financing facilities available at quarter end**	-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

1. Ingatatus AG Pty Ltd. $20M. 12%. 1 December 2023. Secured.
2. Ingatatus AG Pty Ltd. $7.5M. 9%. 1 December 2023. Secured.
3. Lambhill Pty Ltd. $7.5M. 9%, 1 August 2024. Secured.
4. Lambhill Pty Ltd. $2.5M. 14%, 13 June 2023. Unsecured

8.	Estimated cash available for future operating activities	$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	3,720
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(115)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	3,605
8.4	Cash and cash equivalents at quarter end (item 4.6)	15,593
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	15,593
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	**4.33**

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: **31 January 2023**

Authorised by: **BY THE BOARD**
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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This ASX Announcement has been authorised by, Metro Mining Director, Simon Wensley.