

Metro Mining Limited

January to June 2023 Half Year Results

Operational Update



KEY HIGHLIGHTS

- **Record 1.27 million wet metric tons (M WMT) shipped in H1 2023**
- **\$16.7M loss however \$12.7 M improvement in net year-on-year results**
- **At current production rates, unit costs and bauxite prices MMI is expecting to return to profitability in H2 2023**
- **Operating results continue to improve with 1.0 M WMT shipped in July and August 2023**
- **Sales target for 2023 remains 4.5 to 5.0 M WMT¹**
- **China bauxite demand strong as aluminium usage in renewables, batteries and electric vehicles offsets weakness in construction**
- **Expansion to 7.0 M WMT/a approved, fully funded with implementation on track**

Metro Mining Limited (**ASX:MMI**, 'Metro', the **Company**) is pleased to announce that in the six month period ending 30 June 2023 ('**H1 2023**') it achieved a record in H1 shipments. The strategies implemented during 2022 aimed at reducing unit costs and improving our resilience are now being realised by the Company, and this is reflected by a \$12.7 M year-on-year improvement in our financial performance with a net loss of \$16.7 M (H1 2022: \$29.4 M net loss). The H1 2023 results include a quarter in which, as expected, there were no shipments due to the annual wet season (January – March). The Company ended the period with \$20.2 M in cash and equivalents.

The Final Investment Decision of the expansion to 7.0 million Wet Metric Tonnes (M WMT) per annum of its Bauxite Hills Mine in North Queensland, was also made including its full funding via a new US\$30 M debt facility from Nebari Partners LLC.²

Record production continues

On top of shipments of 1.3 M WMT for H1 2023, production has continued strongly with 0.47 M WMT in July and 0.55 M WMT in August, a new monthly record. The increase in production activities, in conjunction with the expansion project, is being achieved with the incorporation of geared ultramax vessels in addition to the floating crane barge. Dual loading operations will continue for the remainder of 2023 and all of the required equipment is now on site to support an average monthly production target of 0.65 M WMT from September and annual sales of 4.5 to 5.0 M WMT.

Bauxite market remains strong

Despite economic uncertainty in China, alumina production remains strong with prices trending up as hydro-powered aluminium smelters come back online. Traded bauxite market conditions are firm with Australian bauxite prices increasing as contracts roll-over. Metro's freight contracts provide stable shipping rates allowing the firm pricing to flow through to Free on Board (FOB) prices.

¹ See ASX Release dated 13 April 2023 (https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02653771-2A1443229?access_token=83ff96335c2d45a094df02a206a39ff4).

² See ASX Release dated 17 May 2023 (https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02666969-2A1449851?access_token=83ff96335c2d45a094df02a206a39ff4).

Expansion project on track

The expansion project is being steadily implemented through 2023 and is on track. Funds have been committed by Metro and its contract partners to new heavy mobile equipment, the upgrade of the barge loading facility, additional barges and a tow tug. Additionally related to the screens, there was significant investment in maintenance and specialist contractors. MMI has also entered into a joint venture with Louis Dreyfus Armateurs to procure a high capacity offshore floating terminal which is in process of dry-docking and mobilization to Bauxite Hills Mine in Q4 2023. The 7.0 million WMT per annum expansion works are fully funded through a combination of the equity raise completed in 2022³ and the Nebari Partners LLC US\$30M (A\$45 million) debt facility which was agreed and fully drawn during the period.⁴

About Bauxite and MMI

Bauxite is the ore used to make aluminium, a critical and strong growth metal in the energy transition. MMI is an independent bauxite producer and explorer, with its 100% owned Bauxite Hills Mine operating on the Weipa bauxite plateau approximately 95k, North of Weipa, near the coast on the Skardon River. MMI produces a high alumina bauxite, shipping direct to customers in very large ore carriers. MMI recognises and has productive agreements with the traditional owners of the land on which it operates and is proud of its high percentage of indigenous employees and the economic impact it has in Cape York and Far North Queensland.

Authorised for release by the Board of Directors.

ENDS.

For more information contact:

CEO & Managing Director
Simon Wensley
info@metromining.com.au
+61 7 3009 8000

Investor Relations
Peter Taylor
Peter@nwrcommunications.com.au
+61 (0)412 036231

³ See ASX Release dated 28 July 2022 (https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02546672-2A1387433?access_token=83ff96335c2d45a094df02a206a39ff4).

⁴ See ASX Releases dated 13 March 2023 (https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02642502-2A1436884?access_token=83ff96335c2d45a094df02a206a39ff4) and 2 June 2023 (https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02672504-2A1452808?access_token=83ff96335c2d45a094df02a206a39ff4).

Metro Mining Limited and Controlled Entities

ABN 45 117 763 443

Appendix 4D

Results for announcement to the market

(all comparisons to half-year ended 30 June 2022)

	\$'000s	Movement	Movement %
Revenue from ordinary activities	62,376	Decrease	(2%)
Loss after tax from ordinary activities	(16,717)	Decrease	(43%)
Underlying loss before tax from ordinary activities ⁽ⁱ⁾	(15,588)	Decrease	(43%)
Underlying EBITDA from ordinary activities ⁽ⁱ⁾	(2,492)	Increase	87%

(i) The financial results of Metro Mining Limited are reported under International Financial Reporting Standards (IFRS). These half-year results include certain non-IFRS measures including Underlying Loss after Tax from Ordinary Activities and Underlying EBITDA. These measures are consistent with measures used internally and are presented to enable understanding of the underlying performance of the Company. Non-IFRS measures have not been subject to audit or review. A reconciliation to Loss after Tax from Ordinary Activities is included below.

The financial performance for the half-year period was impacted by:

- The planned wet season shutdown of operations from 1 January 2023 to 6 April 2023. The prior comparative period was impacted by the extension of ship-loading activities into wet season for the purpose of fulfilling customer commitments, resulting in higher ocean freight and demurrage costs;
- Revenue recognised for the half year period has been impacted by the introduction of FOB basis sales pricing in 2023. FOB basis sales represented 56% of the total sales volume for the half-year period. The blended FOB and CIF sales price for H1 2023 was A\$49/wmt vs. \$54/wmt for H1 2022;
- The increase in FOB basis sales has resulted in reduced Ocean Freight costs ordinarily recognised within cost of sales; and
- The increase in finance expenses is attributable to \$1.8m in additional interest costs in line with increased borrowings during the period, and a \$2.3m unrealised mark-to-market loss on currency derivatives.

Dividend information

No dividends were declared or paid during the financial period.

Net tangible assets per security

Net tangible assets per security

30 Jun 2023	30 Jun 2022
\$0.010	\$0.002

Reconciliation of loss before tax from ordinary activities to underlying EBITDA from ordinary activities

	6 Months 30 Jun 2023 \$'000s	6 Months 30 Jun 2022 \$'000s
Loss before tax from continuing operations	(16,717)	(29,392)
Foreign exchange loss	1,129	1,964
Underlying loss before tax	(15,588)	(27,428)
Net finance costs (excluding leasing expense)	6,735	2,734
Depreciation and amortisation	6,361	6,202
Underlying EBITDA from ordinary activities	(2,492)	(18,492)

Metro Mining Limited and Controlled Entities

ABN 45 117 763 443

Appendix 4D (Continued)

This information should be read in conjunction with the 31 December 2022 Annual Report.

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the half-year ended 30 June 2023.

This report is based on the consolidated financial statements for the half-year ended 30 June 2023 which have been reviewed by Ernst & Young.



INTERIM FINANCIAL REPORT

For the half-year ended 30 June 2023

ABN 45 117 763 443





Metro Mining Limited

ABN 45 117 763 443
Level 4, 135 Wickham Terrace
SPRING HILL, QUEENSLAND, 4000
AUSTRALIA

Telephone:
Website: www.metromining.com.au
Email: info@metromining.com.au

Shareholder information and enquiries

All enquiries and correspondence regarding shareholdings should be directed to Metro Mining Limited's share registry provider:

Computershare Investor Services Pty Limited
Level 1, 200 Mary Street
BRISBANE, QUEENSLAND, 4000
AUSTRALIA

Telephone: 1300 850 505
Telephone: +61 3 9415 4000 (outside Australia)

Website: www.computershare.com.au
Email: web.queries@computershare.com.au

Stock Exchange Listing

Metro Mining Limited shares are listed on the Australian Securities Exchange, code MMI.




Table of contents

DIRECTORS' REPORT

Introduction	4
Review and Results of Operations	5
Auditor's Independence Declaration	10

INTERIM FINANCIAL REPORT

Condensed Consolidated Financial Statements	12
Notes to the Condensed Consolidated Financial Statements	16
Directors' Declaration	31
Independent Auditor's Review Report	32



Directors' Report

Introduction

The Directors present their report on the consolidated entity (referred to hereafter as the "Group" or "Metro") consisting of Metro Mining Limited ("Metro Mining" or "the Company") and its controlled entities for the half-year ended 30 June 2023.

This Directors' Report has been prepared in accordance with the requirements of the *Corporations Act 2001 (Cth)*.

Directors

The following persons were Directors of Metro Mining Limited during the six months ended 30 June 2023 and up to the date of this report, unless otherwise stated:

Name	Position
Douglas Ritchie	Independent Non-Executive Director and Chair of the Board
Simon Wensley	Managing Director and Chief Executive Officer
Mark Sawyer	Non-Executive Director
Fiona Murdoch	Independent Non-Executive Director
Andrew Lloyd	Independent Non-Executive Director

Principal activities

Metro Mining is an Australian exploration and mining company based in Brisbane, Queensland. Its flagship project, the Bauxite Hills Mine, located 95km north of Weipa is one of the largest independent projects within the internationally acclaimed Weipa Bauxite Region.

The principal activities of the Group during the period were the exploration, mining and sale of bauxite, and the brownfield expansion of the Bauxite Hills Mine.

Review and results of operations

1H23 Key highlights

Following an intensive wet-season upgrade and maintenance programme, the 2023 production season at Bauxite Hills Mine successfully commenced in early April, with the first vessel departing fully loaded and on schedule. Improvements in mine and shipping throughput rates resulted in a record Q2 and half-year production result since the commencement of operations.

During the half-year, Metro successfully executed a two-tranche Financing Facility of up to US\$30 million with Nebari Natural Resources Credit Fund I, LP and Nebari Natural Resources Credit Fund II, LP (collectively Nebari). The first placement tranche of US\$20 million was received in March 2023 with the second placement tranche of US\$10 million executed on 2 June 2023. Proceeds from the Financing Facility provides funding for the Stage 2 expansion of production capacity at the Bauxite Hills Mine to 7.0 million wet metric tonnes ("WMT") annually. Specifically, the funding has been used for the acquisition of an Offshore Floating Terminal ("OFT") and procurement of a new screening solution.

On 17 May 2023, the Group entered into a binding joint venture with ALM Shipping Management Ltd (ALM Shipping) for 50% interest in an Offshore Floating Terminal for US\$15 million. The OFT will provide substantial upside including earlier mobilisation, lower cost risk, capacity upside, flexibility and greater operating window / weather resilience than a floating crane barge.

Chinese demand for bauxite remains robust with record half-year imports into China. During the half-year, Metro signed a memorandum of understanding (MOU) with a prospective third base load customer, for bauxite supply from 2024 aligning with the commissioning of a greenfield refinery and the Group's own expansion plans.

Operational performance

The Group's flagship project, the Bauxite Hills Mine, located on western Cape York in Queensland, finished the half-year with a total of 1.27 million WMT of bauxite sold.

The Group sold its 1H 2023 production through binding offtake agreements with Shandong Xinfu Import and Export Co. Ltd (Xinfu) and Xiamen Xiangsen Aluminium Limited. All production during 1H 2023 was sold to Chinese refineries and deliveries were within contractual specifications. The Group recorded an average blended FOB and CIF sales price per tonne shipped of A\$49.17/ WMT (30 June 2022: A\$53.78 WMT).

WMT '000	Q1 2023	Q2 2023	1H 2023	Q1 2022	Q2 2022	1H 2022
Bauxite mined	-	1,325	1,325	129	915	1,044
Bauxite shipped	-	1,269	1,269	330	849	1,179

Transshipping expansion

In May 2023, the Group confirmed that it would no longer pursue the build of a second floating crane barge for its transshipping operation. Instead, the Group has procured an existing, larger OFT that is almost identical to the transshipping solution identified in the Groups original feasibility study in 2019.

Binding joint venture terms for ownership of the OFT have concluded with the current owner ALM Shipping. The terms allow the Group to purchase a 50% interest in the vessel for US\$15 million which includes mobilisation to Australia and a significant dry-docking refurbishment (OFT JV). ALM Shipping is led by Louis Dreyfus Ports and Logistics (LDPL), a global logistics solutions provider and subsidiary of Louis Dreyfus Armateurs SAS.

Directors' Report

Transshipping expansion (cont.)

For the last four years, the OFT has been loading raw bauxite off the coast of Guinea. The bauxite is of a similar density and handling characteristic to the bauxite mined at the Group's Bauxite Hills Mine. The vessel has a rated capacity up to 2,000 WMT / hr with potential to target 3,000 WMT / day of bauxite. The OFT is expected to arrive in Cape York in Q4 2023 and, following regulatory approval, will then be bareboat chartered by the OFT JV to the Groups Bauxite Hills Mine under a 10-year contract, which includes buy-out options for the Group.

Barge loading facility upgrades

The upgrade to the Barge Loading Facility was completed during the wet season shutdown. The upgrade works have provided a steady-state throughput capability of 1,900 tonnes per hour (tph), with peak, short-term capacity of 2,000 tph. This is equivalent to an 80% improvement relative to the average rates achieved in Q4 2022. Since commencement of operations in early April 2023, barge lading rates and reliability have shown a significant improvement over Q4 2022 performance.

Truck and trailer upgrades

In partnership with our major equipment contractor Blake Machinery Group, the new high-efficiency Scania trucks and additional supporting trailers began mobilising to site from March 2023 with the final units having arrived in August 2023.

In conjunction with the new Scania prime movers, the Group initiated quad trailer configuration trials, with the initial improvements in cycle times from Pit to Port proving better than envisaged. The quad trailer configurations are being rolled out through Q3 2023 as the new purpose designed trailers arrive onsite. Once all the trailers arrive, there will be six quad trailer configurations in operation with a 230 WMT capacity (vs. 175 WMT for triples) for the remainder of the season.

Product screening upgrade

The concept for the expansion of screening capacity has been amended since the Definitive Feasibility Study conducted in June 2022. The Group has elected to install a new screening plant with a capacity of 1,500 tph, comprising an Apron and a Wobbler Feeder. This will replace one of the existing vibrating screen plants, with the second being retained for backup and product blending. It is expected that adopting this alternate screening technology will increase the throughput rate and provide greater resiliency in handling wet product.

Based on the procurement activities completed to date we expect to commission the new screening plant in March 2024. In the interim, the existing two screening plants will provide sufficient throughput capacity to meet the improved rates at the Barge Loading Facility. These plants underwent a major maintenance overhaul in the recent shutdown and are now showing much higher levels of availability over Q4 2023

Sales outlook

Given the capacity limitation of the existing floating crane, additional tonnes will be loaded using smaller, geared vessels until the OFT's commissioning in Q4 2023. 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, the Group is targeting delivered sales of between 4.5 million WMT and 5.0 million WMT in 2023. This represents a substantial increase over FY22 sales.

Directors' Report

Financial Position and Cashflow

For the half-year period ended 30 June 2023, the Group reported a net loss after tax of \$16.7 million (30 June 2022: \$29.4 million).

	30 Jun 2023 \$'000	30 Jun 2022 \$'000
Revenue from contracts with customers	62,376	63,409
Cost of sales	(65,107)	(84,112)
Gross loss	(2,731)	(20,703)
Other income and operating expenses	(5,128)	(4,485)
Operating loss before interest and income tax	(7,859)	(25,188)
Finance income	45	23
Finance expenses	(8,903)	(4,227)
Loss before income tax	(16,717)	(29,392)
Income tax benefit / (expense)	-	-
Loss after income tax	(16,717)	(29,392)

The financial performance for the half-year period was impacted by:

- The planned wet season shutdown of operations from 1 January 2023 to 6 April 2023. The prior comparative period was impacted by the extension of ship-loading activities into wet season for the purpose of fulfilling customer commitments, resulting in higher ocean freight and demurrage costs;
- Revenue recognised for the half year period has been impacted by the introduction of FOB basis sales pricing in 2023. FOB basis sales represented 56% of the total sales volume for the half-year period. The blended FOB and CIF sales price for H1 2023 was A\$49/wmt vs. \$54/wmt;
- The increase in FOB basis sales has resulted in reduced Ocean Freight costs ordinarily recognised within cost of sales; and
- The increase in finance expenses is attributable to \$1.8m in additional interest costs in line with increased borrowings during the period, and a \$2.3m unrealised mark-to-market loss on currency derivatives.

Underlying EBITDA

Underlying EBITDA reflects statutory EBITDA as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the Group. The table below provides a reconciliation to Underlying EBITDA for the Group and is unaudited.

	30 Jun 2023 \$'000	30 Jun 2022 \$'000
Loss before income tax	(16,717)	(29,392)
Adjustments:		
Foreign exchange loss	1,129	1,964
Underlying loss before tax (unaudited, non-IFRS term)	(15,588)	(27,428)
Net finance costs (excluding leasing expense)	6,735	2,734
Depreciation and amortisation expenses	6,361	6,202
Underlying EBITDA (unaudited, non-IFRS term)	(2,492)	(18,492)

Directors' Report

Cash management

	30 Jun 2023 \$'000	30 Jun 2022 \$'000
Cash and cash equivalents at the beginning of the financial year	11,746	13,883
Net cash outflows used in operating activities	(9,421)	(366)
Net cash outflows used in investing activities	(16,102)	(2,549)
Net cash inflows provided by financing activities	33,935	634
Net increase / (decrease) in cash and cash equivalents	8,412	(2,281)
Effects of exchange changes on the balances held in foreign currencies	29	(1,008)
Cash and cash equivalents at the end of the financial year	20,187	10,594

Debt facilities

(i) Nebari Financing Facility

On 13 March 2023, the Group announced that it had entered into a facility agreement with Nebari Natural Resources Credit Fund I, LP and Nebari Natural Resources Credit Fund II, LP (collectively Nebari), for a two tranche Financing Facility (Financing Facility) of up to \$45 million (US\$30 million).

At 30 June 2023 the Financing Facility had been fully drawn. The first placement tranche of \$30 million was received in March 2023 with the second placement tranche totalling \$15 million executed on 31 May 2023. Under the Financing Facility, there are no principal repayments for the first 24 months and the Group has opted to capitalise the first 6 months of interest payments. The loan facility is for a period of up to 4 years from the initial draw on 12 March 2023. Further details on the terms of the financing facility can be found in Note D3(A).

As part of the debt funding arrangement signed with the Nebari group, 421 million detachable warrants were issued to Nebari upon the drawdown of tranche 1 and 103 million detachable warrants were issued upon the drawdown of tranche 2, for a total warrant value at issue of \$3.1 million.

(ii) Inगतatus and Lambhill

On 13 March 2023, the Group announced that amended loan repayment terms had been agreed with Inगतatus AG Pty Ltd (Inगतatus) and Lambhill Pty Ltd (Lambhill). The terms and conditions of the loan agreement have been amended as follows:

	Inगतatus 1 (\$20 million)	Inगतatus 2 (\$7.5 million)	Lambhill (\$7.5 million)
Principal	1 Jun 2024: \$6.67 million 1 Sep 2024: \$6.67 million 1 Dec 2024: \$6.67 million	1 Jun 2024: \$2.50 million 1 Sep 2024: \$2.50 million 1 Dec 2024: \$2.50 million	1 Jul 2024: \$2.50 million 1 Oct 2024: \$2.50 million 1 Aug 2025: \$2.50 million
Interest	No change	Increase from 9% to 12% from 1 June 2023	Increase from 9% to 12% from 1 July 2023

As part of the amended loan agreement, warrants were issued to compensate for the change in subordination of the Inगतatus and Lambhill shareholder loans. The warrants were issued in two tranches of 55 million and 13.4 million warrants for a total warrant value at issue of \$0.4 million.

Directors' Report

(iii) Lambhill bridging facility - unsecured

On 26 June 2023, the Group repaid the remaining \$3.0 million principal and accrued interest relating to the Lambhill unsecured short term-bridging facility.

Indigenous engagement

The Group continues to prioritise the employment of personnel from the traditional owners of the land, the Ankamuthi people, and other indigenous employees. Approximately 35% of positions at the Bauxite Hills mine are held by indigenous employees which meets the Groups indigenous workforce target.

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

Safety performance

Safety is a core value of the Group, and we are committed to providing a safe working environment for our employees and contract partners through processes and procedures. All incidents are thoroughly investigated, and the findings are acted on to continuously improve the Group's safety systems.

Environmental Social Governance (ESG)

The Group recognises that developing and implementing a long-term commitment to sustainability is integral to its ongoing success. The Group is committed to managing its operational activities and services in an environmentally responsible manner to meet legal, social and moral obligations. As one part of this commitment, the Group seeks to comply with all applicable environmental laws and regulations.

Dividends

No interim dividend has been declared for the half-year ended 30 June 2023. This decision allows the business to focus on its strategic growth plans.

Auditors' independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001 (Cth)* is set out on page 10.

Rounding of amounts

The Group is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Financial / Directors' Report. Amounts in this report and the Interim Financial Report have been rounded off to the nearest thousand dollars in accordance with the Instrument.

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



Douglas Ritchie

Non-Executive Director & Chair of the Board

31 August 2023



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 Limited for the half-year ended 30 June 2023, 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; and
- c. No non-audit services provided that contravene 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' in a cursive style.

Ernst & Young

A handwritten signature in black ink that appears to be 'M. Taylor'.

Matthew Taylor
Partner
31 August 2023

Interim Financial Report

Table of Contents

INTERIM FINANCIAL REPORT

Condensed Consolidated Statement of Comprehensive Income	12
Condensed Consolidated Statement of Financial Position	13
Condensed Consolidated Statement of Changes in Equity	14
Condensed Consolidated Statement of Cash Flows	15
Notes to the Condensed Consolidated Financial Statements	16
Directors' Declaration	31
Independent Auditor's Review Report	32

Notes to the Condensed Consolidated Financial Statements

A BASIS OF PREPARATION

A1	Basis of preparation	16
A2	Critical accounting estimates and judgements	20

B PERFORMANCE FOR THE YEAR

B1	Segment information	21
B2	Revenue from contracts with customers	21
B3	Profit and loss information	21
B4	Tax	22

C ASSETS AND LIABILITIES

C1	Property, plant and equipment	23
----	-------------------------------	----

D CAPITAL STRUCTURE, FINANCING AND FINANCIAL RISK MANAGEMENT

D1	Contributed equity	24
D2	Share-based payments	24
D3	Borrowings	26

E OTHER INFORMATION

E1	Related party disclosures	29
E2	Investments accounted for using the equity method	29
E3	Commitments and contingencies	30
E4	Events occurring after the reporting period	30

This Interim Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report should be read in conjunction with the Annual Report for the year ended 31 December 2022 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*.

Metro Mining Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office is:
Level 4, 135 Wickham Terrace, Spring Hill, Brisbane, Queensland, 4000

Interim Financial Report

Condensed Consolidated Statement of Comprehensive Income

For the half-year ended 30 June 2023

	Notes	30 Jun 2023 \$'000	30 Jun 2022 \$'000
Revenue from contracts with customers	B2	62,376	63,409
Cost of sales		(65,107)	(84,112)
Gross loss		(2,731)	(20,703)
Other income		-	172
Expenses			
Exploration expense		-	(71)
Administrative expenses		(3,427)	(2,622)
Operating loss before interest and income tax		(6,158)	(23,224)
Finance costs		(8,903)	(4,227)
Finance income		45	23
Other gains and losses	B3	(572)	-
Foreign exchange (loss) / gain		(1,129)	(1,964)
Loss before income tax		(16,717)	(29,392)
Income tax benefit / (expense)	B4	-	-
Loss after income tax		(16,717)	(29,392)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		-	-
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the period		(16,717)	(29,392)
Loss per share	Notes	30 Jun 2023 cents	30 Jun 2022 cents
Basic loss per share		(0.38)	(0.98)
Diluted loss per share		(0.38)	(0.98)

The above Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Interim Financial Report

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	30 Jun 2023 \$'000	31 Dec 2022 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		20,187	11,746
Restricted cash		5,351	274
Inventories		4,106	2,533
Trade and other receivables		6,931	4,406
Other assets		2,652	3,873
Total current assets		39,227	22,832
Non-current assets			
Property, plant and equipment	C1	80,273	79,423
Right-of-use assets		26,167	22,083
Exploration and evaluation assets		1,422	1,342
Investments accounted for using the equity method	E2	4,872	-
Other financial assets		6,032	3,847
Total non-current assets		118,766	106,695
Total assets		157,993	129,527
LIABILITIES			
Current liabilities			
Trade and other payables		24,284	28,185
Lease liabilities		10,715	7,912
Borrowings	D3	9,590	35,585
Other financial liabilities		5,619	977
Provisions		801	875
Total current liabilities		51,009	73,534
Non-current liabilities			
Other financial liabilities		9,551	11,098
Lease liabilities		14,555	13,581
Borrowings	D3	66,970	2,536
Provisions		9,948	9,839
Total non-current liabilities		101,024	37,054
Total liabilities		152,033	110,588
Net assets		5,959	18,939
EQUITY			
Contributed equity	D1	227,287	227,287
Other reserves		14,376	10,639
Accumulated losses		(235,704)	(218,987)
Total equity		5,959	18,939

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Interim Financial Report

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2023

	Contributed equity \$'000	Translation reserve \$'000	Option reserve \$'000	Warrant Reserve \$'000	Employee share acquisition reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2022	200,959	1	9,906	-	(8)	(168,865)	41,993
Loss for the period	-	-	-	-	-	(29,392)	(29,392)
Other comprehensive income	-	(8)	-	-	-	-	(8)
Total comprehensive loss for the period	-	(8)	-	-	-	(29,392)	(29,400)
Transactions with owners in their capacity as owners:							
Employee share-based payments	-	-	189	-	-	-	189
Total transactions with owners in their capacity as owners	-	-	189	-	-	-	189
Balance at 30 June 2022	200,959	(7)	10,095	-	(8)	(198,257)	12,782

	Contributed equity \$'000	Translation reserve \$'000	Option reserve \$'000	Warrant Reserve \$'000	Employee share acquisition reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2023	227,287	(35)	10,682	-	(8)	(218,987)	18,939
Loss for the period	-	-	-	-	-	(16,717)	(16,717)
Other comprehensive income	-	79	-	-	-	-	79
Total comprehensive loss for the period	-	79	-	-	-	(16,717)	(16,638)
Transactions with owners in their capacity as owners:							
Employee share-based payments	-	-	191	-	-	-	191
Warrants issued – shareholder loans	-	-	-	400	-	-	400
Warrants issued – Nebari	-	-	-	3,067	-	-	3,067
Total transactions with owners in their capacity as owners	-	-	191	3,467	-	-	3,658
Balance at 30 June 2023	227,287	44	10,873	3,467	(8)	(235,704)	5,959

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Interim Financial Report

Condensed Consolidated Statement of Cash Flows

For the half-year ended 30 June 2023

	Notes	30 Jun 2023 \$'000	30 Jun 2022 \$'000
Cash flows from operating activities			
Receipts from customers		60,459	73,682
Payments to suppliers and employees (inclusive of GST)		(70,015)	(74,243)
		(9,556)	(561)
Receipts from other income		132	172
Receipts from interest income		3	23
Net cash outflows used in operating activities		(9,421)	(366)
Cash flows from investing activities			
Payments for property, plant and equipment		(3,525)	(1,071)
Payments for exploration and evaluation assets		(456)	(690)
Net funding of equity accounted investments	E2	(4,872)	-
Payments for financial assurance and other security bonds		(7,249)	(788)
Net cash outflows used in investing activities		(16,102)	(2,549)
Cash flows from financing activities			
Proceeds from borrowings		41,814	9,500
Repayment of borrowings		(2,500)	(549)
Interest paid		(2,354)	(2,069)
Principal elements of lease payments		(4,883)	(6,043)
Proceeds from other financial liabilities		1,858	-
Payment of other finance costs		-	(205)
Net cash inflows provided by financing activities		33,935	634
Net increase / (decrease) in cash and cash equivalents		8,412	(2,281)
Cash and cash equivalents, at the beginning of the period		11,746	13,883
Effects of exchange changes on the balances held in foreign currencies		29	(1,008)
Cash and cash equivalents, at the end of the period		20,187	10,594

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

A BASIS OF PREPARATION

A1 Basis of preparation

Metro Mining Limited is a listed for-profit public Company incorporated and domiciled in Australia. This Condensed Consolidated Interim Financial Report for the half-year ended 30 June 2023 was authorised for issue in accordance with a resolution of the Board of Directors on 29 August 2023.

This Condensed Consolidated Interim Financial Report is a general-purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, and with Accounting Standard AASB 134 *Interim Financial Reporting*.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half-year with the exception of those noted in (C) below. The Condensed Consolidated Financial Statements have been prepared on the historical cost basis except for derivative financial instruments which have been measured at fair value.

This report should be read in conjunction with the Group's last Annual Report as at and for the year ended 31 December 2022. This report does not include all of the information required for a complete set of financial statements prepared in accordance with accounting standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial report.

This Condensed Consolidated Interim Financial Report is presented in Australian currency and amounts have been rounded to the nearest dollar unless otherwise stated, in accordance with ASIC *Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

(A) Going concern

At 30 June 2023, the Group had \$20.2 million (31 December 2022: \$11.7 million) in cash on hand, net current liabilities of \$11.8 million (31 December 2022: \$50.7 million) and recorded a net loss of \$16.7 million (30 June 2022: loss of \$29.4 million) for the half-year. The Group's net operating outflows for the half-year was \$9.4 million (30 June 2022: \$0.4 million).

The Group is on track to meet its guidance of 4.5 million to 5.0 million WMT of sales for FY23 and has reduced uncertainty and exposure to volatility through the following measures:

- Successful completion of a facility agreement with Nebari Natural Resources Credit Fund I, LP and Nebari Natural Resources Credit Fund II, LP (collectively, Nebari), for a Financing Facility of US\$30 million;
- Successfully extended loan repayment terms on the Inगतatus and Lambhill shareholder loans by 12 months with the first scheduled repayment due in June 2024;
- Expansion of the Bauxite Hills Mine has been approved and underpinned by binding offtake up to 5 million and 6 million WMT in 2023 and 2024, respectively;
- A portion of the contracted offtake will be loaded using smaller geared vessels until the Offshore Floating Terminal's commissioning;
- Ocean freight exposure has been reduced with the execution of Contracts of Affreightment, resulting in freight coverage on a large proportion of CIF contracted sales to 2024; and
- Foreign currency exposure is being managed through foreign exchange hedging instruments.

Notes to the Condensed Consolidated Financial Statements

A1 Basis of preparation (cont.)

(A) Going concern (cont.)

The Directors, in their consideration of the appropriateness of the going concern basis for the preparation of the financial statements, have prepared a cash flow forecast through to at least 12 months from approving these financial statements, which includes the following key assumptions that in their assessment are necessary for the Group to have sufficient cash to continue as a going concern:

- Increased production capacity and continued improvement in operational performance in 2023 with target production of between 4.5 million and 5.0 million WMT; and
- Continued support from lenders and regulatory bodies;

Based on the measures outlined above, the Directors believe at the date of signing that it remains appropriate to prepare the financial statements on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Should the Group be unsuccessful in achieving these measures, a material uncertainty would exist that may cast significant doubt on the ability of the Group to continue as a going concern, and, therefore, whether it will realise its assets and settle its liabilities in the normal course of business.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

(B) Amendments of standards adopted by the Group

A number of new standards are effective from 1 January 2023, but these do not have a material effect on the Group's Financial Statements.

Certain new accounting standards and amendments to standards have been published that are not mandatory for reporting period commencing 1 January 2023 and have not been adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods.

(C) Significant accounting policies

The accounting policies applied in the Condensed Consolidated Interim Financial Statements are the same as those applied in the Group's Consolidated Financial Statements for the year ended 31 December 2022, except for the new policies noted below.

(i) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5.

Under the equity method, an investment in an associate or a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or

Notes to the Condensed Consolidated Financial Statements

joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

(C) Significant accounting policies (cont.)

(i) Investments in associates and joint ventures (cont.)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

If there is objective evidence that the Group's net investment in an associate or joint venture is impaired, the requirements of AASB 136 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 9. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group reduces its ownership interest in an associate or a joint venture, but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The Group applies AASB 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee.

Furthermore, in applying AASB 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by AASB 128 *Investments in Associates and Joint Ventures* (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with AASB 128).

(ii) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Notes to the Condensed Consolidated Financial Statements

A derivative contract over own equity which will be settled by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments will be classified as an equity instrument, provided that there is no contractual obligation to deliver cash or another financial asset.

(C) Significant accounting policies (cont.)

(iii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised as the proceeds received, net of direct issue costs.

(iv) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost, using the effective interest rate method. Interest is accrued over the period it becomes due and unpaid interest is recorded as part of current trade and other payables.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Borrowings are removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another part and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the Consolidated Statement of Comprehensive Income as net finance costs.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers a modification to be substantial based on: (1) qualitative factors which result in a significant change in the terms and conditions of the financial liability, and/or, (2) if the present value of the cash flows under the new terms, including any fees paid net of any fees received, discounted using the original effective interest rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as a modification gain or loss within other gains and losses.

(v) Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of AASB 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

The loan from Nebari entered into during the current period, contains embedded prepayment option derivatives which have been separated from the host loan contract. The prepayment options were determined not to have any material value on initial recognition. The value of the prepayment options will be reassessed at each reporting date until maturity of the loan, and any changes in fair value of the options will be recognised in profit or loss. The separated prepayment options are presented as non-current assets or non-current liabilities if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months.

Notes to the Condensed Consolidated Financial Statements

A2 Critical accounting estimates and judgements

In preparing the Condensed Consolidated Interim Financial Statements, the Directors have made judgements, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets and liabilities, revenue and expenses.

The significant judgements made by the Directors in applying the Group's accounting policies and key sources of estimation uncertainty are the same as those described in the Group's Consolidated Financial Statements for the year-ended 31 December 2022, except as noted in section A1 and D3. The estimates, judgements and assumptions are based on historical experience, adjusted for current market conditions, and other factors that are believed to be reasonable under the circumstances, and are reviewed on a regular basis. Actual results may differ from these estimates.

B PERFORMANCE FOR THE YEAR

B1 Segment information

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports that are reviewed and used by the Chief Operating Decision Maker (CODM). The Board, identified as the CODM, assess the performance of the Group and determine the allocation of resources.

The Group's operating segments have been determined with reference to the monthly management accounts used by the CODM to make decisions regarding the Group's operations and allocation of working capital.

Based on the quantitative thresholds included in AASB 8 *Operating Segments*, there is only one reportable segment, being the production and sale of bauxite from the Groups Bauxite Hills mine in Queensland.

The Group's customers are located in one geographic area, China, with 100% of revenue from the sales of bauxite derived from that area during the half-year period. The Group had two customers who accounted for 100% of its revenue from contracts with customers during the half-year ended 30 June 2023.

The revenues and results of this segment are those of the Group as a whole and are set out in the Condensed Consolidated Statement of Comprehensive Income. The assets and liabilities of the Group as a whole are set out in the Condensed Consolidated Statement of Financial Position.

B2 Revenue from contracts with customers

For the half-year ended 30 June 2023, revenue from contracts with customers is predominantly derived from the sale of bauxite from the Group's Bauxite Hills mine. The Group recognises revenue from the sale of bauxite at a point in time.

	30 Jun 2023 \$'000	30 Jun 2022 \$'000
At a point in time		
Revenue from the sale of bauxite	62,376	63,409
Total revenue from contracts with customers	62,376	63,409

Revenue for the half-year ended 30 June 2023 was generated from the shipment of 1,269k WMT of bauxite (30 June 2022: 1,179k WMT) from the Group's Bauxite Hills operation.

B3 Profit and loss information

The following item is relevant in explaining the financial performance for the interim period:

	30 Jun 2023 \$'000	30 Jun 2022 \$'000
Gain/(Loss) on loan modification	(572)	-

During the half-year period, the Group renegotiated the terms of its existing loan facility with Inगतatus and Lambhill by extending the loan repayment dates for each facility. The renegotiation resulted in the recognition of a non-recurring modification loss of \$0.6m. Further information on the loan repayment terms can be found in Note D3(B).

Notes to the Condensed Consolidated Financial Statements

B4 Tax

The Group recognises deferred tax assets when it becomes probable that sufficient taxable income will be derived in future periods against which to offset these assets.

At each reporting date, the Group assesses the level of expected future cash flows from the business, and the probability associated with realising these cash flows, and determines whether the deferred tax assets of the Group should continue to be recognised.

The Group has previously assessed that it is not considered probable that the portion of the Group's carry-forward tax losses and temporary differences previously recognised will be used to offset future taxable profits. The Group continues to assess that it is not probable that tax losses and temporary differences will be utilised to offset future taxable profits, until such time as the Group's planned Stage 2 expansion of the Bauxite Hills operation is completed and operating at its intended capacity.

C ASSETS AND LIABILITIES

C1 Property, plant and equipment

The net book amounts and movements in property, plant and equipment are set out below.

	Plant and equipment \$'000	Infrastructure \$'000	Ancillary assets \$'000	Other mineral assets ¹ \$'000	Assets under construction ² \$'000	Total \$'000
At 1 January 2023						
Cost	6,594	40,242	3,219	101,028	3,267	154,350
Accumulated depreciation	(929)	(4,416)	(2,354)	-	-	(7,699)
Accumulated amortisation	-	-	-	(12,953)	-	(12,953)
Accumulated impairment	-	(15,689)	-	(38,586)	-	(54,275)
Net book amount	5,665	20,137	865	49,489	3,267	79,423
Movement:						
Additions	-	-	-	-	3,525	3,525
Disposals	-	-	-	-	(279)	(279)
Assets under construction transfer	1,628	-	223	-	(1,851)	-
Change in rehabilitation provision	-	-	-	(88)	-	(88)
Depreciation expense	(218)	(287)	(397)	(1,406)	-	(2,308)
Closing net book amount	7,075	19,850	691	47,995	4,662	80,273
At 30 June 2023						
Cost	8,222	40,242	3,442	100,940	4,662	157,508
Accumulated depreciation	(1,147)	(4,703)	(2,751)	-	-	(8,601)
Accumulated amortisation	-	-	-	(14,359)	-	(14,359)
Accumulated impairment	-	(15,689)	-	(38,586)	-	(54,275)
Net book amount	7,075	19,850	691	47,995	4,662	80,273

- 1 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.
- 2 Assets under construction includes mine related infrastructure and plant and equipment under development but not commissioned at 30 June 2023. Assets under construction are not depreciated until the assets are available for their intended use.

D CAPITAL STRUCTURE, FINANCING AND FINANCIAL RISK MANAGEMENT**D1 Contributed equity**

	30 Jun 2023 Shares '000s	30 Jun 2023 \$'000	31 Dec 2022 Shares '000s	31 Dec 2022 \$'000
Fully paid ordinary shares	4,365,260	227,287	4,363,829	227,287
Total contributed equity	4,365,260	227,287	4,363,829	227,287

A reconciliation of the movement in ordinary shares is set out below.

	2023		2022	
	Shares '000s	\$'000	Shares '000s	\$'000
Fully paid ordinary shares at 1 January	4,363,829	227,287	2,988,770	200,959
Movement:				
Share transfer from performance rights	1,431	-	-	-
Fully paid ordinary shares at 30 June	4,365,260	227,287	2,988,770	200,959

(A) Dividends

No interim dividend has been paid or declared during the half-year ended 30 June 2023. There were no dividends paid or issued in the prior year.

D2 Share-based payments

The Group established the Metro Mining Employee Incentive Plan (EIP) to enable the issue of shares, performance rights, share options or subscription warrants in Metro Mining Limited. Under the EIP, the Group may offer shares or options over unissued shares in the Company.

The total share-based payment expense recognised in the half-year ended 30 June 2023 was \$0.2 million (30 June 2022: \$0.8 million).

(A) Performance rights granted under the EIP

The EIP acts as the Group's main incentive scheme to reward eligible participants through variable remuneration.

Performance rights are measured at the fair value at the grant date.

Set out in the table below is a summary of movements in the number of performance rights under the EIP for the period ending 30 June 2023.

Grant date	Balance at the start of the period Rights '000	Granted during the period Rights '000	Exercised during the period Rights '000	Forfeited during the period Rights '000	Balance at the end of the period Rights '000	Unvested at the end of the period Rights '000
05 July 2021	12,298	-	-	-	12,298	12,298
01 January 2022	32,654	-	-	-	32,654	32,654
	44,952	-	-	-	44,952	44,952

D2 Share-based payments (cont.)**(B) Performance rights issued in lieu of remuneration**

Grant date	Balance at the start of the period Rights '000	Granted during the period Rights '000	Exercised during the period Rights '000	Forfeited during the period Rights '000	Balance at the end of the period Rights '000	Unvested at the end of the period Rights '000
05 July 2021	6,455	-	-	-	6,455	6,455
28 February 2022	1,188	-	-	-	1,188	1,188
01 July 2022	3,513	-	-	-	3,513	3,513
30 May 2023	-	3,612	-	-	3,612	3,612
	11,156	3,612	-	-	14,768	14,768

Upon his appointment as a Director, Mr Douglas Ritchie elected to receive his director's fees (exclusive of superannuation) as performance rights. For the half-year ended 30 June 2023, 3,512,750 performance rights with an estimated fair value of \$56,204 were issued to Mr Douglas Ritchie.

Upon his appointment as a Director, Mr Andrew Lloyd elected to receive 50% of his director's fees (exclusive of superannuation) as performance rights. For the half-year ended 30 June 2023, 98,784 performance rights with an estimated fair value of \$1,581 were issued to Mr Andrew Lloyd.

(C) Subscription warrants issued

Under the terms of the financing facility agreement with Nebari (refer Note D3(A)), 524 million warrants were issued in 2 tranches in consideration of each draw down. In addition, a further 68.4 million warrants were issued to Inगतatus and Lambhill on the same terms as those issued to Nebari. The warrants issued to Inगतatus and Lambhill are only exercisable subject to Nebari exercising some or all of its warrants. Key inputs into the valuation of the warrants as follows:

Parameter	Tranche 1	Tranche 2
Grant Date	12 March 2023	31 May 2023
Share Price	\$0.01	\$0.019
Exercise Price	\$0.0120	\$0.0250
Risk Free Rate	3.21%	3.37%
Volatility	92.69%	93.01%
Dividend Yield	0%	0%
Value per Warrant	\$0.005	\$0.009

The warrants reserve is used to recognise the fair value of the equity instruments issued. Set out in the table below is a summary of movements in the number of warrants for the period ending 30 June 2023.

	30 Jun 2023 \$'000	31 Dec 2022 \$'000
Balance at 1 January	-	-
Movement		
Warrants issued – shareholder loans ¹	400	-
Warrants issued – Nebari ¹	3,067	-
Warrants converted	-	-
Balance at 30 June	3,467	-

¹ Transaction costs relating to the warrants are deducted from equity.

Notes to the Condensed Consolidated Financial Statements

D3 Borrowings

	30 Jun 2023 \$'000	31 Dec 2022 \$'000
Current		
Loans – Nebari senior secured loan	-	-
Loans – shareholder loans ¹	9,950	35,585
Total current borrowings	9,950	35,585
Non-current		
Loans – Nebari senior secured loan	41,137	-
Loans – shareholder loans ¹	25,833	2,536
Total non-current borrowings	66,970	2,536

¹ During the year, the description of the loans changed from “Loans – senior secured” to “Loans – shareholder loans” due to a change in the subordination of the loan facilities.

(A) Loans – Nebari senior secured loan

In March 2023, the Group entered into a new long-term debt funding arrangement with Nebari Natural Resources Credit Fund I, LP and Nebari Natural Resources Credit Fund II, LP (collectively Nebari).

The key terms of the facility are set out in the table below:

Facility amount	US\$30 million – amount fully drawn down in two tranches. Tranche 1 was drawn down on 12 March 2023 in the amount of US\$20 million. Tranche 2 was drawn down on 31 May 2023 in the amount of US\$10 million.
Interest rate	Secured overnight financing rate (SOFR) + 9% margin p.a., capitalised for the first 6 interest payments then payable monthly thereafter.
Capital repayment	4.0% of the Facility Amount, i.e., each instalment will be US\$1.25 million beginning March 2025.
Maturity date	12 March 2027
Warrants	Upon drawdown of Tranche 1, 421 million detachable warrants were issued to the loan provider at an exercise price of \$0.012, with an expiry date of 3 years from issue. Upon drawdown of Tranche 2, an additional 103 million detachable warrants were issued to the loan provider at an exercise price of \$0.025, with an expiry date of 3 years from issue.
Prepayment options	Prepayment at the Group's control is as follows: <ul style="list-style-type: none"> • Prepay at any point in time during the term of the loan as long as the minimum repayment amount is at least US\$5 million. • Prepay upon the occurrence of certain events within the Group's control. <p>At any prepayment date, the Group must compensate the lender such that the lender realises in aggregate at least a 20% absolute return on the amount prepaid.</p>
Interest rate floor	If the SOFR rate during the term of the loan is less than 3%, then SOFR shall be presumed to be 3% under the agreement.

Notes to the Condensed Consolidated Financial Statements

D3 Borrowings

(A) Loans – Nebari senior secured loan (cont.)

The loan was initially recognised at fair value of US\$27.6 million (\$41.8m) and is being carried in the balance sheet at amortised cost using the effective interest rate method, net of transactions costs.

The prepayment options are not deemed closely related to the debt host (loan) and are separated and accounted for as stand-alone derivatives. Based on the probabilities of exercising the options under different scenarios, the options were deemed to have no material value at inception. This will be reassessed at each reporting date until maturity of the loan, and any changes in fair value of the options will be recognised in profit or loss.

The interest rate floor is considered closely related to the host debt (loan) contract and is therefore accounted for as part of the loan.

The warrants are separate derivative instruments and are classified as equity (presented in a separate warrants reserve) as they do not meet the definition of a financial liability and can be converted into a fixed number of ordinary shares at a fixed exercise price. Refer to Note D2 (C) for a reconciliation of the movements of the warrant reserve.

(B) Loans – shareholder loans

In March 2023, the lenders approved modifications to the existing debt facilities. The key terms of the modified loans are outlined below:

(i) Inगतatus loan facility #1 – principal \$20 million

Maturity date	Extended by 12 months to 1 December 2024.
Capital repayment	Extended each repayment date by 12 months. Repayable in three equal instalments of \$6.67 million on 1 June 2024, 1 September 2024 and 1 December 2024.
Interest rate	Unchanged at 12% p.a., paid quarterly.
Fees	A fee of \$75,000 was incurred for amending the loan terms and was paid in cash.
Change in subordination	The loan will be subordinate to the Nebari loan facility.

(ii) Inगतatus loan facility #2 – principal \$7.5 million

Maturity date	Extended by 12 months to 1 December 2024.
Capital repayment	Extended each repayment date by 12 months. Repayable in three equal instalments of \$2.5 million on 1 June 2024, 1 September 2024 and 1 December 2024.
Interest rate	9% p.a. until June 2023 then increased to 12% p.a. for the remaining term, repaid quarterly.
Fees	A fee of \$75,000 was incurred for amending the loan terms and was paid in cash
Change in subordination	The loan will be subordinate to the Nebari loan facility.

Notes to the Condensed Consolidated Financial Statements

D3 Borrowings (cont.)

(B) Loans – shareholder loans (cont.)

(iii) Lambhill loan facility #1 – principal \$7.5 million

Maturity date	Extended by 12 months to 1 August 2025.
Capital repayment	Extended each repayment date by 12 months. Repayable in three equal instalments of \$2.5 million on 1 July 2024, 1 October 2024 and 1 August 2025.
Interest rate	9% until July 2023 then increased to 12% for the remaining term, repaid quarterly.
Fees	A fee of \$75,000 was incurred for amending the loan terms and was paid in cash
Change in subordination	The loan will be subordinate to the Nebari loan facility.

In addition to the above loan modification terms, the Group issued warrants to Inगतatus and Lambhill. The issue of warrants were in substance compensation to Inगतatus and Lambhill for the change in subordination of their shareholder loans. The issue of the warrants and the change in subordination of loans were considered qualitatively substantial modifications and resulted in the derecognition of the original liabilities and recognition of new liabilities. Gains and losses on derecognition of loans are recognised in other gains and losses in the Statement of Comprehensive Income. Any costs or fees incurred were recognised as part of the gain or loss on the extinguishment, which included the cost of the warrants as the warrants were akin to a transaction cost between the Group and Lambhill and Inगतatus.

The warrants issued to Inगतatus and Lambhill are on the same terms as the warrants issued to Nebari under the Nebari loan facility and were issued as an anti-dilutive mechanism to Lambhill and Inगतatus. The warrants were issued in two tranches of 55 million warrants and 13.4 million warrants at an exercise price of \$0.012 and \$0.025, respectively. The issue date of each respective tranche coincided with the drawdown of each tranche of the Nebari senior secured loan described in Note D3 (A).

The warrants are separate derivative instruments and are classified as equity (presented in a separate warrant reserve) as they do not meet the definition of a financial liability and can be converted into a fixed number of ordinary shares at a fixed exercise price. The issuance of the warrants are treated as a distribution as the warrants were issued for free. Refer to Note D2 (C) for a reconciliation of the warrant reserve.

(C) Contractual maturities of financial liabilities

As at 30 June 2023, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

	Within 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
At 30 June 2023				
Trade payables	(7,229)	-	-	(7,229)
Other payables	(17,056)	-	-	(17,056)
Lease liabilities	(10,715)	(14,555)	-	(25,270)
Borrowings	(9,590)	(66,970)	-	(76,560)
Other financial liabilities	(5,619)	(9,550)	-	(15,169)
Total contractual and expected outflows	(50,209)	(91,075)	-	(141,284)
At 31 December 2022				
Trade payables	(13,820)	(11,098)	-	(24,918)
Other payables	(12,698)	-	-	(12,698)
Lease liabilities	(7,912)	(13,581)	-	(21,493)
Borrowings	(35,585)	(2,536)	-	(38,121)
Total contractual and expected outflows	(70,015)	(27,215)	-	(97,230)

E OTHER INFORMATION

E1 Related party disclosures

(A) Parent entity

The ultimate holding entity is Metro Mining Limited.

(B) Rights granted to a related party in a prior financial period

On 12 July 2016, the Company announced that it had executed binding documentation (Agreements) with Greenstone whereby Greenstone would take up 105 million shares in the Company and potentially provide the Company with further ongoing strategic and financial support for the development of the Bauxite Hills Mine. Greenstone is an entity in which Mark Sawyer, a Director of the Company, holds a beneficial interest.

The Agreements also provide Greenstone with the following rights:

(vi) Anti-dilution rights

The Agreements contain anti-dilution provisions which enable Greenstone to maintain its equity interest in the Company on issue of further shares. On execution of the Agreements, Greenstone held a 19.9% interest in the Company. Having participated in subsequent equity raising and exercised its anti-dilution rights, at 30 June 2023, Greenstone held 833,616,790 shares in the Company; a 19.1% interest.

(vii) Customer nomination rights

The Agreements provide Greenstone with the right to nominate customers to purchase bauxite production, pro-rata to Greenstone's shareholding in the Company, on an arm's length basis and on no less favourable terms than could be achieved elsewhere. The customer nomination rights are contingent upon Greenstone retaining at least a 10% interest in the Company.

Both the anti-dilution rights and, subject to certain exemptions, the customer nomination rights, are contingent upon Greenstone retaining at least a 10% interest in the Company.

E2 Investments accounted for using the equity method

On 17 May 2023, the Group, along with its joint venture partner ALM Shipping Management Ltd ("ALM Shipping"), incorporated Ikamba Pte Ltd in Singapore. The Group and ALM each own 50% of the ordinary shares on issue of Ikamba Pte Ltd. The Group acquired its shares in Ikamba Pte Ltd for \$25,000 and during the period ended 30 June 2023 made further contributions of \$4.9 million to Ikamba Pte Ltd to fund the mobilisation and drydocking of the Ikamba OFT. These contributions have been added to the value of the Group's investment in Ikamba Pte Ltd.

The Group's interest in Ikamba Pte Ltd is accounted for using the equity method in these consolidated financial statements as set out in the Group's accounting policies in Note A1(C).

Details of each of the Group's material joint ventures at the end of the reporting period are as follows:

Joint Venture	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Group	
			30 June 2023	30 June 2022
Ikamba Pte Ltd	Owning and leasing the ALM Tinka (Ikamba OFT) to the Group.	Singapore, incorporated on 17 May 2023.	50%	-

Notes to the Condensed Consolidated Financial Statements

E3 Commitments and contingencies

(A) Commitments

Significant capital expenditure and other expenditure contracted for at the end of the reporting period but not recognised as liabilities include:

(i) Joint venture commitments

As at 30 June 2023, the Group has commitments of \$16.6 million. These commitments relate to equity contributions committed under the joint venture agreement with ALM Shipping Management Ltd.

(ii) Other expenditure commitments

As at 30 June 2023, the Group has commitments of \$0.25 million. These commitments are contractual payments due to contractors for the provision of mining equipment, transshipping services, flight services and offsets payable under Commonwealth mining licence conditions for the Bauxite Hills Mine.

(B) Contingencies

The Group has no contingencies as at 30 June 2023 (30 June 2022: nil).

E4 Events occurring after the reporting period

There has not been any matter or circumstance occurring since 30 June 2023, in the reasonable opinion of the Directors, that may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Directors' Declaration

In the opinion of the Directors of Metro Mining Limited (the Company):

- (a) the attached Financial Statements and notes thereto are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standard 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors made pursuant to section 303(5) of the *Corporations Act 2001*.



Douglas Ritchie
Chairman of the Board

31 August 2023



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 condensed consolidated balance sheet as at 30 June 2023, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply 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 2023 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note A1 in the half-year financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibilities 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Matthew Taylor'.

Matthew Taylor
Partner
Brisbane
31 August 2023