

14 August 2020

Bauxite Hills Brings Wet-Season Shutdown Forward

Metro Mining Ltd (ASX: MMI) wishes to advise that, as foreshadowed in the June Quarterly Activities Report, the Bauxite Hills Mine will move into its planned 2020 wet season shutdown earlier than usual. The decision has been made given the ongoing impact of COVID-19 on market conditions across the aluminium supply chain which continues to negatively impact market demand and prices.

KEY POINTS

- Shipping from the Bauxite Hills Mine is expected to cease in mid-September;
- Operations are expected to recommence in April 2021 when deliveries into the existing contract with Xinfra would recommence (2.3M WMT sold for 2021).
- Negotiations for bauxite sales in 2020 (and beyond) continue. If additional sales are secured for 2020 delivery Metro can quickly reopen the mine later in 2020.
- Negotiations are progressing well for 2021 and beyond. It is anticipated 2021 will see improved trading conditions.
- The strong operational performance in early 2020 has delivered robust cashflows leaving Metro in a good financial position.

The Bauxite Hills Mine has reported record mining and shipping rates and lower operational costs this operating year. However, the mine is expected to move into its planned wet season shutdown earlier than anticipated in 2020. Mining is starting to wind down and shipping is expected to cease on or around 15th September.

Although prices have softened, the strong production profile from Bauxite Hills in 2020 thus far has generated solid cash flows. A cost cutting program has been implemented, including a reduction in Directors' fees and Senior Management salaries, that will reduce the Company Corporate and Administration costs by approximately 39%.

Travel restrictions related to COVID-19 have impacted Metro's bauxite marketing and sales program making it more difficult to finalise offtake contracts. While discussions with potential customers are ongoing, the decision has been made to transition early to the 2020 wet-season shutdown to ensure an orderly wind down of site activities.

The earlier than normal closure will unfortunately result in a number of Metro and its contractors' personnel being made redundant with only a small crew remaining on site for general maintenance purposes.

By making these changes, Metro will be in a sound financial position and have sufficient cash to begin operations again as planned in April 2021, where 2.3Mt of planned production is already contracted.

Metro does have the opportunity to recommence operations in later in 2020 at short notice if additional sales are contracted.

Metro anticipates that 2021 will see considerably improved trading conditions given:

- Macro-economic indicators in China suggest the aluminum supply chain is now recovering;
- The primary aluminum price and the alumina price are both returning to near pre-COVID levels;
- Guinea freight costs have returned to more long term "normalised levels" easing bauxite pricing pressure and improving Metro's competitive advantage in the seaborne bauxite market

Metro's Stage 2 Expansion remains the core strategy for the long-term development of Bauxite Hills. However, timing for the formal commitment to Stage 2 remains influenced by general uncertainty over the outlook for global growth due to the impact of COVID-19. Whilst there have been recent improvements in macro conditions, general confidence in the sector remains low and customers remain reluctant to enter into new offtake agreements. Metro will continue to monitor market conditions prior to taking the decision to formally proceed with the expansion.

Metro Mining Managing Director & Chief Executive Officer, Simon Finnis, said:

"We are extremely disappointed that despite a record performance from the teams on-site, and the efforts of our marketing team we have been unable to secure further sales that would have meant a very successful operating year for Metro. We live in very challenging times with many factors outside of our control.

"This decision has not been taken lightly and we will do all we can to assist our people and all stakeholders. This includes ongoing discussions with both Federal and State Governments.

"The market does appear to be recovering and our marketing efforts are continuing as aggressively as ever in order to secure additional sales for this and for following years. However, we also have the responsibility to protect the interest of our shareholders and all stakeholders, so the decision to accelerate the move into the wet season shut-down had to be made."



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

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