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Metro Mining Ltd (ASX: MMI)

Quarterly Activities Report | October 2022

Q3 2022 Highlights

- **Continued performance improvements and return to positive site-level EBITDA**
- **Quarterly production and sales up approx. 25% on Q2**
- **Chinese bauxite demand continues to be strong, further price increases negotiated for Q4**
- **Expansion activities progressing well and within budget**
- **Successful equity raising completed to support expansion and other activities**
- **Balance sheet strengthened, cash on hand of $19m at 30-Sep-22**
- **NAIF loan facility process on track**

There has been a significant and continued upward trend in consistency and operating performance through the quarter with the floating crane now operating above original plan levels through September and October to date.

Mining for the quarter was 1.13 M Wet Metric Tonnes (WMT) and shipments were 1.07 M WMT, a 24% and 26% increase respectively on June Quarter 2022 results.

The bauxite market is strong and demand for imports from China is continuing at record levels. The outlook for Bauxite pricing remains positive, reflected in Metro's recent pricing outcomes with customers. Revenue received was $54M at an average price of A$50.6/WMT, up 15% from Q2. Further price increases (~10%) have been negotiated for the December quarter.

On 29 June 2022, the Metro Board gave investment approval, subject to financing, to expand the production capacity at the Bauxite Hills Mine by 75% from 4 to 7 M WMT per annum. Expansion planning, design and procurement activities progressed during the quarter and are on track for completion in 2023. The second floating crane barge has completed final detail design and supporting procurement activities are well progressed with delivery expected late 2023/early 2024.

In the September Quarter 2022, Metro successfully completed a $27.4 million equity raising via a two-tranche Placement and a Share Purchase Plan to support the funding of expansion projects, growth studies and strengthening the balance sheet with the conversion of short-term working capital facilities.

Northern Australia Infrastructure Facility (NAIF) continues to work positively with Metro in preparation for a NAIF board decision on the expansion facility with financing available from early 2023.

Gary Battensby will join the Metro Team as Bauxite Hills Mine General Manager and Site Senior Executive (SSE) from 3 November 2022.

The guidance for shipments for calendar 2022 is 3.6 to 3.7 Million WMT, assuming average weather conditions in the last quarter, with a target for 5 Million WMT for 2023.

Operational Performance for the Quarter

Safety performance

The safety of our employees and contractors is paramount to Metro.

The operational quarter at Bauxite Hills saw 78,549 workhours completed Lost Time Injury (LTI) free. However, in response to recent upward trends in reported hazards and incidents, management has initiated a program to further strengthen safety systems, processes and culture.

Operations and Costs

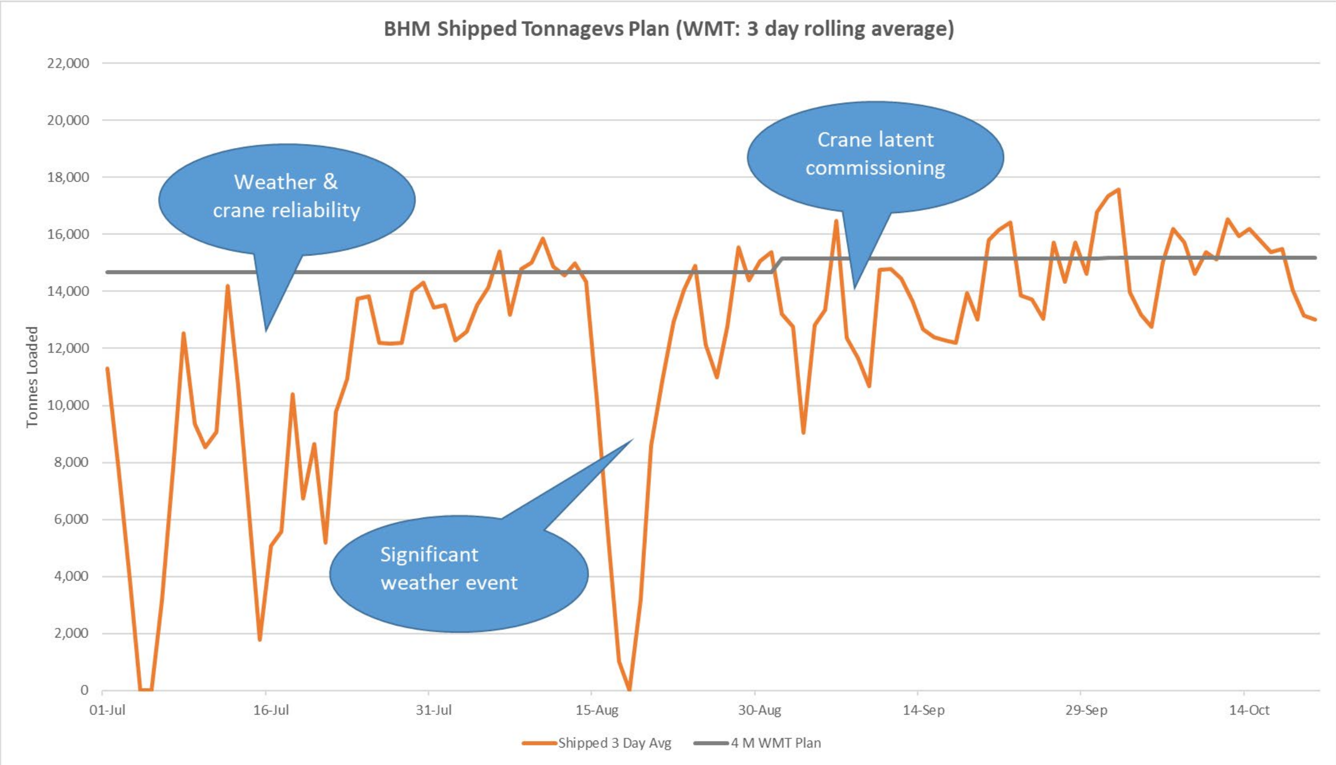
Production Results (wmt) ('000)	Q3 2022	Q2 2022	Q3 2021
Bauxite Mined	1,133	915	1,101
Bauxite Shipped	1,070	849	1,092
Unit Operating Results (A$/wmt)			
Revenue	**50.6**	**44.1**	**52.7**
Costs			
Site Costs	27.9	28.1	20.6
Freight	17.4	18.6	35.1
Royalties	5.0	3.2	2.3
Total	**50.3**	**49.9**	**58.0**
EBITDA Margin	**0.3**	**(5.8)**	**(5.3)**

Metro has taken actions to reduce risk, strengthen and improve the core fundamentals of the business and create a more resilient and predictable operation and results. These actions have included:

- Following transition into Capesize freight using the floating crane barge, locking in 90% of exposed freight and bunkers for 2022 to 2024
- Shifting to a more diverse combination of pricing mechanisms including alumina linked, quarterly resets, floor/ceiling, fixed and FOB pricing
- Productivity and cost reduction program and forward foreign exchange contracts

The 2022 investments in asset reliability and productivity in trucks, trailers, screens, conveyors, marine assets and crane grabs saw mining and ship loading rates improved in the quarter.

As a result of these initiatives and volume trend, MMI's structural operating performance and margins are expected to improve.



Gary Battensby will join the Metro Team as Bauxite Hills Mine General Manager and Site Senior Executive (SSE) from 3 November 2022. Gary is an experienced leader within the mining industry across both surface and underground operations. He was most recently mine manager with EQ Resources at Mt Carbine and prior was at BIM Gold and Cape Flattery Silica, where he oversaw a $250M upgrade of the site. Gary's experience includes leading teams across Far North Queensland and in PNG working closely with the local first nations communities.

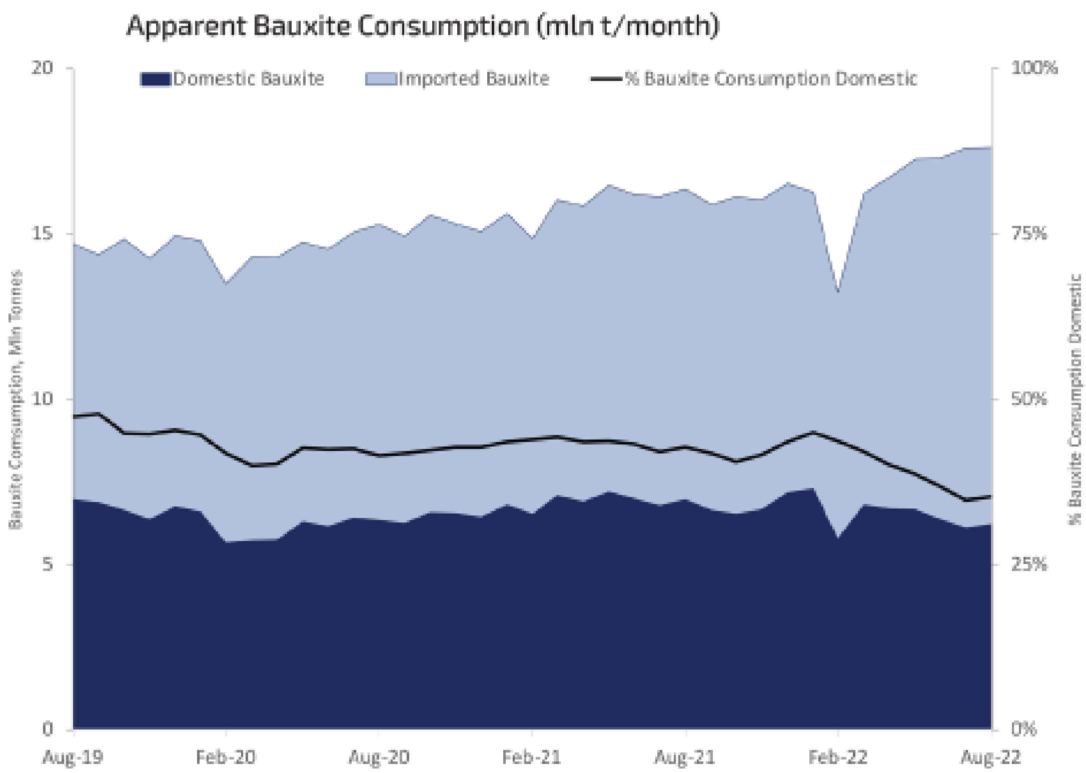
Bauxite Market

China forms the majority of Pacific bauxite traded demand and imports continue to be strong at 94.8 Mt September year to date, up 16.4% year on year, reflecting increased total demand from new and existing refineries and further substitution of Chinese domestic bauxite (Figure 1). Imports appear likely to exceed 125 Mt for 2022 which is ahead of the forecasts at the start of the year.

Marginal delivered spot prices of Indonesian and Guinea material continued to increase through the quarter, Australian contract prices also increased through the quarter (Figure 2) as the difference between Australian and Guinea prices remain greater than cost in use differential.

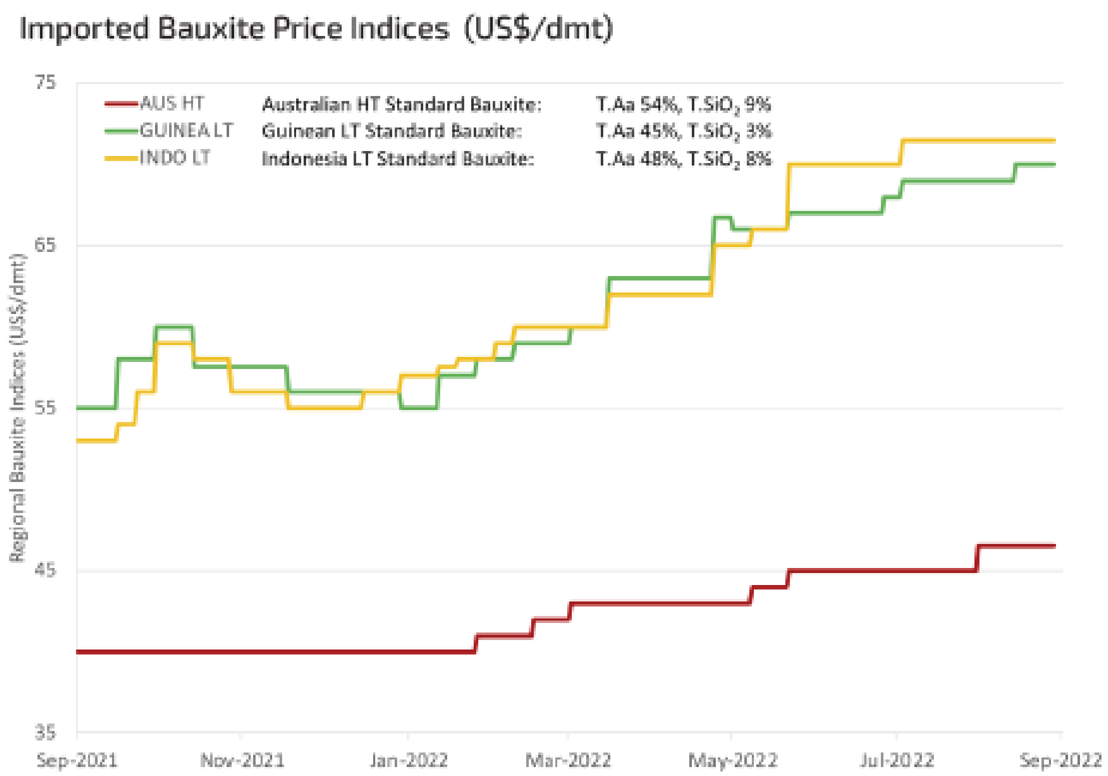
Metro bauxite contract offtake is firm and under the structure of the contracts, pricing terms for the 4Q 2022 have been agreed with customers at approx. 10% increase in US$ terms.

Figure 1:



Source: CM Group

Figure 2:



Source: CM Group

Expansion

On 29 June 2022 Metro announced that the Metro Board of Directors has 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 with spot optionality - Take advantage of economies of scale - Create additional resilience through significant redundancy and contingency

The stated capital required in the Definitive Feasibility Study (DFS) is $28.3 M, $23.3 M for a second floating crane and $5 M for site upgrades.

The second floating crane barge has completed final detailed design and is undergoing class certification and procurement is at 87% firm quoted. The floating crane barge completion is expected late 2023/early 2024. The control budget is currently running at A$ 20.1 M at DFS exchange rate.

Funds for the site upgrade were raised as part of the Equity Placement in July. The overland conveyor and barge loading facility upgrade to 2,000 tph has been scoped, engineered and is in procurement for February to March 2023 construction. Control budget is currently sitting at approx. A$ 0.8 M, approx. $1.0 under the DFS estimate.

Screening expansion to match barge loading is still in the scoping and engineering phase, with completion expected in Q3 2023.

Financing

Equity raising

In the Quarter, 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 was received in cash.

Metro envisaged that $11 million of the proceeds of the equity raising would be applied to fund accelerated deposits and progress payments on the key components of the floating crane barge, site infrastructure and project management, with $3 million of the of proceeds applied to value added growth studies with the remaining funds utilised for working capital and other costs.

A summary of the use of funds as at Q3 2022 has been included below:

Use of Funds	Allocated	Actual Spend
Expansion Project	$11.0 m	$1.0 m
Growth Studies	$3.0 m	-
Working Capital and Offer Costs	$6.9 m	$1.5 m
	$20.9 m	**$2.5 m**

NAIF financing

Following the completion of the expansion DFS, the Company engaged with NAIF to refresh the credit approval process with the intention of achieving Financial Close and draw down by early 2023. The approval process is well progressed, the NAIF due diligence team has visited Bauxite Hills site and, subject to the final decision of the NAIF board, the Company expects to have access to project funding in place by early 2023. The existing senior debt structure will be retained until NAIF financing is able to be drawn down.

Growth studies

The Company 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.

Expansion projects

Subsequent to the quarter end, a further $3.0 million of expansion project funds has been committed. The procurement activities performed to date indicate the total expansion spend is expected to be within the control budget.

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 Q3 2022, ESG activities included:

- An ESG materiality survey was finalised and sent to all Metro employees seeking their responses.
- Investigations commenced into the use of a solar panel and battery storage arrangements to reduce diesel consumption and CO_2 emissions.
- The Metro Board resolved to establish a Board Committee to oversee the development and implementation of ESG goals and strategies.
- Site rehabilitation activities continued with the size of the area readied for rehabilitation in excess of what was undertaken in the prior year.
- Planning for the expansion of the Bauxite Hills mine includes the identification of options for positive and sustainable impacts on the environment to be incorporated into the capital works program.

Community

Supporting and engaging with both the Ankamuthi and other indigenous groups is a key focus with a goal to increase employment outcomes for Traditional Owners as well as business opportunities. As at 30 September, Metro's employment of Traditional Owners was 34%, above target. Additional effort and resources have recently been applied to the identification and development of business opportunities for Traditional Owner communities to engage in Metro's operations.

A site visit is in planning for representatives from Metro's Indigenous stakeholder groups to undertake an infrastructure review, as well as to discuss ideas focused on creating a greater connection to Country and culture.

A sign at the Bauxite Hills mine airstrip has recently been installed acknowledging the Ankamuthi people and their connection to country.

Bauxite Hills Mine airstrip welcome sign

Corporate

- Cash position: At the end of the quarter, Metro's cash on hand was $19.6 million. This compares with the position at the end of June 2022 of $11.2 million.
- Senior Secured Debt facilities: At the end of the quarter, Metro had two fully drawn A$ 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 $3 million (excluding accrued interest) subsequent to the conversion of $6.5 million to equity.
- Hedging: At the end of the quarter, Metro had in place forward sale A$/US$ contracts totalling US$ 41 million at an average exchange rate of AUD/USD 0.70.

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 3003	Columboola A	QLD
MDL 3038	Columboola B	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
EPC 1165	Columboola	QLD
EPC 1609	Wandoan West 3	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

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	**30 SEPTEMBER 2022**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers **(Refer: Note A)**	53,978	128,299
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	(49,859)	(117,229)
	(d) staff costs **(Refer: Note B)**	(4,311)	(11,209)
	(e) administration and corporate costs	(567)	(2,243)
1.3	Dividends received	-	-
1.4	Interest received	6	29
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)	292	464
1.9	**Net cash from / (used in) operating activities**	**(461)**	**(1,889)**

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 (9 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	(1,008)	(1,075)
	(d)	exploration & evaluation	(679)	(1,369)
	(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		(1,626)	(1,625)
2.6	**Net cash from / (used in) investing activities**		**(3,313)**	**(4,069)**

		Current quarter $A'000	Year to date (9 months) $A'000
3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	21,081	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)	(1,247)
3.5	Proceeds from borrowings	-	9,500
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(62)	(217)
3.8	Dividends paid	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
3.9	Other (provide details if material)		
	- Interest Paid	(1,155)	(2,727)
	- Principal Elements of Lease Payments	(3,429)	(10,518)
	- Other		
3.10	**Net cash from / (used in) financing activities**	**15,189**	**15,873**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	11,382	13,883
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(461)	(1,889)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,313)	(4,069)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	15,189	15,873
4.5	Effect of movement in exchange rates on cash held	(770)	(1,771)
4.6	**Cash and cash equivalents at end of period**	**22,027**	**22,027**

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	19,613	10,594
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Restricted cash)	2,414	788
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**22,027**	**11,382**

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	-
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.

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	38,000	38,000
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	**38,000**	**38,000**

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. $3.0M. 14%, 14 October 2022. Unsecured

8.	Estimated cash available for future operating activities	$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(461)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(679)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(1,140)
8.4	Cash and cash equivalents at quarter end (item 4.6)	22,027
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	22,027
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	**19**

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: **28 October 2022**

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.