

## Q2 2020 Highlights

- Metro successfully operated within the established Policies and Procedures in response to COVID-19 at Corporate Offices and the Bauxite Hills Mine;
- June Quarter shipments were 1,251Kt which exceeded the upper end of guidance by 14%;
- Shipping levels increased month on month during the quarter and reached a new record in June of 536kt;
- Sales Revenue (gross) of A\$66.5M and site EBITDA of A\$14.1m was generated;
- Average price received of A\$52.71/WMT with an average site margin of A\$11.26/WMT;
- Metro opted-in to the Qld Government's Financial Provisioning Scheme which resulted in the release of \$6.9Million of restricted cash held under cash-backed Bank Guarantees;
- Metro's available cash on hand and other receivables as at 30 June 2020 was \$44.4Million;
- As a result of COVID-19, market conditions have deteriorated including in the Aluminium supply chain; although improving, alumina and bauxite prices remain weak;
- Negotiations with refineries continue to advance, however no further bauxite has been sold for 2020 outside the foundation Xinfra contract;
- If further sales cannot be concluded in the next month, Bauxite Hills will move into its wet season shutdown earlier than originally planned;
- It is likely the period of closure would extend from mid-September through to April 2021 when deliveries into existing Xinfra contract would recommence (2.3M WMT sold). However, the mine could reopen in 2020 if justified by further sales;
- The strong operational performance in early 2020 has delivered robust cashflows leaving Metro in a good financial position.

### BAUXITE HILLS PRODUCTION RESULTS

Period	April '20	May '20	June '20	June Qtr 2020	June Qtr 2019
Bauxite Mined (WMT) ('000)	415	499	505	1,419	880
Bauxite Shipped (WMT) ('000)	245	470	536	1,251	836
Bauxite Mined (WMT per day)	14,297 (1)	16,092	16,854	15,768	n/a
Bauxite Shipped (WMT per day)	14,388 (2)	15,150	17,882	16,034	n/a

(1) Daily rate based on mining commencement date of 2 April 2020. Mining commenced on a day shift only basis, with 24-hour mining operation implemented a week later.

(2) Daily rate based on shipping commencement date of 14 April 2020.

# Bauxite Hills Mine Operations

## SAFETY PERFORMANCE

During a challenging period, which saw the ramp up of the 2020 operations coincide with the onset of the COVID-19 pandemic, the operational quarter at Bauxite Hills saw 110,111 workhours completed Lost Time Injury (LTI) free. The company was quick to react to COVID-19 and effective controls were implemented and maintained thus ensuring Bauxite Hills remained COVID free; a great result from all involved.

## SITE BASED ACTIVITIES

Bauxite mining for the quarter was 1,419k wet metric tonnes (WMT) with 1,251k WMT shipped; both representing record levels for the corresponding June quarter since operations commenced. This was an excellent result given the additional protocols required by COVID-19.

### **All aspects of the logistics chain exceeded expectations:**

- Mining and haulage benefitted from the mobilisation of additional road haulage equipment and high machine availabilities;
- Record screening plant and barge loading facility throughput rates were achieved as a result of modifications implemented at the end of last year, and
- Shiploading rates were assisted by high operator productivity and favourable sea-state conditions with minimal time lost during the quarter as a result of swell conditions.

### **Key land-based activities undertaken during the quarter included:**

- The additional three triple trailer sets (200t capacity per set) operated during the quarter and ensured mining rates exceeded budget despite ore being sourced from the more distant BH1 deposit;
- Capacity at the screening plants has been proven at 850 tph each (up from 500tph) and indeed has exceeded this rate during the quarter;
- Modifications made at the Barge Loading Facility during the wet season were successful with average loading rates of 1,350 tph, and peaks of 1,600 tph achieved;
- Mine planning and ongoing analysis of drill results continued for mining activities anticipated for the rest of the 2020 operating year.

With mining areas at BH1 and BH6 now fully opened after two years of operations, the planned acceleration of rehabilitation activities is now underway;

- During 2019 several rehabilitation trials were completed to identify the optimum approach to site rehabilitation and 15 ha of area has been fully rehabilitated. An integral component of this work was the program for native seed collection by the indigenous communities on the Cape; a program which will continue during the life of operations.
- Bauxite Hills mining activities now fully incorporate simultaneous rehabilitation with progressive backfilling of the exposed pits and direct placement of topsoil from new mining areas to mined out areas. Seeding of the topsoil will occur closer to commencement of the wet season in each operating year.

# Bauxite Hills Mine Operations

## Marine Activities:

All marine activities exceeded budget during the quarter. Transshipment rates benefitted from the increased channel depth at the Skardon River mouth.

This has resulted in Metro being able to load barges at, or closer to, their capacity resulting in fewer barge movements, delivering lower fuel consumption and other operational cost savings.

## COVID-19 Response

Metro's response to COVID-19 was outlined in an ASX Release on 23 March 2020 with the Policies and Procedures evolving constantly in response to Government guidance and directives.

They operated extremely well throughout the quarter and no disruptions to operations were experienced. However, COVID-19 continues to be a rapidly evolving situation and procedures are being constantly monitored and updated accordingly by Metro's Senior Executives, Health & Safety Professionals, HR and IT teams.

## BAUXITE SALES

With the strong support of Metro's foundation customer Xinha, deliveries were accelerated into the existing contract to maintain production at very efficient levels. Average pricing received declined during the quarter as the alumina price weakened as a result of COVID-19. The stronger A\$/US\$ towards the end of the quarter also negatively impacted received revenue.

Deliveries into the Xinha contract have continued into the September quarter.

While negotiations with several refineries continue and are advancing, at the time of release, Metro has been unable to finalise additional sales contracts for calendar year 2020. Accordingly, there is no guarantee they will be concluded in time to ensure continual operation of the mine until the end of the planned operating season in mid-December 2020. Therefore, unless further sales are concluded, Metro will move into its planned wet season shutdown early.

This period of closure would likely extend from early-September to April 2021 when deliveries into the existing contract with Xinha would recommence (2.3M WMT sold). If additional sales are secured reasonably quickly Metro would have the opportunity to continue operations, or reopen the mine later in 2020, as the case may be.

The primary aluminium price and the alumina price have both returned to pre-COVID levels and other macro indicators suggest that the market is normalizing. However the confidence of consumers to enter agreements has not yet returned. Along with continued strong demand for imported bauxite in 2020 and beyond, it is anticipated that 2021 will see much improved trading conditions.

As the chart on page 7 shows, the domestic Chinese alumina price fell sharply during the quarter and while the pricing has corrected in recent weeks, Metro's income did not reflect the recovery given the Xinha contract pricing mechanism that reflects the alumina price of the preceding month.

A very strong performance from the mine site limited the negative impact on cashflows but there was an impact on margins late in the quarter. The current rally is anticipated to have a modestly positive impact on US\$ prices received in the September quarter relative to prices achieved late in the June quarter.

# Bauxite Hills Mine Operations

Based on current market conditions, any spot or other contracts secured are likely to reflect the lower US\$ bauxite prices currently prevail in the market.

Whilst negotiations with customers are continuing there are several factors that may impact on Metro's ability to secure the required spot sales for the remainder of 2020:

- The travel restrictions related to COVID-19 have impacted Metro's bauxite marketing and sales program making it more difficult to finalise offtake contracts.
- Despite the alumina prices recovering in recent weeks previously closed alumina refineries have not yet recommenced operations and de-stocking of bauxite inventory is continuing.
- Whilst market conditions are improving there remains general uncertainty and lack of confidence in the overall outlook that is resulting in a cautious approach being taken by customers in relation to their buying programs.
- The A\$/US\$ exchange rate continues to strengthen which will have a negative impact on A\$ sales revenue.

## BAUXITE HILLS MINE STAGE 2 EXPANSION

As previously disclosed, work has been completed on the detailed engineering and design work related to the Stage 2 Expansion to an annual operating production rate of 6.0 Million WMT. Debt financing is also in place through the previously announced Loan Facility from the Northern Australia Infrastructure Facility ("NAIF").

However, timing for the formal commitment to Stage 2 remains influenced by the uncertainty over the outlook for global growth and associated volatility in aluminium and alumina prices due to the impact of COVID-19. Whilst there have been recent improvements in macro conditions general confidence in the sector remains low and therefore customers' have not been prepared to enter into new offtake agreements. Metro will continue to monitor the market conditions prior to taking the decision to formally proceed with the expansion.

As a result of these, and any further potential delays, completion of the Stage 2 is not expected to occur until late 2021 at the earliest. Production next year would therefore likely be between 4.0-4.5M WMT depending on the precise timing of commitment to Stage 2.

## Financial Results:

The underlying site unit costs for the quarter were A\$18.92/WMT which is the lowest level since operations commenced. This reflected the economies of scale driven by the strong mining and transshipment performance and a continued cost focus at site. The month on month decline in costs helped to offset the weakness in received bauxite prices.

Unit costs for ocean freight varied during the quarter reflecting the volatility in global freight markets. Metro's costs were partially cushioned from this volatility with ships secured through a combination of spot bookings and through freight contracts established earlier in 2020.

# Bauxite Hills Mine Operations

UNIT OPERATING RESULTS					
	April 2020	May 2020	June 2020	June 2020 Qtr	June 2019 Qtr
<b>Revenue A\$/WMT</b>	61.52	54.58	47.05	52.71	57.29
<b>Costs</b>					
Site Cost A\$/WMT	21.42	18.94	17.77	18.92	23.47
Non-Site Cost					
▪ Freight A\$/WMT	16.67	18.67	16.74	17.45	16.79
▪ Royalties A\$/WMT	6.38	5.18	4.40	5.08	6.15
<b>TOTAL</b>	<b>44.47</b>	<b>42.79</b>	<b>38.90</b>	<b>41.45</b>	<b>46.40</b>
<b>EBITDA MARGIN A\$/WMT</b>	<b>17.06</b>	<b>11.79</b>	<b>8.15</b>	<b>11.26</b>	<b>10.89</b>

## INDIGENOUS ENGAGEMENT

Indigenous and stakeholder engagement was heavily impacted by COVID-19 restrictions for the second quarter of 2020.

The Cape York region was declared a Biosecurity Area and no travel was allowed in or out of the communities given isolation requirements. Due to technical communication difficulties in that region video conferencing was not considered a viable option. The decision for postponement of the usual engagement activities was unanimously agreed by all parties.

To maintain regular communications of Metro's ongoing response to the COVID-19 situation, a fortnightly update was provided to all Metro employees in the Cape York communities unable to work, as well as to Metro's Community Liaison Officers and the Liaison Committee representatives, with information for distribution to the wider community.

Community seed collections were cancelled for the months of April and May. Mapoon seed collections recommenced in June and collections in the Northern Peninsula Area are due to recommence in July.

Over this quarter Metro sponsored the 2020 Young Indigenous Arts and Literacy program via virtual workshops into the Mapoon, Injinoo, Bamaga and Hope Vale schools.

The opportunity for these virtual workshops to occur, during the pandemic conditions, and provide Art and Literacy mentoring opportunities to the local schools was a significant factor for Metro's sponsorship. Face-to-face workshops and development of works to be entered into the 2020 Young Indigenous Arts and Literacy Awards will be undertaken once travel restrictions have been lifted into the communities.

# Bauxite Price Outlook

The economic impact of COVID-19 had a significant impact on the Aluminium supply chain during the quarter resulting in volatile alumina and bauxite prices and market nervousness amongst refineries.

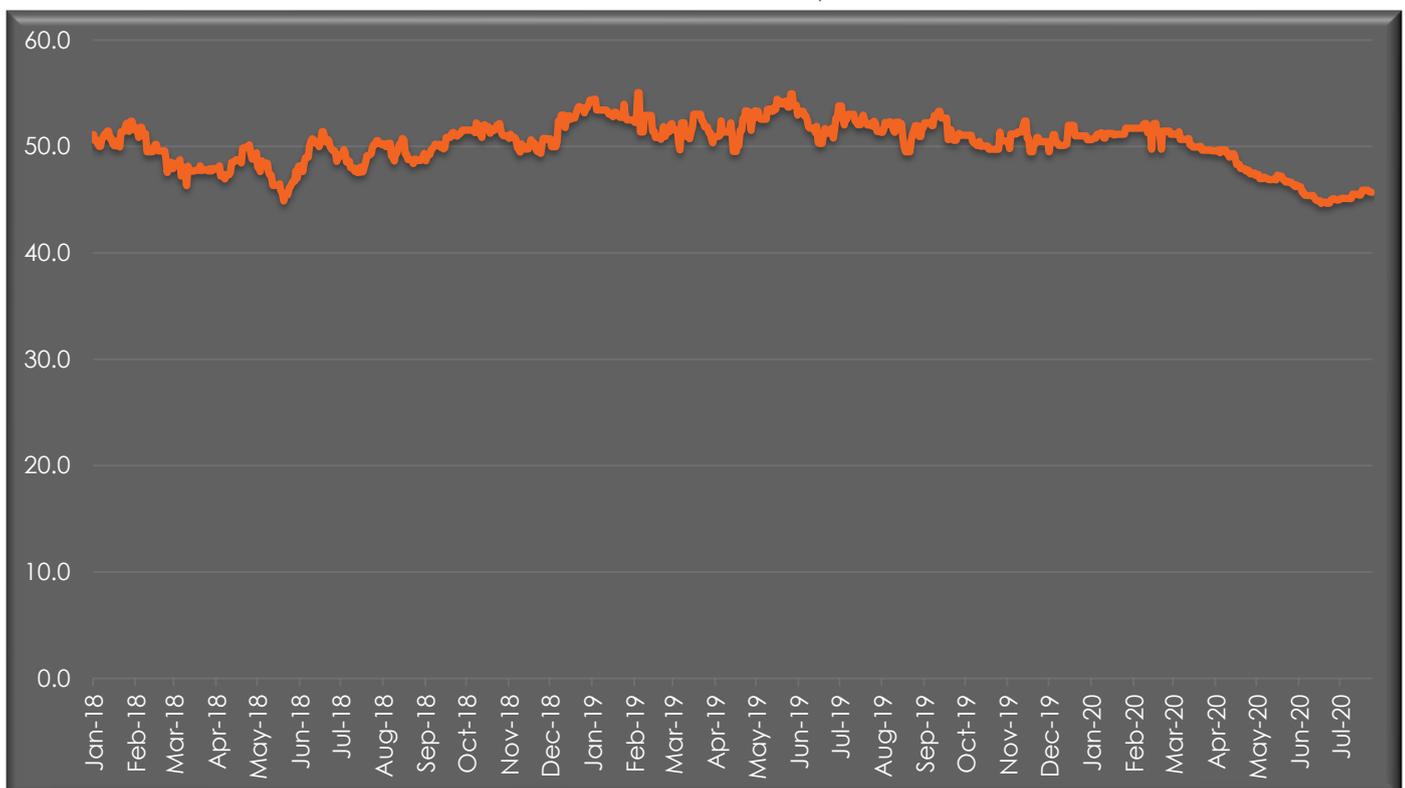
- Imported bauxite prices CFR China (per the CBIX Bauxite Index), initially weakened to a low of US\$44.60/DMT (dry metric tonne) early in the quarter and has since recovered to US\$45.90/DMT.
- Alumina prices fell 20% in April although have since rallied back to levels prevailing at the start of the quarter. Many refineries were operating in a loss making position.

Despite this uncertainty there has been some positive developments that indicate the potential for a more positive second half for Metro:

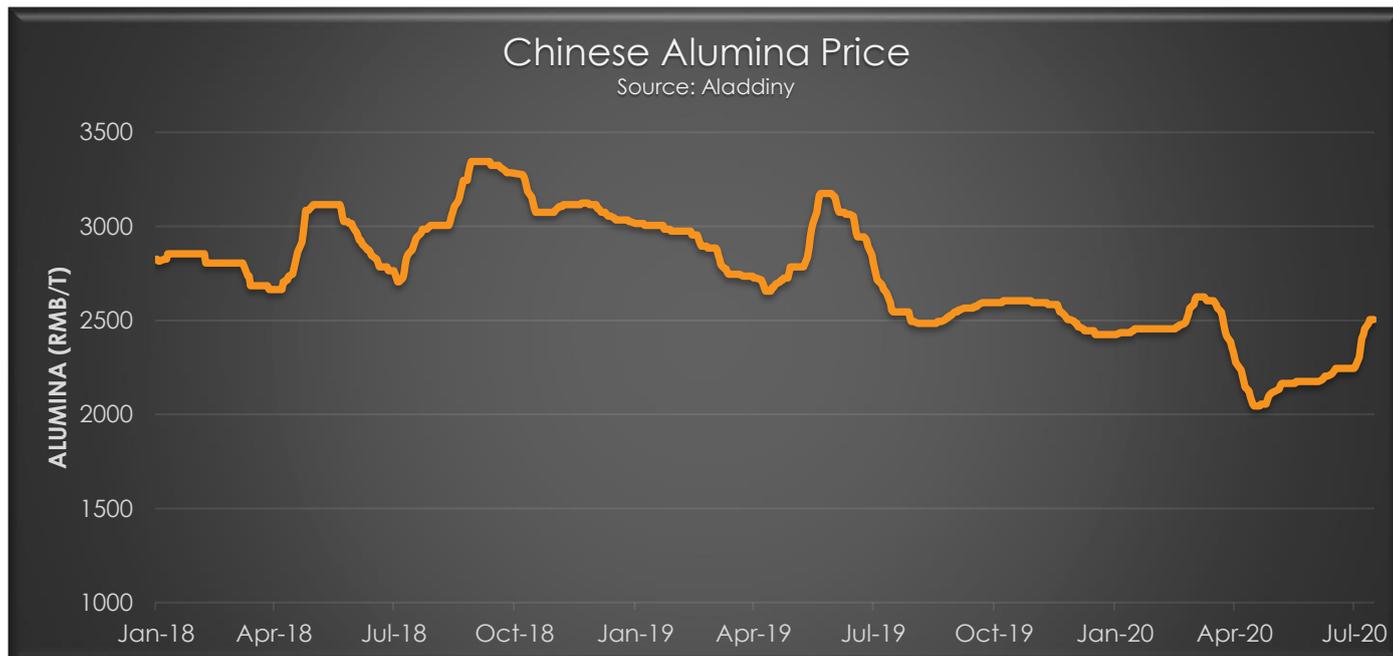
- The rally in alumina and aluminium prices have resulted in many refineries now operating back at break-even or profitable levels.
- Cape freight rates from Guinea have returned to more normalised levels from recent lows taking pressure off spot bauxite prices.
- Domestic bauxite supply remains constrained and inland refineries will require imported bauxite as alumina production increases.
- Seasonal reduction in exports from Guinea on the back of commencement of the wet season
- Bauxite imports into China have remained at good levels during this period.

## CBIX Bauxite Price Index US\$/DMT

Source: CM Group



# Bauxite Price Outlook



## CORPORATE

### Cash Position:

At the end of the quarter Metro's cash on hand and other receivables (including the GST refund) was A\$44.4Million compared to \$11.7Million at the end of March 2020. The cash position was boosted by Metro being able to opt-in to the Queensland Government's Financial Provisioning Scheme which resulted in the release of \$6.9Million of restricted cash held under cash-backed Bank Guarantees.

In addition, Metro holds A\$0.3Million of restricted cash, comprising various security deposits.

### Debt Facilities:

As at the end of the current quarter, Metro had two fully drawn A\$ project debt facilities, totalling A\$35 Million (excluding accrued interest).

### Hedging:

No forward sale, A\$/US\$ contracts were in place as at Quarter end.



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

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