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 2020)

	$'000s	Movement	Movement %
Revenue from ordinary activities	31,650	Decrease	(52.28)
Loss after tax from ordinary activities	(87,095)	Increase	1,473.82
Underlying loss before tax from ordinary activities (i)	(22,864)	Increase	225.48
Underlying EBITDA from ordinary activities (i)	(16,505)	Increase	3,559.69

(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 first half result was directly impacted by the Bauxite Hills mine not operating (as planned) during the wet season (notionally the March quarter), by historically high ocean freight rates and by impairment losses and the de-recognition of previously recorded deferred tax assets.

Dividend information

No dividends were declared or paid during the financial period.

Net tangible assets per security

	30 Jun 2021	30 Jun 2020
Net tangible assets per security	$0.018	$0.079

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

	6 Months 30 Jun 2021 $'000s	6 Months 30 Jun 2020 $'000s
Loss before tax from continuing operations	**(77,939)**	**(7,764)**
Foreign exchange loss	(280)	710
Amortisation of deferred borrowing costs	39	29
Impairment	55,316	-
Underlying loss before tax	**(22,864)**	**(7,025)**
Net finance costs (excluding leasing expense)	1,837	2,098
Depreciation and amortisation	4,522	4,475
Underlying EBITDA from ordinary activities	**(16,505)**	**(452)**

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 2020 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 2021.

This report is based on the consolidated financial statements for the half-year ended 30 June 2021 which have been reviewed by Ernst & Young.

Metro Mining Limited
and Controlled Entities

ABN 45 117 763 443

Interim Financial Report
for the Half-Year Ended 30 June 2021

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Metro Mining Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is at Level 2, 247 Adelaide Street, Brisbane, Queensland 4000. Its shares are listed on the Australian Securities Exchange.

Metro Mining Limited
Directors' Report
30 June 2021

Your directors present their interim financial report on the consolidated entity consisting of Metro Mining Limited (the Company, the Group) and the entities it controlled at the end of, or during, the half-year ended 30 June 2021.

1. DIRECTORS

The following persons were directors of Metro Mining Limited during the whole of the half-year and up to the date of this report:

- Stephen Everett — Independent Non-Executive Director (Chairman until 5 July 2021)
- Fiona Murdoch — Independent Non-Executive Director
- Mark Sawyer — Non-Executive Director

Douglas Ritchie was appointed as Independent Non-Executive Chairman on 5 July 2021 and continues in office at the date of this report.

Simon Wensley was appointed as Managing Director and Chief Executive Officer on 5 July 2021 and continues in office at the date of this report.

Simon Finnis was Managing Director and Chief Executive Officer until his resignation from both positions on 5 July 2021. Mr Finnis will continue to provide support to the new management team on a consultancy basis for a period of twelve months.

Philip Hennessy was an Independent Non-Executive Director of the Company from the beginning of the half-year until his resignation on 16 May 2021.

Michael Haworth was the Alternate Director for Mark Sawyer from the beginning of the half-year until his resignation on 27 July 2021.

2. REVIEW OF OPERATIONS

The loss for the half-year was $87.095 million (30 June 2020: loss of $5.534 million). The loss results primarily from:

- The Bauxite Hills mine being in a planned wet-season shutdown in the first quarter of 2021 and the associated holding costs incurred during that shutdown period;
- Historically high ocean freight rates incurred since the commencement of shipping in April 2021; and
- Impairment losses and derecognition of previously recorded tax losses.

Overview

The Group's key project is the Bauxite Hills mine located on western Cape York in Queensland. This has been the focus of Group activities during the first half of 2021. Operational highlights include:

- Shipments were below expectations at 629k Wet Metric Tonnes (WMT) but increased month on month during the period;
- The average price received was A$49.90/WMT with an average site margin loss of (A$11.68)/WMT. Historically high ocean freight rates were the most significant factor adversely affecting the site margin;
- Alumina and bauxite prices were relatively stable during the period;
- Offtake shipments for 2021 production were secured with Shanxi Senze for 120Kt under a non-binding letter of intent to take 1.0 Mt for 2021; and
- An equity raising, comprising a share placement, an accelerated non-renounceable entitlement offer and a retail entitlement offer, was well supported and successfully raised A$16.9 million. The equity raising commenced prior to the end of the half-year but closed after the end of the half-year.

2. REVIEW OF OPERATIONS (continued)

Overview (continued)

Since the end of the half-year, the Group has entered into binding terms with its long-term barging and transhipping partner, Transhipment Services Australia (TSA), to add a floating crane barge to its fleet at the Bauxite Hills mine. The floating crane barge will be able to load Cape-size vessels and is expected to significantly lower the Group's freight costs and thereby improve margins. The barge has a projected capacity of approximately 4 million WMT for the Bauxite Hills mine operating season and conditions.

Sales Outlook

The foundation contract with Shandong Xinfa Import and Export Co., Ltd (Xinfa) continues to be the backbone of the Group's sales book. Under this agreement, prices received are linked to an alumina price index denominated in RMB, the official Chinese currency.

To date, 120k WMT was shipped to Shanxi Senze under a non-binding Letter of Intent (LoI) for 1 million WMT in 2021, with further cargoes agreed for August/September. The LoI also covers 2 million WMT for 2022 – 2023.

Further spot sales for 2021 to other customers are under negotiation.

Financial Performance Summary

For the half-year ended 30 June 2021, the Group generated revenue of $31.65 million from bauxite sales and recorded a net loss after tax of $87.1 million. Cash and trade and other receivables for the Group was $19.09 million and net current liabilities at half-year end were $10.88 million.

	6 Months 30 Jun 2021 $'000	6 Months 30 Jun 2020 $'000
Revenue from contracts with customers	31,650	66,329
Cost of sales	(48,862)	(66,489)
Gross loss	(17,212)	(160)
Impairment	(55,316)	(86)
Other income / (expenses)	(2,628)	(4,687)
Loss before income tax and net finance expenses	(75,156)	(4,933)
Financial income	550	54
Financial expenses	(3,333)	(2,885)
Loss before income tax benefit / (expense)	(77,939)	(7,764)
Income tax benefit / (expense)	(9,156)	2,230
Loss after income tax from continuing operations	(87,095)	(5,534)

2. REVIEW OF OPERATIONS (continued)

Underlying EBITDA Result (non-IFRS measure)

Underlying EBITDA reflects statutory EBITDA as adjusted to reflect the directors' assessment of the result for the ongoing business activities of the Group. These numbers have not been audited.

Loss before tax from continuing operations	(77,939)	(7,764)
Foreign exchange loss / (gain)	(280)	710
Amortisation of deferred borrowing costs	39	29
Impairment of Bauxite Hills cash-generating unit	55,316	-
Underlying loss before tax	(22,864)	(7,025)
Net finance costs (excluding leasing expense)	1,837	2,098
Depreciation and amortisation	4,522	4,475
Underlying EBITDA from ordinary activities	(16,505)	(452)

Cashflow

In the half-year to 30 June 2021, net cash outflow was $17 million. The net outflow from operating activities was $10.88 million. Cash outflows from investing activities were $0.27 million. The net cash outflow of $5.86 million from financing activities relates to the payment of interest on finance facilities, the net repayment of loan principal and lease payments.

	6 Months 30 Jun 2021 $'000	6 Months 30 Jun 2020 $'000
Net cash at the beginning of the half-year	25,447	32,547
Net cash from operating activities	(10,881)	(3,330)
Net cash from investing activities	(271)	4,714
Net cash from financing activities	(5,861)	(5,579)
Net decrease in cash held	(17,013)	(4,195)
Net foreign exchange difference	116	(35)
Net cash at the end of the half-year	8,550	28,317

Bauxite Hills Project – Cape York, Queensland

Bauxite Production and Sales Review

	6 Months 30 Jun 2021 WMT '000	6 Months 30 Jun 2020 WMT '000
Key Statistics		
Bauxite mined	729	1,419
Bauxite shipped	629	1,251

	6 Months 30 Jun 2021 A$ per WMT	6 Months 30 Jun 2020 A$ per WMT
Average sales price per tonne shipped	$49.90	$52.71

2. REVIEW OF OPERATIONS (continued)

Bauxite Hills Project – Cape York, Queensland (continued)

Bauxite Production and Sales Review (continued)

Mining for the half-year was 729k WMT with 629k WMT shipped. To minimise the impact of ocean freight rates, the Group was selective in the scheduling of shipments which, together with adverse weather conditions, resulted in gaps in the shipping schedule. This contributed to the decrease in mining and shipping for the half-year.

Mobilisation to recommence mining operations in April, greater than anticipated adverse weather conditions and the management of shipping in the context of historically high ocean freight rates all impacted production and shipping volumes.

Mining in the half-year was solely undertaken at BH1. Mining will commence at BH6 in the third quarter of 2021.

Rehabilitation activities were on track and undertaken in accordance with the mine rehabilitation strategy.

Initiatives to preserve budgeted costs at current production levels have been identified and have begun to be implemented.

Stage 2 Expansion

The Group's Stage 2 expansion strategy is to move to an annual production of 6 million tonnes and have the capability to load Cape-size vessels. Unit delivery costs significantly decrease at this scale and by having the ability to load larger Cape-size vessels.

Subsequent to the end of the reporting period, the Group became aware of an opportunity to acquire a floating crane barge which will enable the Group to load Cape-size vessels. On 25 July 2021, the Group entered into binding terms with its barging and transhipping partner, Transhipment Services Australia (TSA), to add a floating crane barge to its fleet at the Bauxite Hills mine. The floating crane barge will be purchased by TSA and will be included in their marine fleet that services the Bauxite Hills mine. The floating crane barge, which has been newly built and commissioned, has a projected capacity of approximately 4 million WMT and is well suited to the Bauxite Hills mine operating season and conditions.

The procurement of the floating crane barge at Bauxite Hills will be instrumental in improving margins and will significantly de-risk the business in the short term. It also is the next logical and progressive step towards the Group's Stage 2 expansion strategy.

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 27.3% of positions at the Bauxite Hills mine are held by indigenous employees which meets the Group's indigenous workforce target of 25%.

The Group continues to promote engagement with the local communities in which it operates and is pleased to sponsor community events that encourage and maintain the cultural heritage of the region. Included among the activities undertaken during the half-year were:

- The holding of the first 2021 Liaison Committee meeting in Cairns with representation from the Seven Rivers Aboriginal Corporation (SRAC) and the Old Mapoon Aboriginal Corporation (OMAC).
- The sponsorship of, and direct engagement in, a number of events. These included indigenous art and literacy workshops for primary schools in the communities of Mapoon, Bamaga, Injinoo, Hope Vale, Weipa and Aurukun; the Northern Peninsula Area Regional Council's (NPARC) 'Keep the Flame of Culture Burning' Festival, that held indigenous cultural events across all five communities in the NPARC; and the OMAC, Mapoon Aboriginal Council and Tangaroa Blue's Beach Clean-up initiative at the start of NAIDOC Week, with the theme Healing Country.

2. REVIEW OF OPERATIONS (continued)

Indigenous Engagement (continued)

The Group views the promotion of cultural awareness among its employees and contract partners as a priority. All employees and contract partners are required to complete cultural awareness training prior to commencement of their work on site.

Safety Performance

The Group is committed to providing a safe working environment for its employees and contract partners and to fostering a good safety culture. All incidents are thoroughly investigated and the findings acted on to continuously improve the Group's safety systems.

Debt Facilities

The Company has two drawn project debt facilities, totalling $35 million which are senior-secured but second ranking behind the proposed NAIF debt facility:

- Amendments to the repayment terms for the $7.5 million facility provided by Lambhill Pty Ltd were agreed in June 2021. Under the new agreement, the maturity date for the loan will be extended from 1 January 2023 to 1 August 2024. The principal will be repaid in three equal instalments of $2.5 million on 1 July 2023, 1 October 2023 and 1 August 2024. The interest rate remains unchanged at 9% with accrued interest repaid quarterly.
- A total of $27.5 million is outstanding to Ingatatus AG Pty Ltd (a related party of the Company's substantial shareholder, Balanced Property Pty Ltd). Under an agreement reached in June 2021, the repayment terms for the Ingatatus loans have been amended as follows:
  - The maturity date for the $20 million facility has been deferred from 1 September 2022 to 1 December 2023. The interest rate remains unchanged at 12% with accrued interest repaid quarterly.
  - The maturity date for the $7.5 million facility has been deferred from 1 January 2023 to 1 December 2023. The interest rate remains unchanged at 9% with accrued interest repaid quarterly.
  - Both facilities will be repaid in three equal instalments on 1 June 2023, 1 September 2023 and 1 December 2023.

A $47.5 million Australian dollar loan facility has been agreed with the Northern Australia Infrastructure Facility (NAIF). During the reporting period, the sunset date for Financial Close was extended to 30 September 2021. The Group is currently seeking to extend this further to the end of the calendar year and has been advised that the extension will be granted.

3. AUDITOR'S INDEPENDENCE DECLARATION

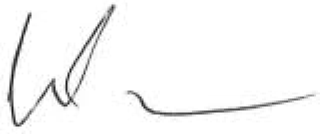
The auditor's independence declaration under Section 307C of the *Corporations Act 2001* is set out on page 7 for the half-year ended 30 June 2021.

4. ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191 relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with this instrument.

This report is signed in accordance with a resolution of the Board of Directors.

Signed:



Douglas Ritchie
Chairman
Date: 31 August 2021

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Building a better working world

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 2021, 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.

This declaration is in respect of Metro Mining Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Andrew Carrick
Partner
31 August 2021

Metro Mining Limited
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2021

	Note	Consolidated 6 months 30 Jun 2021 $'000	Consolidated 6 months 30 Jun 2020 $'000
Revenue from contracts with customers	2	31,650	66,329
Cost of sales		(48,862)	(66,489)
Gross loss		(17,212)	(160)
Other income		52	60
Impairment expense	3	(55,316)	(86)
Exploration expenses		(7)	(476)
Administrative expenses		(2,953)	(3,561)
Operating loss		(75,436)	(4,223)
Finance costs		(3,333)	(2,885)
Finance income	3	550	54
Foreign exchange gains / (losses)		280	(710)
Loss before tax from continuing operations		(77,939)	(7,764)
Income tax benefit / (expense)	3	(9,156)	2,230
Loss for the half-year from continuing operations		(87,095)	(5,534)
Other comprehensive income			
Items that will be reclassified to profit or loss when specific conditions are met:			
Foreign currency translation differences		-	6
Loss for the half-year		(87,095)	(5,528)
Attributable to:			
Owners of the Company		(87,095)	(5,528)
		(87,095)	(5,528)

	Cents	Cents
Basic loss per share	(6.27)	(0.40)
Diluted loss per share	(6.27)	(0.40)

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Metro Mining Limited
Condensed consolidated balance sheet
As at 30 June 2021

	Note	Consolidated 30 Jun 2021 $'000	Consolidated 31 Dec 2020 $'000
Assets			
Current assets			
Cash and cash equivalents		8,550	25,447
Inventories		3,772	2,044
Trade and other receivables		10,544	228
Other assets		4,463	5,213
Total current assets		27,329	32,932
Non-current assets			
Property, plant and equipment	6	82,355	137,865
Right-of-use assets		18,693	19,606
Exploration and evaluation assets		1,411	2,451
Deferred tax asset		-	9,156
Total non-current assets		102,459	169,078
Total assets		129,788	202,010
Liabilities			
Current liabilities			
Trade and other payables		27,039	11,766
Lease liabilities	7	8,631	5,554
Borrowings	8	1,921	19,810
Provisions		618	528
Total current liabilities		38,209	37,658
Non-current liabilities			
Lease liabilities	7	13,419	15,775
Borrowings	8	34,468	17,257
Provisions		7,913	8,405
Total non-current liabilities		55,800	41,437
Total liabilities		94,009	79,095
Net assets		35,779	122,915
Equity			
Contributed equity	9	176,490	176,419
Reserves		9,749	9,861
Accumulated losses		(150,460)	(63,365)
Total equity		35,779	122,915

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

Metro Mining Limited
Condensed consolidated statement of changes in equity
For the half-year ended 30 June 2021

Consolidated	Contributed Equity $'000	Translation Reserve $'000	Options Reserve $'000	Employee Share Acq. Reserve $'000	Accumulated Losses $'000	Total Equity $'000
Balance at 1 January 2020	176,421	(4)	9,904	-	(52,240)	134,081
Comprehensive loss for the half-year						
Loss after income tax benefit	-	-	-	-	(5,534)	(5,534)
Other comprehensive income, net of tax	-	6	-	-	-	6
Total comprehensive loss for the half-year	-	6	-	-	(5,534)	(5,528)
Transactions with owners in their capacity as owners						
Share-based payments – employees	-	-	346	(8)	-	338
Total transactions with owners	-	-	346	(8)	-	338
Balance at 30 June 2020	176,421	2	10,250	(8)	(57,774)	128,891
Balance at 1 January 2021	176,419	1	9,868	(8)	(63,365)	122,915
Comprehensive loss for the half-year						
Loss after income tax benefit	-	-	-	-	(87,095)	(87,095)
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive loss for the half-year	-	-	-	-	(87,095)	(87,095)
Transactions with owners in their capacity as owners						
Shares subscribed for during the half-year	71	-	-	-	-	71
Share-based payments – employees	-	-	(112)	-	-	(112)
Total transactions with owners	71	-	(112)	-	-	(41)
Balance at 30 June 2021	176,490	1	9,756	(8)	(150,460)	35,779

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Metro Mining Limited
Condensed consolidated statement of cash flows
For the half-year ended 30 June 2021

	Consolidated	
	6 months 30 Jun 2021 $'000	6 months 30 Jun 2020 $'000
Cash flows from operating activities		
Receipts from customers	22,564	58,024
Payments to suppliers and employees	(33,511)	(61,473)
	(10,947)	(3,449)
Other revenue	52	60
Interest received	14	59
Net cash outflow from operating activities	(10,881)	(3,330)
Cash flows from investing activities		
Payments for plant and equipment	(40)	(602)
Payments for exploration and evaluation assets	(93)	(369)
Payments for assets under construction	(129)	(1,267)
Return of /(payments for) financial assurance and other security bonds	(9)	6,952
Net cash inflow / (outflow) from investing activities	(271)	4,714
Cash flows from financing activities		
Proceeds from subscription for shares	71	-
Share issue transaction costs	(43)	-
Repayment of borrowings	(367)	(455)
Interest paid	(3,001)	(2,535)
Principal elements of lease payments	(2,495)	(1,986)
Debt facility transaction costs	(26)	(553)
Payment for shares acquired by the Employee Share Trust	-	(50)
Net cash outflow from financing activities	(5,861)	(5,579)
Net decrease in cash and cash equivalents	(17,013)	(4,195)
Net foreign exchange difference	116	(35)
Cash and cash equivalents at the beginning of the half-year	25,447	32,547
Cash and cash equivalents at the end of the half-year	8,550	28,317

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. GOING CONCERN

The Group has recorded a net loss of $ 87.095 million for the half-year ended 30 June 2021 (year ended 31 December 2020: net loss of $11.12 million) and net current liabilities of $10.88 million at 30 June 2021 (31 December 2020: net current liabilities of $4.72 million).

The Group's operating cash flows were negatively impacted in the half-year ended 30 June 2021 by a number of factors including the following:

- Travel restrictions related to COVID-19. These impacted the Group's bauxite marketing and sales program making it difficult to finalise new offtake agreements; and
- Ocean freight rates. Since the start of the half-year, the Group has experienced historically high ocean freight rates for the geared Ultramax vessels used for shipping bauxite from the Bauxite Hills mine. This has adversely affected operating margins.

The potential inability to finalise sales contracts for the Group's remaining uncontracted 2021 and 2022 production and the possibility of the continuation of historically high ocean freight rates will adversely impact the Group's forecast available cash reserves.

As disclosed in Note 11, pursuant to the Queensland Government's Financial Provisioning Scheme, the Group has received notification of the requirement to lodge financial surety of $8.369 million by 30 September 2021. While the Group expects that current discussions with the Scheme Manager will result in the reassessment of this obligation, there is a risk that a reassessment may not occur prior to 30 September 2021.

The above matters may give rise to uncertainty about the Company's ability to continue as a going concern. The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

In the directors' opinion, the going concern basis of preparation remains appropriate because of the matters set out below:

- The Group has been successful in a number of initiatives to improve forecast cashflows and preserve liquidity, including the following:
  - Amended loan repayment terms were agreed with the Group's senior secured lenders, Ingatatus AG Pty Ltd and Lambhill Pty Ltd (refer to Note 8).
  - An equity raising was undertaken in June / July 2021 which was well supported, successfully raising A$16.9 million. The Group expects that the remaining shortfall of $8.6 million will be placed (refer to Note 12).
  - Subsequent to the end of the half-year, the Group entered into binding terms of agreement with its long-term barging and transhipping partner, Transhipment Services Australia (TSA), to add a floating crane barge to the existing marine fleet at the Bauxite Hills mine. This will enable the loading of Cape-size vessels which will significantly lower the Group's ocean freight costs and thereby improve margins and cashflows.
- The Group continues to closely monitor available cash reserves and undertake initiatives to preserve liquidity including:
  - The Group has been actively pursuing offtake opportunities in China and other markets and, whilst contracts have been difficult to secure during 2021, the outlook for 2022 and beyond remains positive.
  - The Group has initiated a detailed review of operating and corporate costs. Having identified a range of potential savings, the Group is now working to implement the savings identified.
  - The Group continues to work closely with its key contractors and suppliers to manage its cash outflows and, where necessary, obtain agreement to extend payment terms.

1. GOING CONCERN (continued)

- The Group continues to engage with the Scheme Manager of the Queensland Government's Financial Provisioning Scheme. At this time, the Group expects it will not have to lodge financial surety of $8.369 million by 30 September 2021.
- The Group remains confident that it will be able to negotiate a further extension for Financial Close for its proposed Northern Australia Infrastructure Facility beyond the current sunset date of 30 September 2021 and has been advised that the extension will be granted.
- The Group retains the ability to raise additional equity funding.

▪ The Group continues to have the support of its major debt financiers Ingatatus AG Pty Ltd and Lambhill Pty Ltd.

The directors are of the view that, given the range of actions available to the Group as outlined above, the Group will be able to continue to satisfy its capital and operating commitments as and when they fall due. As set out in Note 12, since the end of the reporting period the Group has completed a number of initiatives to significantly de-risk the organisation and establish the foundations for improved financial performance.

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.

For a detailed discussion about the Group's performance and financial position, please refer to our review of operations on pages 1 to 5.

2. REVENUE

The loss for the half-year includes the following items:

	Consolidated	
	6 months 30 Jun 2021 $'000	6 months 30 Jun 2020 $'000
Revenue from contracts with customers		
Revenue from sales of bauxite	31,650	66,329

Seasonality of operations

Revenue for the half-year ended 30 June 2021 was derived from the shipment of 629,117 Wet Metric Tonnes (WMT) of bauxite (30 June 2020: 1,250,688 WMT) from the Group's Bauxite Hills mine on western Cape York, Queensland. The bauxite was shipped over the period 24 April 2021 to 30 June 2021.

The Bauxite Hills mine was in the planned wet-season shutdown for the first quarter of the financial reporting period. Mining re-commenced on 14 April 2021.

Impact of ocean freight rates on revenue

Since the recommencement of operations for the 2021 production year, shipping was affected by historically high ocean freight rates. To minimise the impact of ocean freight rates, the Group was selective in the scheduling of shipments which, together with adverse weather conditions, resulted in gaps in the shipping schedule. This contributed to the decrease in revenue for the half-year.

3. PROFIT AND LOSS INFORMATION

Significant items

The loss for the half-year includes the following items that are unusual because of their nature, size or incidence:

	Consolidated	
	6 months 30 Jun 2021 $'000	6 months 30 Jun 2020 $'000
Gains		
Gain on loan modification (i)	544	-
Expenses		
Impairment expense – Bauxite Hills cash generating unit (ii)	55,316	-
Income tax expense / (benefit) (iii)	9,156	(2,230)

(i) Gain on loan modification

During the half-year, the Group renegotiated the terms of its existing loan facilities with its senior secured lenders by extending the loan repayment dates for each facility. The renegotiation resulted in the recognition of a modification gain of $544,142 which is included in Finance Income in the consolidated statement of profit or loss. Refer to Note 8 for further information on the renegotiation of loan facilities.

(ii) Impairment expense – Bauxite Hills cash generating unit

The Group operates in an industry with exposure to fluctuations in commodity prices, foreign exchange rates and ocean freight rates which impact the Group's forecast revenues, operating cashflows and the resultant recoverable amount of non-current assets.

The ongoing COVID-19 pandemic has had a significant impact on the Australian and global economy and the ability of businesses to operate. In particular, restrictions on movement and public gatherings and the implementation of social distancing protocols, orders for residents to stay at home with a limited range of exceptions, orders restricting travelling overseas or across borders (including interstate), and orders for all non-essential businesses to close, have had an adverse effect on the Group and the Group's agents in securing bauxite sales.

Since the start of the half-year, the Group has experienced historically high ocean freight rates for the geared Ultramax vessels used for shipping bauxite from the Bauxite Hills mine. This has adversely affected operating margins.

As a result of these indicators, impairment testing and assessment of the recoverable amount of the Bauxite Hills Cash Generating Unit (CGU) was undertaken as at 30 June 2021. The assessment of recoverable amount was performed using a fair value less cost of disposal methodology (level 3 in the fair value hierarchy) using discounted cash flows.

The key assumptions used in the estimation of the recoverable amount as at 30 June 2021 are set out below:

- A nominal post-tax discount rate of 13% based on the historic weighted average cost of capital as well as project-specific risk factors.
- Cashflow projections for the anticipated remaining life of the Bauxite Hills mine reflecting the planned expansion of production to 6 million Wet Metric Tonnes per annum from the 2023 production year onwards.

3. PROFIT AND LOSS INFORMATION (continued)

(ii) Impairment expense – Bauxite Hills cash generating unit (continued)

- Ocean freight rates of:
  - US$24/WMT until September 2021, then US$21/WMT for the remainder of the 2021 production year;
  - US$15.57/WMT in 2022 prior to the commissioning of the planned offshore floating terminal; and
  - US$8.81/WMT following the commissioning of the planned offshore floating terminal and transition to Cape-sized vessels.
- Bauxite pricing for sales to the Group's foundation customer at the current contracted price, transitioning to the recently contracted arrangements for 2022 and 2023 with an assumption that sales to the Group's foundation customer will continue over the life of the mine.
- Bauxite pricing for sales to other customers at anticipated market rates with an increasing silica content penalty over the remainder of the mine life.
- An AUD/USD exchange rate of 0.76 for the remainder of the 2021 production year and then a constant rate of 0.75 for the remainder of the review period.

As at 30 June 2021, the recoverable amount of the Bauxite Hills CGU was $79.751 million. As the recoverable amount is less than the carrying value of the Bauxite Hills CGU at 30 June 2021, an impairment loss of $55.316 million has been recorded.

On 26 July 2021, the Company announced that it had entered into binding terms with its barging and transhipping partner, Transhipment Services Australia (TSA), to add a floating crane barge to its fleet at the Bauxite Hills mine site (refer to Note 12).

(iii) Income tax expense

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's evaluation of the recoverability of its deferred tax assets is based on cash flows and cash flow sensitivities consistent with those used in the Group's impairment assessment at 30 June 2021. The Group has assessed that it can no longer be 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. Therefore, the Group's deferred tax asset has been derecognised in full with no carrying value recognised at 30 June 2021.

The Group's reassessment of this deferred tax position reflects the historically high ocean freight rates currently being experienced. The freight rates have significantly impacted financial performance for the half-year resulting in an operating loss for the period. The Group does not expect the utilisation of its carry forward tax losses will be considered probable until such time as the Group's planned expansion of production to 6 million Wet Metric Tonnes per annum is financed and operating.

4. SEGMENT REPORTING

Identification of reportable operating segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. Financial information provided to the Board is currently at the consolidated level.

The Group is managed primarily on a geographic basis; that is the location of the respective areas of interest (tenements). Management currently identifies the Group as having only one reportable segment, being the production and sale of bauxite from its Australian project at the Bauxite Hills mine in Queensland. All significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

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

5. DIVIDENDS

No dividends were declared or paid during the half-year.

6. PROPERTY, PLANT AND EQUIPMENT

Consolidated	Plant and equipment $'000	Infra-structure $'000	Ancillary assets $'000	Other mineral assets $'000	Assets under construction $'000	Total $'000
At 31 December 2020						
Cost	6,085	39,483	3,030	99,703	2,063	150,364
Accumulated depreciation	(384)	(2,939)	(1,478)	(7,698)	-	(12,499)
Net book amount	5,701	36,544	1,552	92,005	2,063	137,865
Half-year ended 30 June 2021						
Opening net book amount	5,701	36,544	1,552	92,005	2,063	137,865
Additions	-	7	33	-	130	170
Reclassifications from right-of-use assets (i)	-	377	-	-	-	377
Transferred from assets under construction	-	262	-	-	(262)	-
Disposals	-	-	(98)	(532)	-	(630)
Depreciation expense	(36)	(238)	(286)	(592)	-	(1,152)
Impairment expense (ii)	-	(15,689)	-	(38,586)	-	(54,275)
Closing net book amount	5,665	21,263	1,201	52,295	1,931	82,355
At 30 June 2021						
Cost	6,085	40,161	2,848	99,171	1,931	150,196
Accumulated depreciation	(420)	(3,209)	(1,647)	(8,290)	-	(13,566)
Accumulated impairment	-	(15,689)	-	(38,586)	-	(54,275)
Net book amount	5,665	21,263	1,201	52,295	1,931	82,355

6. PROPERTY, PLANT AND EQUIPMENT (continued)

(i) During the half-year, the lease term for the fuel farm at the Bauxite Hills mine site was completed and the asset was transferred from leased infrastructure to the infrastructure category of property, plant and equipment.

(ii) AASB 136 *Impairment of Assets* requires the Group to assess throughout the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, an entity shall estimate the recoverable amount of the asset or cash generating unit to which it relates.

As a result of indicators being present, the Group performed impairment testing and assessed the recoverable amount of its Bauxite Hills cash generating unit (CGU) (refer to Note 3). This assessment resulted in the recognition of an impairment of $55.316 million at 30 June 2021. As part of this assessment, the Group's Infrastructure Assets and Other Mineral Assets were identified as carried at values exceeding their recoverable amounts. Accordingly, $54.275 million of the total $55.316 million impairment was allocated to these CGU asset categories. The remainder of the impairment charge ($1.041 million) has been applied against the Group's capitalised Exploration and Evaluation expenditure.

	Consolidated	
	30 Jun 2021 $'000	31 Dec 2020 $'000
7. LEASE LIABILITIES		
Current		
Lease liabilities	8,631	5,554
Non-current		
Lease liabilities	13,419	15,775

Classification of lease liabilities – equipment finance facility

The Group has an existing equipment finance facility on which it has drawn down in four separate tranches in prior financial periods. The first tranche has been classified as Borrowings (refer to Note 8). The remaining tranches have been classified as lease liabilities in accordance with the requirements of AASB 16 *Leases*. The equipment finance facility includes a financial ratio covenant.

As at the end of the half-year, the financial ratio covenant had been breached. This was reported to the financier which, subsequent to the end of the reporting period, advised the Group that no action would be taken by them. A formal waiver of the covenant for the period ended 30 June 2021 was received on 23 August 2021.

As the breach had not been remediated at the half-year end, all remaining lease obligations under the equipment finance facility have been classified as current liabilities, resulting in the recognition of $779,000 in lease obligations as a current liability that would otherwise have been classified as a non-current liability.

8. BORROWINGS

	Consolidated	
	30 Jun 2021	31 Dec 2020
	$'000	$'000
Current		
Secured liabilities		
Loans – senior secured lenders	455	18,685
Loans - other	1,466	1,125
Total current borrowings	1,921	19,810
Non-current		
Secured liabilities		
Loans – senior secured lenders	34,468	16,549
Loans - other	-	708
Total non-current borrowings	34,468	17,257

Senior secured lenders – modification of loan terms

On 21 June 2021, the Company announced that amended loan repayment terms had been agreed with its senior secured lenders, Ingatatus AG Pty Ltd (Ingatatus) and Lambhill Pty Ltd (Lambhill). The terms and conditions of the loan agreements have been amended as follows:

(i) Ingatatus Loan Facility #1- Principal $20 million.

- The maturity date for the loan has been deferred from 1 September 2022 to 1 December 2023.
- The principal will now be repaid in three equal instalments of $6.67 million on 1 June 2023, 1 September 2023 and 1 December 2023.
- The interest rate applicable to the facility for the remainder of the loan term remains unchanged at 12% with accrued interest repaid quarterly.

(ii) Ingatatus Loan Facility #2 – Principal $7.5 million

- The maturity date for the loan has been deferred from 1 January 2023 to 1 December 2023.
- The principal will now be repaid in three equal instalments of $2.5 million on 1 June 2023, 1 September 2023 and 1 December 2023.
- The interest rate applicable to the facility for the remainder of the loan term remains unchanged at 9% with accrued interest repaid quarterly.

(iii) Lambhill – Principal $7.5 million

- The maturity date for the loan has been deferred from 1 January 2023 to 1 August 2024.
- The principal will now be repaid in three equal instalments of $2.5 million on 1 July 2023, 1 October 2023 and 1 August 2024.
- The interest rate applicable to the facility for the remainder of the loan term remains unchanged at 9% with accrued interest repaid quarterly.

8. BORROWINGS (continued)

Senior secured lenders – modification of loan terms (continued)

For each of the three facilities, the facility principal has been classified as a non-current liability at 30 June 2021 with the accrued interest on the facility classified as a current liability.

Upon modification of the loan terms, the Group recalculated the amortised cost of each financial liability by computing the present value of the estimated future contractual cash flows, discounted at each facility's original effective interest rate. As a result, a total gain on modification of $544,142 has been recognised in the consolidated statement of profit or loss. The discount of each facility will be unwound over the remaining term of the facility with the effect of the unwinding reported as a finance cost in the consolidated statement of profit or loss.

Northern Australia Infrastructure Facility (NAIF)

On 12 November 2019, the Group announced that the board of the Northern Australia Infrastructure Facility had made an investment decision to offer a loan facility of $47.5 million to the Group to assist in the financing of the stage 2 expansion of production at the Bauxite Hills mine to 6 million WMT annually. Specifically, the funding will be used for the construction and mobilisation of an offshore floating terminal. The loan facility has not yet been drawn down. During the reporting period, the sunset date for Financial Close was extended to 30 September 2021. The Group is currently seeking to extend this further to the end of the calendar year and has been advised that the extension has been granted.

Equipment financing facility

The Group has an Australian dollar denominated equipment financing facility on which it has made four separate draw downs in prior financial periods for the purpose of re-financing some existing items of plant and equipment and increasing haulage and production capacity at the mine. The first drawdown on the facility has been classified by the Group as borrowings. This tranche will be repaid in full in the next 12 months and has been classified as a current liability. Interest on the facility is paid monthly.

The remaining tranches have been classified as lease liabilities in accordance with AASB 16. Refer to Note 7 for further information on the facility's financial ratio covenant and the classification of the remaining obligations under the facility.

Non-derivative financial liability maturity analysis

As at 30 June 2021, the contractual maturities of the Group's non-derivative financial liabilities are as follows:

Contractual maturities of Financial liabilities	Less than 12 months $'000	Between 1 and 5 years $'000	Total contractual cash flows $'000	Carrying amount of liabilities $'000
At 30 June 2021				
Trade payables	16,381	-	16,381	16,381
Other payables	10,658	-	10,658	10,658
Lease liabilities	8,737	14,649	23,386	22,050
Borrowings	5,010	40,091	45,101	36,389
Total contractual and expected outflows	40,786	54,740	95,526	85,478

8. BORROWINGS (continued)

Non-derivative financial liability maturity analysis (continued)

Contractual maturities of Financial liabilities	Less than 12 months $'000	Between 1 and 5 years $'000	Total contractual cash flows $'000	Carrying amount of liabilities $'000
At 30 December 2020				
Trade payables	9,557	64	9,621	9,621
Other payables	2,145	-	2,145	2,145
Lease liabilities	6,600	16,524	23,124	21,329
Borrowings	22,815	17,752	40,567	37,106
Total contractual and expected outflows	41,117	34,340	75,457	70,201

9. CONTRIBUTED EQUITY

	Consolidated	
	30 Jun 2021 No. of Shares '000s	30 Jun 2021 $'000
Ordinary shares – fully paid	1,390,125	176,490
Ordinary shares		
Balance at the beginning of the half-year	1,390,125	176,419
Other Shares Subscribed For (i):		
▪ 4,415,025 new ordinary shares – fully paid, unissued	-	71
Balance at the end of the half-year	1,390,125	176,490

(i) Shares subscribed for under the Share Placement and Institutional Entitlement Offer components of the Equity Raising announced 25 June 2021 were issued on 6 July 2021. Refer to Note 12 for further information on the Equity Raising and new ordinary shares issued subsequent to the end of the half-year.

10. WARRANTS, OPTIONS AND PERFORMANCE RIGHTS

A summary of the movements of all warrants, options and performance rights issued is as follows:

30 Jun 2021 Grant Date	Expiry Date	Exercise Price	Balance at Start of Half-Year No. '000	Granted No. '000	Exercised No. '000	Expired/ Forfeited/ Other No. '000	Balance at End of Half-Year No. '000
Warrants							
27/08/2017	27/08/2022	$0.183	11,100	-	-	-	11,100
Options							
25/10/2017	25/10/2021	$0.25	1,571	-	-	-	1,571
Perf. Rights (STI)							
01/01/2021	31/12/2021	-	10,130	-	-	(8,396)	1,734
Perf. Rights (LTI)							
01/01/2019	31/12/2021	-	2,718	-	-	(2,333)	385
01/01/2020	31/12/2022	-	3,432	-	-	(2,980)	452
01/01/2021	31/12/2023	-	7,746	-	-	(6,749)	997
Total warrants, options and perf. rights			36,697	-	-	(20,458)	16,239

Options and warrants

All options issued by the Company to senior management and warrants issued by the Company to a former lender have vested.

Performance rights – short-term incentive program

On 1 January 2021, 10,130,487 performance rights were issued to senior management and employees of the Group under the terms of the Group's Employee Incentive Plan. The performance rights vest at the conclusion of the current financial year if several pre-determined hurdles, including a continuing service condition, are satisfied. During the half-year, 8,396,223 of these performance rights were forfeited on the resignation of staff members.

Performance rights – long-term incentive programs

In each of the financial years commencing 1 January 2019, 2020 and 2021, the Company has issued long-term performance incentives to senior management. In each case, the performance rights have been issued in three tranches with each tranche subject to vesting conditions that will be reviewed for satisfactory performance at the conclusion of a three-year vesting period. All performance rights are also subject to a continuing service condition.

The first incentives to be reviewed will be those issued 1 January 2019. The vesting conditions attached to each tranche of this issue will be reviewed on 31 December 2021 for satisfactory achievement of the vesting conditions.

Of the performance rights issued under the long-term incentive programs, a total of 12,062,058 were issued to staff members who resigned during the half-year. In each case, the relevant performance rights were forfeited on the resignation of staff members.

11. MINE RESTORATION

Mine restoration – financial provisioning scheme

A provision has been recognised for the costs to be incurred to restore the Bauxite Hills mining tenements in accordance with the requirements of the site's environmental authorities. The estimates have been prepared using the Queensland State Government's rehabilitation calculator and are based on the current disturbance under the approved plan of operations for the Bauxite Hills mine. It is anticipated that the mine site will require restoration within 16 years. A government bond rate has been applied to discount the provision to present value.

A Financial Provisioning Scheme (the Scheme) was established by the Queensland State Government in 2019 to assist in the management of the financial risk exposure to mining and energy resource projects failing to comply with their environmental management and rehabilitation obligations. The Scheme manager makes an annual re-assessment of risk for each Environmental Authority (EA) holder by considering the financial soundness of the EA holder and other criteria set out in the Scheme Manager's guidelines.

Under the Scheme, if the Scheme Manager has assessed the risk that an EA holder will fail to meet its obligations under the EA as either a very low, low or moderate risk, the EA holder can pay an annual contribution to a financial provisioning fund administered by the Scheme Manager rather than lodging financial surety, to meet its environmental obligations.

During the prior financial year, the Group was notified by Queensland Treasury that it could opt-in to the Scheme. In lieu of the cash-backed bank guarantees that had previously been in place, the Group made the required annual contribution to the financial provisioning fund and the restricted funds were released.

In April 2021, the Scheme Manager re-assessed the Group as not meeting the prerequisite risk profile and, as a result, the Group was notified of the requirement to lodge financial surety of $8.369 million by 30 September 2021. The required surety can be provided in the form of bank guarantees which the Group would most likely be required to cash-back. Although the current estimate of the cost to rehabilitate the Bauxite Hills mine site has been provided for at 30 June 2021, the half-year financial statements do not reflect the requirement to quarantine $8.369 million of cash by 30 September 2021 as surety for that obligation.

While the Group expects that current discussions with the Scheme Manager will result in the reassessment of this requirement, there is a risk that a reassessment may not occur prior to 30 September 2021.

12. SUBSEQUENT EVENTS

The following events have occurred subsequent to the balance date:

Addition of a floating crane barge to the Bauxite Hills mine marine fleet

On 26 July 2021, the Company announced that it had entered into binding terms with its barging and transhipping partner, Transhipment Services Australia (TSA), to add a floating crane barge to its fleet at the Bauxite Hills mine site. The floating crane barge, which has been newly built and commissioned, will be purchased by TSA and included in their marine fleet servicing the Bauxite Hills mine.

The acquisition of the floating crane barge provides the Group with the capability to load Cape-size ocean going vessels, significantly reducing the cost of ocean freight. The Group currently uses geared Ultramax vessels to ship bauxite from the Bauxite Hills mine site. Ocean freight rates for this type of vessel have been at a historic high during the 2021 production year. For the second quarter of 2021, the rate has averaged US$24 per wet metric tonne (WMT). Had the Group had the capability to utilise Cape-sized vessels during this period, ocean freight rates would have been expected to be in the order of US$12 – US$14 per WMT.

12. SUBSEQUENT EVENTS (continued)

Addition of a floating crane barge to the Bauxite Hills mine marine fleet (continued)

TSA is completing the regulatory, technical and commissioning requirements in preparation for mobilisation of the floating crane barge to the Bauxite hills mine. Appropriate amendments have been made to the transhipment agreement between the Company and TSA and it is anticipated that the floating crane barge will be operational at the Bauxite Hills mine in the fourth quarter of 2021. The barge has a projected capacity of approximately 4 million WMT for the Bauxite Hills mine operating season and conditions.

Completion of the equity raising announced 25 June 2021

On 25 June 2021, the Company launched a $25.5 million equity raising (Equity Raising) to provide working capital and strengthen the Group balance sheet until the NAIF funding decision and the Group investment decision for Stage 2 expansion have been confirmed. The Equity Raising comprised a $3.3 million share placement (Share Placement) and a 1 for 1 pro-rata accelerated non-renounceable entitlement offer (Entitlement Offer) to raise up to $22.2 million at a share issue price of $0.016 per share.

Eligible institutional investors were invited to participate in an accelerated component of the Entitlement Offer (Institutional Entitlement Offer). Both the Share Placement and the Institutional Entitlement Offer closed on 25 June 2021. A condition of the Equity Raising proceeding to the issue of a prospectus to retail shareholders was that a minimum of $10 million be raised by the Share Placement and the Institutional Entitlement Offer (Minimum Raising).

On 28 June 2021, the Company announced that it had received commitments for $10 million comprising $3.3 million from the Share Placement, which was fully subscribed, and $6.7 million from the Institutional Entitlement Offer. At 30 June 2021, $0.071 million in subscriptions for new ordinary shares under the Share Placement and Institutional Entitlement Offer had been fully paid.

Subsequent to 30 June 2021, the Company received further commitments for 28,125,000 new ordinary shares as part of the Institutional Entitlement Offer, raising an additional $450,000. All outstanding subscriptions to the Share Placement and Institutional Entitlement Offer were received in full by 6 July 2021 and on that date, a total of 653,125,000 new ordinary shares were issued to successful applicants.

As the Minimum Raising condition had been met, The Retail Entitlement Offer was made to eligible shareholders on 1 July 2021. The Retail Entitlement Offer closed on 15 July 2021.

On 20 July 2021, the Company announced that 405,261,410 rights had been taken up raising an additional $6.484 million. The funds had been received in full by 23 July 2021 and 405,261,410 new ordinary shares were issued and commenced trading on 23 July 2021.

Following the completion of the Retail Entitlement Offer, there was a shortfall of approximately $8.64 million (approximately 540.26 million new ordinary shares) between the total number of new ordinary shares subscribed for by eligible shareholders and the total number of new ordinary shares offered under the Equity Raising. The Shortfall Shares are currently being offered to sophisticated or professional investors.

To date, the Equity Raising has provided the Group with an additional $16.4 million in working capital, net of share issue expenses of $0.51 million and a total of 1,058,386,410 new ordinary shares have been issued.

Changes to the board of directors

On 5 July 2021, Mr Douglas Ritchie was appointed to the Board of Directors and also appointed as its Chairman. In addition, on that date Mr Simon Wensley was appointed as Managing Director and Chief Executive Officer. Mr Simon Finnis resigned from these positions on the same date.

12. SUBSEQUENT EVENTS (continued)

Performance rights

In July 2021, the Board resolved that the director's fee (exclusive of superannuation) payable to Mr Douglas Ritchie as Independent Non-executive Chairman for the period 5 July 2021 to 30 June 2022 would be equity-settled. The price used to determine the number of performance rights granted was the 30-day VWAP to close of trading on 2 July 2021 ($0.03). This equated to 4,469,697 performance rights.

50% of the performance rights (2,234,849) were granted in July 2021 and vest over the period 5 July 2021 to 31 December 2021. The remaining 2,234,848 performance rights will be granted in January 2022 and vest over the period 1 January 2022 to 30 June 2022.

In July 2021, the Board resolved that 20% of the superannuation-exclusive remuneration payable to Mr Simon Wensley as Managing Director and Chief Executive Officer for the period 5 July 2021 to 30 June 2022 would be equity-settled. The price used to determine the number of performance rights granted was the equity raising issue price of $0.016. This equated to 6,455,438 performance rights. 50% of the performance rights (3,227,719) were granted in July 2021 and vest over the period 5 July 2021 to 31 December 2021. The remaining 3,227,719 performance rights will be granted in January 2022 and vest over the period 1 January 2022 to 30 June 2022.

In July 2021, the Board resolved that Mr Wensley be entitled to participate in the Company's Short-term Incentive Plan for the year ending 31 December 2021. Mr Wensley was granted 6,300,000 performance rights equating to 70% of his base salary for the period 5 July 2021 to 31 December 2021 at the 2 July 2021 30-day VWAP of $0.03. The conversion of the performance rights at 31 December 2021 is subject to satisfaction of performance hurdles.

In July 2021, the Board resolved that Mr Wensley would be entitled to participate in the Company's 2021 Long-term Incentive Plan. Mr Wensley was granted 6,300,000 Performance Rights equating to 70% of his base salary for the period 5 July 2021 to 31 December 2021 at the 30-day VWAP to 2 July 2021 of $0.03. The conversion of the performance rights is subject to the satisfaction of performance hurdles to be tested at 31 December 2023.

Additional bauxite offtake agreements

On 7 July 2021, the Company announced that it had signed two binding spot cargo agreements with Shanxi Liulin Senze Aluminium Company Limited (Shanxi Senze) for approximately 60,000 WMT each. Both of these shipments had been despatched by the end of July 2021.

The Company further announced that a non-binding letter of intent with Shanxi Senze had been signed. The terms of the non-binding letter of intent propose the following:

- The delivery of 1 million dry metric tonnes (DMT) in total in 2021 which includes the two spot cargoes of 60,000 WMT each already delivered;
- The overall supply of 3 million DMT of bauxite over the 3 production years 2021 to 2023;
- An option for a 1-year extension to the non-binding letter of intent at the agreement of both parties; and
- Pricing by way of a market price agreed quarterly in advance.

Other than the matters disclosed above, no matter or circumstance has arisen since 30 June 2021 that has significantly affected or may significantly affect the operations, results or state of affairs of the Group in the following or future years.

13. RELATED PARTY TRANSACTIONS

Rights granted to a related party in a prior financial year

Agreements executed by the Company with Greenstone Resources II LP (Greenstone) in a prior financial year provided Greenstone with the following rights. Greenstone is an entity in which Mark Sawyer holds a beneficial interest.

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 19.94% interest in the Company. Having participated in subsequent equity raisings and exercised its anti-dilution rights, at 30 June 2021 Greenstone held 273,388,740 shares in the Company; a 19.67% interest. Greenstone has also taken up its proportionate interest in the Share Placement and Institutional Entitlement components of the Equity Raising announced by the Company on 25 June 2021 (refer to Note 12). At the conclusion of the Equity Raising, Greenstone held 587,785,791 shares in the Company; a 24.01% interest.

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 only exercisable after the mine has been in production for four years.

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.

14. BASIS OF PREPARATION OF HALF-YEAR REPORT

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2021 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2020 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*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

b) Impact of standards issued but not yet applied by the entity

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods or on foreseeable future transactions.

The directors of the Company declare that:

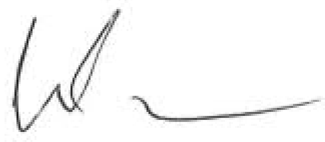
1. The financial statements and notes, as set out on pages 8 to 26, are in accordance with the *Corporations Act 2001*, including:

   a) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and

   b) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year ended on that date.

2. In the directors' opinion, there are reasonable grounds to believe that Metro Mining Limited will be able to pay its debts as and when they become due and payable.

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



Douglas Ritchie
Chairman

Date: 31 August 2021

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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 statement of financial position as at 30 June 2021 the condensed statement of comprehensive income, condensed statement of changes in equity and condensed 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, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance 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 2021 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 1 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' Responsibility 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 2021 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.

Ernst & Young

Ernst & Young

Andrew Carrick
Partner
Brisbane
31 August 2021