Half Year Financial Report for the period ended 30 June 2022

Half Year Results

Metro Mining Limited (ASX: MMI) has released its half year financial results for the period ended 30 June 2022, recording a loss for the half-year of $29.4 million (30 June 2021: loss of $87.1 million). The financial performance for the half-year period was impacted by the following operational and seasonal factors:

- The planned wet season shutdown of operations from 16 February 2022 to 10 April 2022;
- An increase in unplanned maintenance on an ageing heavy truck fleet in April 2022; since remedied by short-term replacement hire for the remainder of the financial period; and
- Unseasonably poor weather conditions impacting shipping at Skardon River in May and June 2022.

During the half-year period Metro has reduced uncertainty and exposure to volatility through the following measures:

- Ocean freight exposure has been reduced with the execution of Contracts of Affreightment, resulting in freight coverage on substantially all CIF contracted sales through to 2024;
- Foreign currency exposure is being managed through foreign exchange hedging instruments in place for the remainder of the financial period; and
- Expansion of the Bauxite Hills Mine from 4 to 7 million Wet Metric Tonnes (WMT) capacity per annum has been approved by the Board, subject to financing. The expansion is underpinned by a definitive feasibility study and additional offtake from foundation customer Xinfa, increasing the Group's committed offtake volume to 5 million Dry Metric Tonnes (DMT) for 2023 and 6 million DMT for 2024.

Subsequent to the half-year period, Metro successfully completed a $25.4 million two-tranche capital placement, comprised of $18.9 million in additional funds and a $6.5 million loan conversion of a portion of the short-term working capital facilities, and a Share Purchase Plan capped at $2 million.

The first placement tranche of $14.9 million was received in August 2022 with the second placement tranche, comprised of the remaining $4.0 million in additional funds and loan conversion, subject to shareholder approval at an Extraordinary General Meeting to be held on 15 September 2022.

Production Update

Since the release of the Q2 2022 Activities Report the operation has experienced further shipping delays due to unseasonably adverse weather. The additional shipping delays has reduced the likelihood of Metro achieving the upper end of the previous guidance given the existing floating crane capacity. On this basis, the 2022 production guidance has been revised to a range of 3.6 to 3.8 million wet metric tonnes (WMT), reduced from a range of 3.6 to 4.0 million WMT as communicated in the Q2 2022 activities report.

ASX Announcement

31 August 2022

ASX: MMI | ACN 117 763 443
Further Info: P: +61 (0) 7 3009 8000 | **E:** info@metromining.com.au | **W:** www.metromining.com.au
Contact: Simon Wensley, **Managing Director & CEO** | Mitchell Petrie, **Co Secretary**
Address: Level 2, 247 Adelaide St, Brisbane | GPO Box 10955, Brisbane Q 4000

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

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 2021)

	$'000s	Movement	Movement %
Revenue from ordinary activities	63,409	Increase	100%
Loss after tax from ordinary activities	(29,392)	Decrease	66%
Underlying loss before tax from ordinary activities [i]	(27,428)	Increase	(20%)
Underlying EBITDA from ordinary activities [i]	(18,492)	Decrease	(12%)

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

The financial performance for the half-year period was impacted by the following operational and seasonal factors: (i) The planned wet season shutdown of operations from 16 February 2022 to 10 April 2022; (ii) an increase in unplanned maintenance on an ageing heavy truck fleet in April 2022; since remedied by short-term replacement hire for the remainder of the financial period; and (iii) unseasonably poor weather conditions impacting shipping at Skardon River in May and June 2022.

Dividend information

No dividends were declared or paid during the financial period.

Net tangible assets per security

	30 Jun 2022	30 Jun 2021
Net tangible assets per security	$0.002	$0.018

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

	6 Months 30 Jun 2022 $'000s	6 Months 30 Jun 2021 $'000s
Loss before tax from continuing operations	**(29,392)**	**(77,939)**
Foreign exchange loss	1,964	(280)
Amortisation of deferred borrowing costs	-	39
Impairment	-	55,316
Underlying loss before tax	**(27,428)**	**(22,864)**
Net finance costs (excluding leasing expense)	2,734	1,837
Depreciation and amortisation	6,202	4,522
Underlying EBITDA from ordinary activities	**(18,492)**	**(16,505)**

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 2021 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 2022.

This report is based on the consolidated financial statements for the half-year ended 30 June 2022 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 2022

CONTENTS

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.

The directors present their report on the consolidated entity consisting of Metro Mining Limited (the Company and the entities it controlled at the end of, or during, the half-year ended 30 June 2022 (the Group).

1. DIRECTORS

The directors of the Group during the half-year ended 30 June 2022 and up to the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

- Douglas Ritchie — Independent Non-Executive Director and Chairman
- Fiona Murdoch — Independent Non-Executive Director
- Stephen Everett — Independent Non-Executive Director – Resigned 28 February 2022
- Andrew Lloyd — Independent Non-Executive Director – Appointed 28 February 2022
- Mark Sawyer — Non-Executive Director
- Simon Wensley — Managing Director and Chief Executive Officer

2. REVIEW OF OPERATIONS

The loss for the half-year was $29.39 million (30 June 2021: loss of $87.10 million). The financial performance for the half-year period was impacted by the following operational and seasonal factors:

- The planned wet season shutdown of operations from 16 February 2022 to 10 April 2022;
- An increase in unplanned maintenance on an ageing heavy truck fleet in April 2022; since remedied by short-term replacement hire for the remainder of the financial period; and
- Unseasonably poor weather conditions impacting shipping at Skardon River in May and June 2022.

The Group has reduced uncertainty and exposure to volatility through the following measures:

- Ocean freight exposure has been reduced with the execution of Contracts of Affreightment, resulting in freight coverage on substantially all CIF contracted sales through to 2024;
- Foreign currency exposure is being managed through foreign exchange hedging instruments in place for the remainder of the financial period; and
- Expansion of the Bauxite Hills Mine from 4 to 7 million Wet Metric Tonnes (WMT) capacity per annum has been approved by the Board, subject to financing. The expansion is underpinned by a definitive feasibility study and additional offtake from foundation customer Xinfa, increasing the Group's committed offtake volume to 5 million Dry Metric Tonnes (DMT) for 2023 and 6 million DMT for 2024.

Overview

The Group's key project is the Bauxite Hills mine located in Cape York, Queensland. This has been the focus of Group activities during the first half of 2022. Operational highlights include:

- Shipments of 1,179k WMT for the half-year following the extension of operations into the wet season until 16 February to satisfy customer sales contracts;
- The average price received for the half-year period was A$53.78/WMT;
- The Floating Crane Barge loading rates and capability continued to improve in the period, achieving nameplate capacity as processes and operator experience improves; and
- The 2022 rehabilitation program is well progressed with over 50 hectares prepared in readiness for seeding.

2. REVIEW OF OPERATIONS (continued)

Sales Outlook

As part of the expansion plan announced in June 2022, the Group announced that a Binding Offtake Agreement has been signed with the Xinfa Group to supply an additional 1 million DMT in 2023 on a CIF basis and 2 million DMT in 2024 on an FOB basis at fixed prices above current contract levels. This is in addition to the existing 3-year 2 million DMT per annum FOB contract which features a quarterly negotiated pricing mechanism to reflect the market.

Financial Performance Summary

For the half-year ended 30 June 2022, the Group generated revenue of $63.41 million from bauxite sales and recorded a net loss after tax of $29.39 million. Cash and trade and other receivables for the Group was $17.34 million and net current liabilities at half-year end were $37.75 million.

	6 Months 30 Jun 2022 $'000	6 Months 30 Jun 2021 $'000
Revenue from contracts with customers	63,409	31,650
Cost of sales	(84,112)	(48,862)
Gross loss	**(20,703)**	**(17,212)**
Impairment	-	(55,316)
Other income / (expenses)	(4,485)	(2,628)
Loss before income tax and net finance expenses	**(25,188)**	**(75,156)**
Financial income	23	550
Financial expenses	(4,227)	(3,333)
Loss before income tax benefit / (expense)	**(29,392)**	**(77,939)**
Income tax benefit / (expense)	-	(9,156)
Loss after income tax from continuing operations	**(29,392)**	**(87,095)**

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	**(29,392)**	**(77,939)**
Foreign exchange loss / (gain)	1,964	(280)
Amortisation of deferred borrowing costs	-	39
Impairment of Bauxite Hills cash-generating unit	-	55,316
Underlying loss before tax	**(27,428)**	**(22,864)**
Net finance costs (excluding leasing expense)	2,734	1,837
Depreciation and amortisation	6,202	4,522
Underlying EBITDA from ordinary activities	**(18,492)**	**(16,505)**

2. REVIEW OF OPERATIONS (continued)

Cashflow

For the half-year ended 30 June 2022 net cash outflow was $2.28 million. The net outflow from operating activities was $0.37 million and net cash outflows from investing activities were $2.54 million. The net cash inflow of $0.63 million from financing activities relates to proceeds from additional finance facilities, the payment of interest, and the net repayment of loan principal and lease payments.

	6 Months 30 Jun 2022 $'000	6 Months 30 Jun 2021 $'000
Net cash at the beginning of the half-year	**13,883**	**25,447**
Net cash from operating activities	(366)	(10,881)
Net cash from investing activities	(2,549)	(271)
Net cash from financing activities	634	(5,861)
Net decrease in cash held	**(2,281)**	**(17,013)**
Net foreign exchange difference	(1,008)	116
Net cash at the end of the half-year	**10,594**	**8,550**

Bauxite Hills Project – Cape York, Queensland

Bauxite Production and Sales Review

	6 Months 30 Jun 2022 '000 WMT	6 Months 30 Jun 2021 '000 WMT
Key Statistics		
Bauxite mined	1,044	729
Bauxite shipped	1,179	629

	6 Months 30 Jun 2022 A$ per WMT	6 Months 30 Jun 2021 A$ per WMT
Average sales price per tonne shipped	$53.78	$49.90

2. REVIEW OF OPERATIONS (continued)

Bauxite Hills Project – Cape York, Queensland (continued)

Bauxite Production and Sales Review

Mining for the half-year was 1,044k WMT with 1,179k WMT shipped, at the end of the half-year period there was 87k WMT on the stockpile.

Several initiatives and major improvements were implemented to improve operational resilience:

- Incorporation of lessons learned from operating in the 2021/22 wet season, including changes to screen sizes and operational practice, and conveyor belt maintenance programs;
- Dry hire and maintenance contract with mobile mining fleet partner, Blake Machinery Group Pty Ltd, of additional prime movers on a short-term basis to replace the ageing fleet; and
- Additional workforce for labour coverage in the event of COVID and flu outbreaks to provide additional capacity and consistency of operational performance.

The 2022 rehabilitation program progressed during the half year period with over 50 hectares prepared in readiness for seeding later in the year. Rehabilitation activities were on track and undertaken in accordance with the mine rehabilitation strategy.

Stage 2 Expansion

In June 2022 the Group's announced approval, subject to financing, of its Bauxite Hills expansion strategy to increase annual production capacity to 7 million WMT per annum.

The key components of the expansion are:

- Construction and mobilisation to Skardon River of a second Floating Crane Barge;
- Optimisation and upgrading the existing screening, conveying and barge loading facilities; and
- Scaling up of the current haulage and transhipment fleet.

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 30% of positions at the Bauxite Hills mine are held by indigenous employees which meets the Group's indigenous workforce target 30%.

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 Group has recently finalised arrangements with an Ankamuthi led business to conduct cultural heritage monitoring services at the Bauxite Hills Mine site.
- 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.

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.

2. REVIEW OF OPERATIONS (continued)

Bauxite Hills Project – Cape York, Queensland (continued)

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 Group has two drawn senior debt facilities, $27.5 million outstanding to Ingatatus AG Pty Ltd (a related party of the Group's substantial shareholder, Balanced Property Pty Ltd) and $7.5 million outstanding to substantial shareholder, Lambhill Pty Ltd (Lambhill). Under the existing terms of the Ingatatus AG Pty Ltd facility an initial principal payment of $9.2 million is due and payable on 1 June 2023 and has been classified as a currently liability for the half year period ended 30 June 2022.

During the half-year period, Lambhill and Greenstone Resources II (Australia) Holdings L.P. (Greenstone) provided unsecured short-term working capital facilities of $4.5 million and $5.0 million, respectively, maturing on 14 October 2022. The facilities include an option at the lender's discretion to convert to equity a portion of the facility, limited to maintaining its existing shareholdings, in the event of the Group issuing shares to raise capital. Following the Group's capital raise on 28 July 2022, Lambhill and Greenstone provided notice to the Group of the intention to convert to equity $1.6 million and $4.9 million, respectively, subject to shareholder approval at an Extraordinary General Meeting to be held on 15 September 2022.

The Financial Close sunset date of the $47.5 million loan facility with the Northern Australia Infrastructure Facility (NAIF) was extended to 31 December 2022. Following the approval of the Stage 2 expansion, the Group has engaged with NAIF to refresh the credit approval process based on the expansion's definitive feasibility study with the intention of achieving Financial Close in the current financial period.

3. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under Section 307C of the *Corporations Act 2001* is set out on page 6 for the half-year ended 30 June 2022.

4. ROUNDING OF AMOUNTS

The Group 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: 30 August 2022

Building a better working world

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Auditor's Independence Declaration to the Directors of Metro Mining Limited

As lead auditor for the review of the half-year financial report of Metro Mining Limited for the half-year ended 30 June 2022, 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.

c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

Ernst + Young

Ernst & Young

Matthew Taylor
Partner
30 August 2022

Metro Mining Limited
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2022

		Consolidated	
		6 months 30 Jun 2022	6 months 30 Jun 2021
	Note	**$'000**	**$'000**
Revenue from contracts with customers	2	63,409	31,650
Cost of sales		(84,112)	(48,862)
Gross loss		(20,703)	(17,212)
Other income		172	52
Impairment expense	3	-	(55,316)
Exploration expenses		(71)	(7)
Administrative expenses		(2,622)	(2,953)
Operating loss		(23,224)	(75,436)
Finance costs		(4,227)	(3,333)
Finance income	3	23	550
Foreign exchange gains / (losses)		(1,964)	280
Loss before tax from continuing operations		(29,392)	(77,939)
Income tax benefit / (expense)	3	-	(9,156)
Loss for the half-year from continuing operations		(29,392)	(87,095)
Other comprehensive income			
Items that will be reclassified to profit or loss when specific conditions are met:			
Foreign currency translation differences		-	-
Loss for the half-year		(29,392)	(87,095)
Attributable to:			
Owners of the Company		(29,392)	(87,095)
		(29,392)	(87,095)

		Cents	**Cents**
Basic loss per share		(0.98)	(6.27)
Diluted loss per share		(0.98)	(6.27)

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 2022

	Note	Consolidated 30 Jun 2022 $'000	Consolidated 31 Dec 2021 $'000
Assets			
Current assets			
Cash and cash equivalents		10,594	13,883
Inventories		4,264	6,400
Trade and other receivables		6,741	16,805
Restricted cash		788	-
Other assets		2,520	3,534
Total current assets		24,907	40,622
Non-current assets			
Property, plant and equipment	6	80,229	79,385
Right-of-use assets		26,806	31,073
Exploration and evaluation assets		1,253	1,186
Total non-current assets		108,288	111,644
Total assets		133,195	152,266
Liabilities			
Current liabilities			
Trade and other payables		32,501	35,047
Lease liabilities	7	9,013	9,929
Borrowings	8	19,273	1,167
Other financial liabilities		1,227	-
Provisions		646	771
Total current liabilities		62,660	46,914
Non-current liabilities			
Trade and other payables		5,219	-
Lease liabilities	7	18,170	21,670
Borrowings	8	25,429	34,596
Provisions		8,935	7,093
Total non-current liabilities		57,753	63,359
Total liabilities		120,413	110,273
Net assets		12,782	41,993
Equity			
Contributed equity	9	200,959	200,959
Reserves		10,080	9,899
Accumulated losses		(198,257)	(168,865)
Total equity		12,782	41,993

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 2022

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 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
Balance at 1 January 2022	200,959	1	9,906	(8)	(168,865)	41,993
Comprehensive loss for the half-year						
Loss after income tax benefit	-	-	-	-	(29,392)	(29,392)
Other comprehensive income, net of tax	-	(8)	-	-	-	(8)
Total comprehensive loss for the half-year	-	(8)	-	-	(29,392)	(29,400)
Transactions with owners in their capacity as owners						
Shares subscribed for during the half-year	-	-	-	-	-	-
Share-based payments – employees	-	-	189	-	-	189
Total transactions with owners	-	-	-	-	-	-
Balance at 30 June 2022	200,959	(7)	10,095	(8)	(198,257)	12,782

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 2022

	Consolidated	
	6 months 30 Jun 2022 $'000	6 months 30 Jun 2021 $'000
Cash flows from operating activities		
Receipts from customers	73,682	22,564
Payments to suppliers and employees	(74,243)	(33,511)
	(561)	(10,947)
Other revenue	172	52
Interest received	23	14
Net cash outflow from operating activities	(366)	(10,881)
Cash flows from investing activities		
Payments for plant and equipment	(1,071)	(40)
Payments for exploration and evaluation assets	(690)	(93)
Payments for assets under construction	-	(129)
Return of / (payments for) financial assurance and other security bonds	(788)	(9)
Net cash inflow / (outflow) from investing activities	(2,549)	(271)
Cash flows from financing activities		
Proceeds from subscription for shares	-	71
Share issue transaction costs	-	(43)
Proceeds from borrowings	9,500	-
Repayment of borrowings	(549)	(367)
Interest paid	(2,069)	(3,001)
Principal elements of lease payments	(6,043)	(2,495)
Debt facility transaction costs	(205)	(26)
Net cash outflow from financing activities	634	(5,861)
Net decrease in cash and cash equivalents	(2,281)	(17,013)
Net foreign exchange difference	(1,008)	116
Cash and cash equivalents at the beginning of the half-year	13,883	25,447
Cash and cash equivalents at the end of the half-year	10,594	8,550

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

1. GOING CONCERN

At 30 June 2022, the Group had $10.59 million (31 December 2021: $13.88 million) in cash on hand, net current liabilities of $37.75 million (31 December 2021: $6.29 million) and recorded a net loss of $29.39 million (30 June 2021: loss of $87.10 million) for the half-year. The Group's net cash operating outflows for the half-year was $0.37 million (30 June 2021: $10.88 million).

The financial performance for the half-year period was impacted by the following operational and seasonal factors:

- The planned wet season shutdown of operations from 16 February 2022 to 10 April 2022;
- An increase in unplanned maintenance on an ageing heavy truck fleet in April 2022; since remedied by short-term replacement hire for the remainder of the financial period; and
- Unseasonably poor weather conditions impacting shipping at Skardon River in May and June 2022.

Offsetting the above and implemented during the period to 30 June 2022, the Group has reduced uncertainty and exposure to volatility through the following measures:

- Ocean freight exposure has been reduced with the execution of Contracts of Affreightment, resulting in freight coverage on substantially all CIF contracted sales to 2024;
- Foreign currency exposure is being managed through foreign exchange hedging instruments in place for the remainder of the financial period; and
- Expansion of the Bauxite Hills Mine has been approved, subject to financing, and underpinned by binding offtake up to 5 million and 6 million WMT in 2023 and 2024, respectively.

The Directors, in their consideration of the appropriateness of the going concern basis for the preparation of the half year financial statements, have prepared a cash flow forecast through to at least 12 months from approving these financial statements, which includes the following measures in their assessment:

- Completion of a $25.4 million two-tranche capital placement, comprised of $18.9m in additional funds and a $6.5m loan conversion of a portion of the short-term working capital facilities. The first tranche of $14.9m has been received in August 2022. Receipt of the second tranche, comprised of the remaining $4.0m in additional funds and loan conversion, is subject to shareholder approval at an Extraordinary General Meeting to be held on 15 September 2022;
- Ability to restructure the entire senior debt to a longer tenor facility prior to its expiry. The first principal payments of $11.7m will become due and payable in June 2023 and July 2023; and
- Continued support from lenders, creditors and regulatory bodies.
- Continued improvement in Floating Crane Barge loading rates and its capacity to achieve production guidance

Based on the measures outlined above, ongoing cash management, a history of flexibility shown by lenders and creditors, and a refinancing process which is underway, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

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.

2. REVENUE

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

	Consolidated	
	6 months 30 Jun 2022 $'000	6 months 30 Jun 2021 $'000
Revenue from contracts with customers		
Revenue from sales of bauxite	63,409	31,650

Seasonality of operations

Revenue for the half-year ended 30 June 2022 was generated from the shipment of 1,179k Wet Metric Tonnes (WMT) of bauxite (30 June 2021: 629k WMT) from the Group's Bauxite Hills operation.

The Bauxite Hills operation continued to mine and ship into the wet season to satisfy customer contracts, shipping 330k WMT from 1 January 2022 to 16 February 2022. On recommencement of shipping, a further 849k WMT was shipped from 11 April 2022 to 30 June 2022.

3. PROFIT AND LOSS INFORMATION

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

	Consolidated	
	6 months 30 Jun 2022 $'000	6 months 30 Jun 2021 $'000
Gains		
Gain on loan modification (i)	-	544
Expenses		
Impairment expense – Bauxite Hills cash generating unit (ii)	-	(55,316)
Income tax (benefit) / expense (iii)	-	(9,156)

(i) Gain on loan modification

In the prior financial period, 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 non-recurring modification gain of $544,142 which was included in Finance Income in the consolidated statement of profit or loss in the prior period.

(ii) Impairment expense – Bauxite Hills cash generating unit

In the prior period an impairment expenses of $55,316,000 was recognised in relation to the Bauxite Hills Cash Generating Unit (CGU).

3. PROFIT AND LOSS INFORMATION (CONTINUED)

(iii) Income tax (benefit) / 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 has previously 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. The Group continues to assess that it is not probable that tax losses and temporary differences will be utilised to offset future taxable profits, until such time as the Group's planned Stage 2 expansion of the Bauxite Hills operation is financed and operating. The Group's deferred tax assets, including carry forward losses, were derecognised in full at 30 June 2021.

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 2021						
Cost	5,701	37,271	1,504	90,634	1,872	136,982
Impairment Expense (i)		(15,689)		(38,586)		(54,275)
Accumulated depreciation	(160)	(754)	(541)	(1,867)	-	(3,322)
Net book amount	5,541	20,828	963	50,181	1,872	79,385
Half-year ended 30 June 2022						
Opening net book amount	5,541	20,828	963	50,181	1,872	79,385
Additions	496	-	519	1,711	1,068	3,794
Transferred from assets under construction	-	-	-	-	(1,012)	(1,012)
Disposals	-	-	(3)	-	-	(3)
Depreciation expense	(105)	(448)	(275)	(1,107)	-	(1,935)
Closing net book amount	5,932	20,380	1,204	50,785	1,928	80,229

6. PROPERTY, PLANT AND EQUIPMENT (continued)

(i) 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 30 June 2021 an impairment of $55.3 million was recognised by the Group following an assessment of the recoverable amount of its Bauxite Hills cash generating unit (CGU) (refer to Note 3). 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, $54.3 million of the total $55.3 million impairment was allocated to these CGU asset categories. The remainder of the impairment charge ($1.0 million) was allocated to the Group's capitalised Exploration and Evaluation expenditure.

At 30 June 2022, the Group performed an impairment indicator assessment, and considered whether any indicators of impairment or reversal of the previously recorded impairment were present. The Group has identified no further indicators were present with conditions in line with previous expectations.

7. LEASE LIABILITIES

	Consolidated	
	30 Jun 2022 $'000	31 Dec 2021 $'000
Current		
Lease liabilities	9,013	9,929
Non-current		
Lease liabilities	18,170	21,670

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. During the half-year period the first tranche has been repaid. The remaining tranches have been classified as lease liabilities in accordance with the requirements of AASB 16 *Leases*.

8. BORROWINGS

	Consolidated	
	30 Jun 2022 $'000	31 Dec 2021 $'000
Current		
Secured liabilities		
Loans – senior secured lenders	9,621	459
Loans – Other	-	708
Total current borrowing secured liabilities	9,621	1,167
Unsecured liabilities		
Loans – short term working capital facility	9,652	-
Total current borrowings unsecured liabilities	9,652	-
Total current borrowings	19,273	1,167
Non-current		
Secured liabilities		
Loans – senior secured lenders	25,429	34,596
Loans - other	-	-
Total non-current borrowings	25,429	34,596

Senior secured lenders

Under the existing terms of the Ingatatus AG Pty Ltd facility an initial principal payment of $9.2 million is due and payable 1 June 2023. This initial principal payment and accrued interest on all senior secured lender facilities is classified as a current liability.

Short term working capital facility

During the half-year period, Lambhill and Greenstone provided unsecured short-term working capital facilities of $4.5 million and $5.0 million, respectively, maturing on 14 October 2022. The key terms are as follows:

(i) Lambhill – Principal $4.5 million

- The maturing date for the loan is 14 October 2022;
- The rate of interest is 14% coupon, capitalised monthly and paid on maturity;
- This facility is unsecured.
- The lender has the right to convert an amount to equity equal to the existing shareholding subsequent to the Group issuing shares for the purpose of raising capital.

Subsequent to the Group's capital raise on 28 July 2022, Lambhill provided notice of its intention to convert $1.6 million of its working capital facility to equity, subject to shareholder approval, amounting to an allotment of 77,750,001 conversion shares at $0.02 per share.

8. BORROWINGS (continued)

(ii) Greenstone Resources II (Australia) Holdings L.P. – Principal $5.0 million

- The maturing date for the loan is 14 October 2022.
- The rate of interest is 14% coupon, capitalised monthly and paid on maturity.
- This facility is unsecured.
- The lender has the right to convert an amount to equity equal to the existing shareholding subsequent to the Group issuing shares for the purpose of raising capital.

Subsequent to the Group's capital raise on 28 July 2022, Greenstone provided notice of its intention to convert $4.9 million of its working capital facility to equity, subject to shareholder approval, amounting to an allotment of 245,830,999 conversion shares at $0.02 per share.

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 operation. The loan facility has not yet been drawn down. During the half-year period, the sunset date for Financial Close was extended to 31 December 2022. Following the approval of the Stage 2 expansion, the Group has engaged with NAIF to refresh the credit approval process based on the expansion's definitive feasibility study with the intention of achieving Financial Close in the current financial period.

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 existing items of plant and equipment and increasing haulage and production capacity at the mine. The first drawdown on the facility was classified by the Group as borrowings. This tranche was repaid in the half-year period ended 30 June 2022. The remaining tranches have been classified as lease liabilities in accordance with AASB 16.

As at the end of the year, the financial ratio covenant had been breached and this has been reported to the financier. It is the Group's expectation the facility will continue until paid out on 31 March 2023 in accordance with the financing agreement. The remaining payments are classified as current on the basis of the facility's maturity.

8. BORROWINGS (continued)

Financial liability maturity analysis

As at 30 June 2022, 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 2022				
Trade payables	19,219	2,741	21,960	21,960
Other payables	13,282	2,478	15,760	15,760
Lease liabilities	9,013	18,170	27,183	27,183
Borrowings	19,273	25,429	44,702	44,702
Other financial liabilities	1,227	-	1,227	1,227
Total contractual and expected outflows	62,014	48,818	110,832	110,832

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 31 December 2021				
Trade payables	16,280	-	16,280	16,280
Other payables	18,605	-	18,605	18,605
Lease liabilities	9,929	24,012	33,941	33,941
Borrowings	1,167	35,000	36,167	36,167
Total contractual and expected outflows	45,981	59,012	104,993	104,993

9. CONTRIBUTED EQUITY

	Consolidated	
	30 Jun 2022 No. of Shares '000s	30 Jun 2022 $'000
Ordinary shares – fully paid	2,988,770	200,959
Ordinary shares		
Balance at the beginning of the half-year	2,988,770	200,959
Other Shares Subscribed For:		
	-	-
Balance at the end of the half-year	2,988,770	200,959

10. WARRANTS, OPTIONS AND PERFORMANCE RIGHTS

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

30 Jun 2022 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
Perf. Rights							
05/07/2021	31/12/2021	n/a	6,551	542	-	-	7,093
05/07/2021	31/12/2021	n/a	6,300	-	-	-	6,300
05/07/2021	31/12/2021	n/a	5,463	-	-	-	5,463
01/01/2022(i)	30/06/2022	n/a	-	6,888	-	-	6,888
Total warrants, options and perf. rights			29,414	7,430	-	-	36,844

Warrants

All warrants issued by the Group to a former lender have vested.

Performance rights

(i) The Board resolved that the director's fees (exclusive of superannuation) payable to Mr Douglas Ritchie as Independent Non-executive Chairman and to Mr Andrew Lloyd as Independent Non-executive Director for the half year period ended 30 June 2022 would be equity settled. For the half-year period, 2,234,849 and 1,425,546 performance rights were issued to Mr Douglas Ritchie and Mr Andrew Lloyd, respectively. The Board also resolved to issue 20% of the Chief Executive Officer's remuneration (exclusive of superannuation) payable to Mr Simon Wensley for the half-year period ended 30 June 2022. For the half-year period, 3,227,719 performance rights were issued.

11. MINE REHABILITATION

Mine rehabilitation – financial provisioning scheme

The Group has continued to adopt a staged approach to rehabilitation in the half-year period, preparing land for rehabilitating as areas became available. Backfilling and spreading of topsoil occur progressively as close as possible to active mining areas and thereby reducing materials double handling. This approach allows for the immediate replacement of topsoil and thereby preserving the viability of the soil seed bed. Native seed used for rehabilitation are endemic to the Cape York region and are sourced from the local Indigenous communities working both on and offsite under the Group's Seed Collection Program and when necessary, third-party contract seed collectors. The application of seed and fertiliser is undertaken by a local Ankamuthi contractor.

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.

A provision has been recognised for the costs to be incurred to rehabilitate the Bauxite Hills mining tenements in accordance with the requirements of the site's environmental authorities. The provision has been prepared using the Queensland State Government's rehabilitation calculator and is based on the current disturbance program for the Bauxite Hills mine. Rehabilitation will continue to occur progressively in parallel to mining operations with final rehabilitation expected to conclude within 24 months of mining ceasing.

The rehabilitation liability is adjusted annually, commensurate upon the level of disturbance present and planned to occur at the Bauxite Hills Mine, less the total area under active rehabilitation.

In April 2021 the Scheme Manager assessed the Group as not meeting the prerequisite risk profile for provisioning by way of contribution to the Scheme Fund and, as a result, the Group was notified of the requirement to lodge financial surety. Having regard to the nature of the change in the provisioning requirement and consistent with the relevant powers of the Scheme Manager under the *Mineral and Energy Resources (Financial Provisioning) Act 2018*, a Surety Provisioning Arrangement with the Scheme was entered into in September 2021, which was further amended in June 2022. The total amount of the financial surety balance is $10.6 million, of which $788,000 has been paid. Further payments are to be made through the current and future financial periods. Amounts paid as surety are recorded as restricted cash in the financial statements. The financial surety balance will be repaid to the group on the completion of the rehabilitation.

12. SUBSEQUENT EVENTS

On 28 July 2022, the Group completed a $25.4 million two-tranche capital placement, comprised of $18.9 million in additional funds and a $6.5 million loan conversion of a portion of the short-term working capital facilities. The first tranche of $14.9 million has been received in August 2022 with the second tranche, comprised of the remaining $4.0 million in additional funds and loan conversion, subject to shareholder approval at an Extraordinary General Meeting to be held on 15 September 2022.

13. RELATED PARTY TRANSACTIONS

Rights granted to a related party in a prior financial year

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

The Agreements also provided Greenstone with the following rights:

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 2022, Greenstone held 587,785,791 shares in the Company; a 19.67% 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 2022 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 2021 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 2022 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.

Metro Mining Limited
Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 7 to 21, 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 2022 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: 30 August 2022

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Independent Auditor's Review Report to the Members of Metro Mining Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Metro Mining Limited (the Company) and its subsidiaries (collectively the Group), which comprises the Condensed consolidated balance sheet as at 30 June 2022, the Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, 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 2022 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.

Building a better working world

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

Matthew Taylor
Partner
Brisbane
30 August 2022