

# Metro Mining Ltd

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## Metro Mining continues to monitor markets ahead of Bauxite Hills Mine stage-2 expansion

Metro Mining Ltd (ASX:MMI) continues to monitor market conditions before taking the decision to formally proceed with stage-2 expansion at the Bauxite Hills Mine in Far North Queensland.

In April, the company was advised by the Queensland Treasury that the Queensland Government would not exercise its veto right regarding the Metro Mining Bauxite Hills Mine Expansion proposal and supports its progression to the loan documentation stage.

This is one of the last key milestones for the facility and Metro is now well advanced in satisfying all remaining CPs and reaching financial close of the facility.

The timing for the formal commitment to stage-2 is being influenced by the uncertainty over the outlook for global growth and associated weakness in aluminium and alumina prices due to COVID-19.

However, with funding now secured and key supply contracts negotiated, Metro will continue to monitor market conditions before taking the decision to formally proceed.

Completion of stage-2 is not expected to occur prior to the second half of 2021.

Metro expects production next year will likely be 4-5 million wet metric tonnes (wmt) depending on the precise timing of commitment to stage-2.

**Price:** 0.065

**Market Cap:** \$90.36 m

### 1 Year Share Price Graph



### Share Information

**Code:** MMI

**Listing:** ASX

**52 week High Low**  
0.17 0.056

**Sector:** General mining & base metals

**Website:** www.metromining.com.au

### Company Synopsis:

Metro Mining Ltd's (ASX:MMI) flagship project is the Bauxite Hills Mine within the internationally acclaimed Weipa Bauxite Region.

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### **Stage-2 expansion**

The largest component of the stage-2 expansion to 6 million wmt is the construction and mobilisation of a floating terminal which will facilitate faster loading of larger ocean-going vessels.

Metro retained Rocktree Consulting to determine which floating terminal design is best suited to the Bauxite Hills Mine.

Rocktree Consulting is an international company specialising in transshipping and has been instrumental in the design, engineering and construction of more than 20 floating terminals over the past 20 years.

Detailed engineering and design of the Bauxite Hills Mine floating terminal is well underway.

### **Strong cash position**

At the end of the March quarter, Metro's cash on hand and other receivables was \$11.7 million.

This is down from the end of the year position reflecting the planned hiatus of operations and also revenue during the period.

Additionally, Metro holds \$7.1 million of restricted cash, comprising financial assurance bonds and other security deposits.

Following the end of the quarter, Metro was notified by Queensland Treasury that it is able to opt-in to the Financial Provisioning Scheme now operating in Queensland.

This will release \$6.9 million of restricted cash currently held under cash-backed Bank Guarantees.

As a result, Metro commences the operating year with available cash and receivables of \$18.6 million, which puts it in a strong cash position.

### **Bauxite sales**

The planned June quarter production is sold and the shipping schedule for that period is now finalised with customers.

One customer requested that a few vessels be brought forward from the second half of the year into the June quarter and MMI has been able to satisfy that request.

Around 2.3 million wmt of planned 2020 production will be sold under the long-term offtake agreement with Xinfra.

Under this contract prices received are linked to an RMB denominated alumina price index.

The remainder of the planned production is anticipated to be sold via spot or short-term contracts with the sales price linked to the prevailing bauxite market price.

The alumina price has dropped during the quarter so the received US\$ Xinfra price will also be lower.

Similarly, based on current market conditions, Metro anticipates lower received US\$ prices for spot contracts as well.

### **Factors impacting sales**

While Metro has a significant proportion of sales contracted for 2020 it should be noted that there are additional factors that may impact on Metro's sales levels and achieved prices over the next few months:

- The travel restrictions related to COVID-19 have impacted Metro's bauxite marketing and sales program making it more difficult to finalise offtake contracts;
- Weak alumina prices have resulted in temporary closures or reduced operating capacity of refineries and de-stocking of bauxite inventory;
- There is general uncertainty and lack of confidence in market conditions which is leading to stagnant trading conditions; and
- Continuing weak A\$/US\$ exchange rate will have a positive impact on A\$ sales revenue.

### **April production results**

Metro reported the 'best' start to the year for both mining and shipping in April 2020 since beginning operations in 2018.

The strong April results exceeded budget and are attributed to greater experience and continuity of workforce, recent upgrades to plant and equipment and favourable weather conditions.

Notably, these results were achieved in spite of essential COVID-19 safety procedures implemented on-site prior to resumption of operations.

| Bauxite Hills Production Results   |        |                       |
|------------------------------------|--------|-----------------------|
| Period                             | April  | June Quarter Guidance |
| Mined (WMT) ('000)                 | 415    | 900 – 1,100           |
| Shipped (WMT) ('000)               | 245    | 900 – 1,100           |
| Mined (WMT per day) <sup>1</sup>   | 14,297 | N/A                   |
| Shipped (WMT per day) <sup>2</sup> | 14,388 | N/A                   |

Managing director and CEO Simon Finniss said at the time: "This is a very pleasing start for 2020.

"We have had a seamless transition back into operations and as a result have been able to build significant stockpiles at the Port, positioning the project for continued strong operational performance.

"The team has responded well to the additional procedures required as a result of COVID-19 and that is clear in the results we have achieved."

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