

6 May 2024

Metro Mining Limited (MMI)**BUY****Share Price: A\$0.04****Balance sheet strengthened, cashflow set to grow****Target Price: A\$0.08**

MMI has received firm commitments for a placement of A\$40M via issue of 957.6M shares (20% dilution) at 4.1c/share with shares to be allotted Friday May 10th. An additional A\$4M is planned to be raised via an SPP (non-underwritten). Funds will be used to repay A\$39M in Junior debt, leaving A\$52M in Senior debt, which MMI aims to refinance by year end. The placement enables MMI to focus on optimising operations further with several production and cost improvements identified (Fig. 1). Additional upside exists from rising bauxite prices (Fig. 3) and higher production rates assuming successful commissioning of the Offshore Floating Terminal (OFT) & wobbler circuit this month. MMI has reiterated guidance of 6.3-6.8WMT CY24 with expected site EBITDA margin of ~\$15/WMT. We have updated our numbers for the capital raise and March quarterly resulting in a price target of 7.9c/share (prev. 9.1c). We reiterate our BUY recommendation.

Balance sheet strengthened

- Proforma cash of A\$22M after \$25M debt repaid with a further \$14M debt to be repaid in July.
- Nebari Senior debt of A\$52M (US\$35M) remaining.
- Planned refinancing of Senior debt expected to reduce interest payments and liberate further cash to MMI.

Upside from optimisation studies

- MMI has identified a number of potential value creation opportunities (Fig.1) - which it can now pursue.
- 7.0Mtpa rates are targeted 2H24 - with identified upside potential to 9Mtpa longer term (Fig.2).
- We have lifted CY25 production from 7.0Mt to 7.5Mt.

Bauxite market tailwinds

- Bauxite prices continue to rise, driven by the Indonesian ban and Chinese import demand (Figs.3-4).
- Upside exists to our numbers from the Sep'Q onwards should prices remain firm.

Attractive on valuation & multiples basis

- Valuation – 7.9c/share based on 1xP/NPV₁₀.
- PE (CY24/25) – 5.0x & 2.8x.
- EV/EBITDA – 2.7x & 1.2x.

Key Dates Ahead

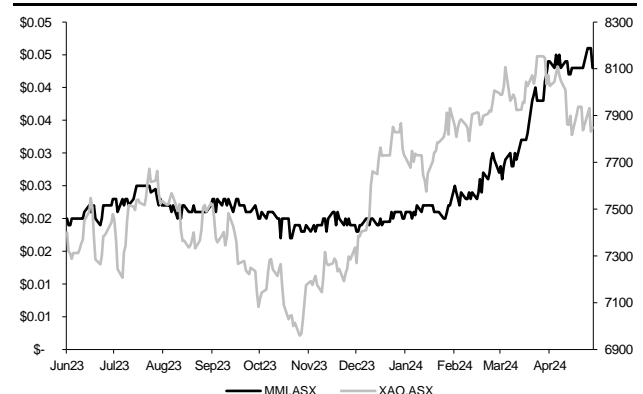
- May – OFT commissioning.
- May – Wobbler circuit commissioning.
- Jun'Q – Additional offtake.

Company Data

Shares – ordinary (M)	5817.7
Dilution (M)	240.7
Total (fully diluted) (M)	6058.4
Market capitalisation (\$M)	250.2
12 month low/high (\$)	0.02/ 0.05
Average monthly turnover (\$M)	16
GICS Industry	Metals & Mining

Financial Summary (fully diluted/normalised)

Year End Dec	CY23A	CY24F	CY25F	CY26F	CY27F
Revenue (\$M)	236.2	348.2	384.4	381.2	381.3
Costs (\$M)	214.4	264.2	267.5	255.3	255.3
EBITDA (\$M)	21.8	84.0	116.9	125.9	126.0
NPAT (A\$M)	-9.3	52.5	91.6	72.9	75.2
EPS (cps)	-0.2	0.9	1.5	1.2	1.2
EPS Growth (%)	83.3	505.9	74.4	-20.5	3.2
PER (x)	na	5.0	2.8	3.6	3.5
Cashflow (A\$M)	8.3	76.2	115.8	131.3	104.8
CFPS (c/sh)	0.2	1.3	1.9	2.2	1.7
PCFPS	11.0	3.4	2.2	2.0	2.5
EV	159.0	229.6	136.9	40.8	1.1
EV/EBITDA	7.3	2.7	1.2	0.3	0.0
Payout ratio (%)	na	na	na	38%	80%
DPS	0.0	0.0	0.0	0.5	1.0
Yield (%)	0.0	0.0	0.0	10.6	23.1
Franking (%)	0.0	0.0	0.0	100.0	100.0

MMI – performance over one year**Disclosure and Disclaimer**

This report must be read with the disclosure and disclaimer on the final page of this document. Petra Capital was Co-Lead Manager for this company's placement to raise \$40.0m by way of a placement at A\$0.041/sh on 1st May 2024, for which fees were received.

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Figure 1: Identified potential value adding opportunities

This debt reduction raise frees up cash flow & resources to pursue potential value-creation opportunities earlier



		Strategic Target
Latent capacity in key areas of flow sheet	<ul style="list-style-type: none"> Mining assets, new OFT Ikamba and wobbler screening circuit have significant latent capacity Productivity optimization of haulage, BLF & tug/barge cycle can deliver extra capacity 	0.5 M WMT/a
Increased production rates	<ul style="list-style-type: none"> Low capex debottlenecking study for Barge Loading Facility underway A likely requirement is larger barges ie increase from 6,000 to 10,000 tonnes per barge 	2 M WMT/a
Time in production (beneficiation)	<ul style="list-style-type: none"> Substantial, fixed cost base. Mining fleet and crew are scalable- extend season by 2 to 4 weeks. Currently advancing the wet beneficiation plant to Pre-Feasibility Study level 	0.5 M WMT/a
Enhanced freight strategy	<ul style="list-style-type: none"> New OFT brings capability to load Newcastlemax class vessels (220,000 DWT) Freight strategy will be extended to new larger Contracts of Affreightment, possibly time charter 	-A\$ 4/WMT
Increased resources	<ul style="list-style-type: none"> Exploration program to restart in Q3 2024 after a 4 year hiatus Ability to valorise resources and additional mineral inventory around Skardon River 	+5 yrs life
Further organic "bolt ons"	<ul style="list-style-type: none"> Exploring options to valorise previous Pisolite Hills resource adjacent to Weipa mine area Will also evaluate raw bulk Kaolin mining/logistics synergy in 2024 	+A\$50M pa Revenue

Source: MMI Presentation May 2024.

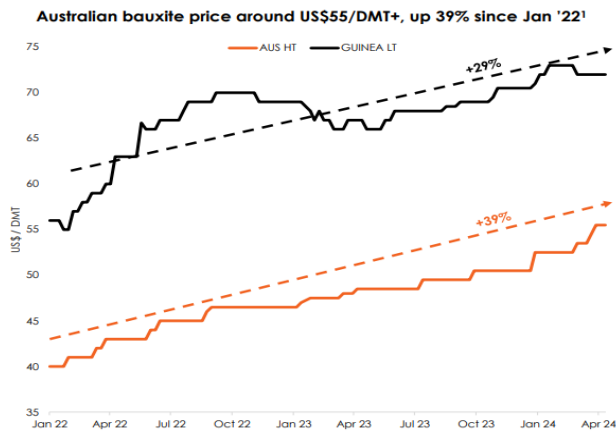
Figure 2: 7.5Mtpa capacity in place with scope to increase to 9Mtpa long term

7+ million WMT capacity operational by end of Q2 2024



Source: MMI Presentation May 2024.

Figure 3: Bauxite prices on the rise

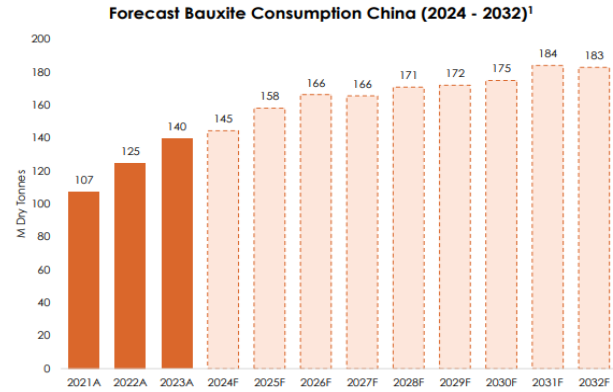


Market data from 7 January 2022 to 17 April 2024.
Sources: (1) CM Group

Source: MMI Presentation May 2024

Figure 4: Chinese import demand remains strong

- Record bauxite imports to China in 2023, up 13% y-o-y
- Indonesia has ceased all bauxite exports, constraining global supply



Source: MMI Presentation May 2024

Changes to valuation and earnings

- Incorporated the A\$40M capital raise into our numbers.
- Increased costs in CY24 & CY25 by ~\$8Mpa better reflecting cash outflow during the March quarters (wet season).
- Capex increased in CY24 by ~\$15M reflecting updated numbers in the March quarterly and expected completion of the expansion program this quarter.
- CY25 bauxite production increased from 7.0Mt to 7.5Mt.

Figure 5: Summary of changes

		CY24F			CY25F			CY26F		
		New	Old	% var	New	Old	% var	New	Old	% var
EBITDA	A\$m	84.0	90.4	-7%	116.9	112.5	4%	125.9	125.9	0%
EBIT	A\$m	60.3	66.7	-10%	91.6	87.1	5%	98.7	98.7	0%
NPAT	A\$m	52.5	58.8	-11%	91.6	87.1	5%	72.9	72.3	1%
EPS	A\$/sh	0.9	1.1	-24%	1.5	1.7	-11%	1.2	1.4	-14%
DPS	A\$/sh	0.0	0.0		0.0	0.0		0.5	0.5	0%
Valuation	A\$m	478	468	2%						
Price Target	A\$/sh	0.079	0.091	-13%						
Shares Issued	M	5818	4842	20%						
Shares Fully Diluted	M	6058	5149	18%						
Bauxite Mined	Mt	6.6	6.5	1%	7.5	7.0	7%	7.5	7.5	0%
Bauxite Price CIF	US\$/DMT	45.0	45.0	0%	45.0	45.0	0%	45.0	45.0	0%
Bauxite Price CIF	US\$/WMT	39.6	39.6	0%	39.6	39.6	0%	39.6	39.6	0%
AUD/USD	#	0.66	0.66	0%	0.68	0.68	0%	0.68	0.68	0%
Bauxite Price CIF	A\$/WMT	60.0	60.0	0%	58.7	58.7	0%	58.2	58.2	0%
Site EBITDA Margin	A\$/WMT	14.3	14.9	-4%	16.9	16.8	1%	18.1	18.1	0%

Source: Company reports, Petra Capital.



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