

Metro Mining Limited (ASX:MMI)

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Quarterly Activities Report | March 2017

Highlights

- **Bankable Feasibility Study (BFS) Delivers Outstanding Results**
- **Highly Successful \$52M Equity Raise Completed**
- **Pre-Development Activities at Bauxite Hills Mine well advanced**
- **Bauxite Hills Environmental Impact Assessment Complete, Environmental Approvals being Finalised**
- **Key Management Appointments Made**
- **Debt Restructuring Complete**

Bankable Feasibility Delivers Outstanding Results

Refer ASX Announcement 15 March 2015

Plans are well underway to commence construction of Metro's Bauxite Hills Mine in July with mining operations and first shipment scheduled for April, 2018.

Metro's Bankable Feasibility Study (BFS) confirmed the Bauxite Hills Mine will become one of the largest independent operations within the internationally acclaimed Weipa Bauxite Region.

The BFS highlighted the benefits Metro gained through its acquisition of neighbouring Gulf Alumina Limited late last year. Based on the now combined Metro and Gulf Projects, the BFS has determined Reserves of 92 million tonnes (Mt) and Resources of 145Mt with a 17-year initial mine life.

BFS Key Financials

- Initial capital cost A\$35.8 million (including 10% contingency)
- LOM OPEX including Royalty A\$23.00/t
- Expansion Capital \$36.7 million
- Average annual Earnings Before Interest Tax Depreciation & Amortisation (EBITDA) A\$145M
- After tax Net Present Value (NPV₁₀) A\$601M
- After tax Internal Rate of Return (IRR) 81%
- Life of mine revenue of A\$5.7 billion and life of mine EBITDA of A\$2.5 billion

Environmental approvals and mining leases for the Gulf component of the project are already in place. Final environmental approvals are expected by mid-year, which aligns with the construction schedule. Basic infrastructure including airstrip, haul roads, camp and port location are already in place.

Once approvals are finalised Metro plans to commence mining at 2 million tonnes per annum (Mtpa) increasing to 6Mtpa over the first four years.

The BFS has been completed for steady state production of 6Mtpa however environmental approvals would allow production of up to 10Mtpa. Metro will continue to evaluate the benefits of increasing production through the pre-development and operational phases.

The BFS estimates life-of-mine revenue of A\$5.7 billion and life-of-mine Earnings Before Interest Tax Depreciation & Amortisation (EBITDA) of A\$2.5 billion.

The BFS, completed by MEC Mining, is supported by a report from commodity research specialists CM Group which says total China bauxite imports are forecast to increase from an estimated 52 million tonnes in 2016, of which 21.3Mt came from Australia,



to 136 million tonnes in 2026. Metro is well positioned to take advantage of this increased demand.

CM Group Report said growth forecasts are driven by continuing solid demand from China's primary aluminium sector and emerging tightness in China's domestic bauxite supply. It confirms Metro's bauxite grades are likely to be attractive to Chinese refiners.

The BFS confirms Metro has a significant, long life, low capital cost and high margin Australian bauxite project.

Metro has secured a binding offtake agreement with China's Xinfu Group for 7Mt of bauxite to be delivered over the initial four years of mining. Transshipping, Native Title and Land Access Agreements have been finalised.

Metro's total tenement package on all of Cape York covers 2,505 square kilometres.

Once fully operational, Bauxite Hills is expected to employ up to 200 people with a 30% indigenous workforce target. Around 80 employees are expected to be on site at any one time.

Highly Successful \$52M Equity Raise Completed

Refer ASX Announcement 24 February 2017

Metro raised \$52.4 million equity to maintain development momentum at the Bauxite Hills Mine and to repay bridge loan facilities supporting the acquisition of Gulf Alumina.

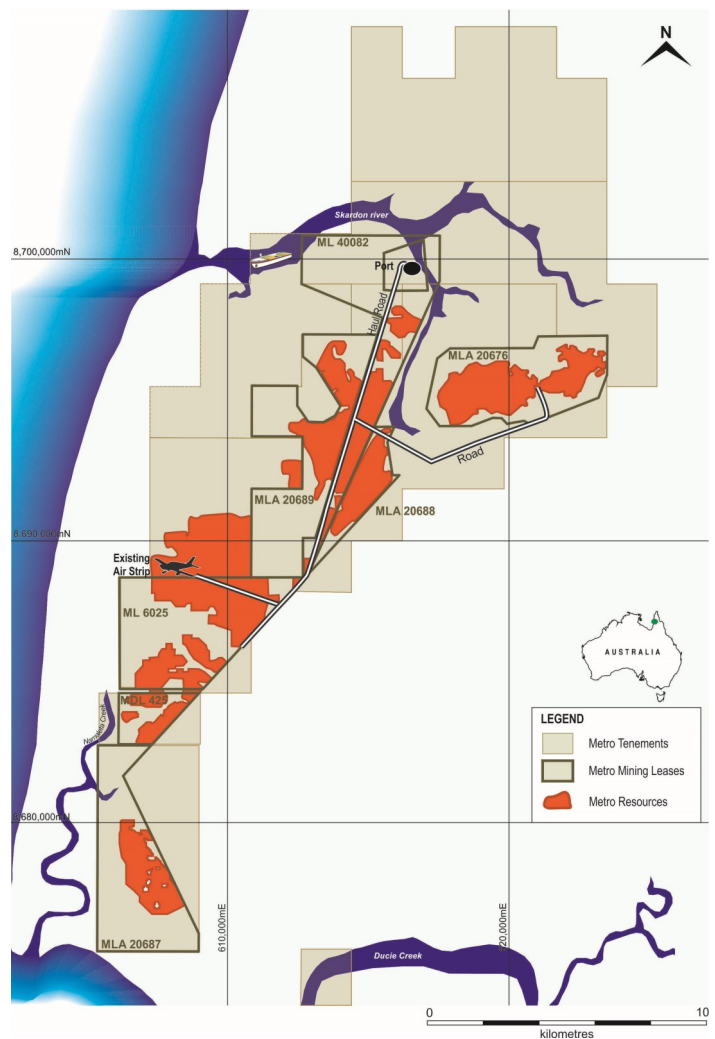
The \$52.4 million equity raising involved the issue of approximately 419.4 million fully paid ordinary shares (New Shares) at an issue price of \$0.125. It comprised a placement of approximately 126.9 million New Shares to institutional and sophisticated investors raising \$15.9 million and a one for two pro-rata non-renounceable entitlement offer of approximately 292.3 million New Shares to raise approximately \$36.5 million.

Proceeds from the Equity Raising are being used to fund the purchase of long lead time items and complete grade control programs required

for the Bauxite Hills Mine, environmental bonding for commencement of early works, final project approvals and a contribution to fully repay a bridging loan related to the Gulf acquisition.

The Equity Raising was significantly supported by Metro's long-term cornerstone shareholders and Strategic investors Greenstone and Balanced Property.

Argonaut Securities was sole Lead Manager to the Institutional Placement and was Underwriter to the \$36.5 million Entitlement Offer.





Pre-Development Activities Commenced at Bauxite Hills Mine

Work is well underway in readiness for the construction phase of Metro's Bauxite Hills Mine.

Vital lead items have been, or are in the process of being, procured. These include water and sewage treatment plants, light and heavy vehicles and materials to refurbish the existing camp. Final stage planning to upgrade the existing port site and haul roads has been completed.

Safety Health and Management Systems have been developed together with Contractor Management Systems and communications planning.

Metro has commenced a recruitment drive with the early focus on safety, environmental, geological and Community Liaison personnel.

Construction is scheduled to start in July this year with production to commence in April 2018.

Metro's BFS considers an initial 17-year mining operation starting at ~2Mtpa, and ramping up to ~6Mtpa by year 4, taking advantage of the larger reserve base of the combined project. Mining operations are planned to be undertaken in the dry season only, which is notionally an 8 month period from April to November.

Bauxite Hills Environmental Impact Assessment Complete, Environmental Approvals being Finalised

The Assessment Report for the Bauxite Hills Project was received from the Queensland Department of Environment and Heritage (DEHP) on 31 March 2017, signaling the end of the Environmental Impact Assessment process.

Environmental Approvals are now being finalised separately through DEHP and the Commonwealth Department of the Environment and Energy (DotEE).

The Skardon River Bauxite Project received final Environmental Approval from DotEE in September 2016, and from DEHP in December 2016.

Once final approvals are received for the Bauxite Hills Project, Metro will seek to align the approved Skardon River Project with its adjoining Bauxite Hills Project. This includes combining mining activities and transshipping infrastructure, significantly reducing the environmental impacts of both projects and optimising social, environmental and economic returns for both projects.





Management Appointments

Refer ASX Announcement 09 January 2017

Metro CEO Simon Finnis has been appointed Managing Director.

Metro Chairman Stephen Everett said Simon had made a significant contribution to the company's development and would continue to add considerable value as it transitions from explorer to producer.



Under Simon's stewardship Metro has achieved many milestones including a successful takeover of Gulf Alumina which increased Metro's bauxite reserves and paved the way for combining Gulf and Bauxite Hills bauxite projects. Simon has also established Greenstone Resources as a cornerstone shareholder, negotiated an offtake agreement with Xinfu and secured Native Title and Land Owner Agreements.

Charles Easton has been appointed GM, Bauxite Hills Mine to commence work on preparing for operations at Bauxite Hills.

An experienced mining professional with a focus on value creation across many commodities. Charles is responsible for the construction, start-up planning and operation of the Bauxite Hills mine.



Duane Woodbury has commenced as Business Development Manager.

Duane has over 20 years' experience in corporate finance, accounting and treasury, business evaluation, and project feasibility primarily in the mining and resources sector. He has worked with a wide range of companies including Macquarie Bank and Kingsgate Consolidated.



Throughout his career Duane has held roles within the corporate sector and as financial advisor for a wide variety of companies. He has worked in Sydney, New York, London and Singapore.

Debt Restructuring Complete

Following the successful Capital Raising, Metro repaid in full the debt facilities owing to Bafflebox and Greenstone. These debt facilities provided the funds used to acquire Gulf Alumina.

Metro has drawn down \$15 M in debt under a \$40 Million loan facility provided by a related party of shareholder, Balanced Property, who owns 19.99% of Metro. The Balanced Property facility was negotiated on a commercial arm's length basis and has a term of 12 months.

As at 18 April 2017, Metro currently has approx \$21.5 M in cash and total debt of \$15M.

The Company remains well capitalised as it continues to rapidly advance the Bauxite Hills Mine through final permitting to the expected mid-2017 decision to mine.



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FORWARD LOOKING STATEMENT Statements and material contained in this ASX Report, particularly those regarding possible or assumed future performance, production levels or rates, commodity prices, resources or potential growth of Metro Mining Limited, industry growth or other trend projections are, or may be, forward looking statements. Such statements relate to future events and expectations and, as such, involve known and unknown risks and uncertainties. Graphs used in this ASX Report (including data used in the graphs) are sourced from third parties and Metro Mining has not independently verified the information. Metro Mining is at an early development stage and while it does not currently have an operating bauxite mine it is taking early and preliminary steps (such as but not limited to Prefeasibility studies etc.) that are intended to ultimately result in the building and construction of an operating mine at its project areas. Although reasonable care has been taken to ensure that the facts stated in this ASX report are accurate and or that the opinions expressed are fair and reasonable, no reliance can be placed for any purpose whatsoever on the information contained in this document or on its completeness. Actual results and developments may differ materially from those expressed or implied by these forward looking statements depending on a variety of factors. Nothing in this ASX Report should be construed as either an offer to sell or a solicitation of an offer to buy or sell shares in any jurisdiction.

+Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Metro Mining Limited

ABN

45 117 763 443

Quarter ended ("current quarter")

31 MARCH 2017

Consolidated statement of cash flows

**Current quarter
\$A'000**

**Year to date (9
months)
\$A'000**

1 Cash flows from operating activities

- 1.1 Receipts from customers
- 1.2 Payments for
 - (a) exploration & evaluation
 - (b) development
 - (c) production
 - (d) staff costs
 - (e) administration and corporate costs
- 1.3 Dividends received (see note 3)
- 1.4 Interest received
- 1.5 Interest and other costs of finance paid
- 1.6 Income taxes paid
- 1.7 Research and development repayment
- 1.8 Research and development refund

167	367
(2)	(260)
(924)	(2,413)
0	0
(684)	(1,377)
(1,258)	(3,118)
0	0
57	115
(1,365)	(1,365)
0	0
(128)	(188)
56	56

1.9 Net cash from / (used in) operating activities

(4,081) (8,183)

2 Cash flows from investing activities

- 2.1 Payments to acquire:
 - (a) property, plant and equipment
 - (b) tenements (see item 10)
 - (c) investments
 - (d) other non-current assets
- 2.2 Proceeds from the disposal of:
 - (a) property, plant and equipment
 - (b) tenements (see item 10)
 - (c) investments
 - (d) other non-current assets
- 2.3 Cash flows from loans to other entities
- 2.4 Dividends received (see note 3)
- 2.5 Payments for business combination

(66)	(75)
0	(9,039)
0	55
(2,536)	(33,972)

2.6 Net cash from / (used in) investing activities

(2,602) (43,031)

3 Cash flows from financing activities

- 3.1 Proceeds from issues of shares (*)
- 3.2 Proceeds from issue of convertible notes
- 3.3 Proceeds from exercise of share options
- 3.4 Transaction costs related to issues of shares, convertible notes or options
- 3.5 Proceeds from borrowings
- 3.6 Repayment of borrowings (*)
- 3.7 Transaction costs related to loans and borrowings
- 3.8 Dividends paid
- 3.9 Other (provide details if material)

46,127	55,073
0	0
319	624
(2,330)	(2,912)
0	48,500
(20,329)	(22,799)
0	(1,616)
0	0
(16)	(16)

3.10 Net cash from / (used in) financing activities

23,771 76,854

The Bafflebox loan of \$8.5m repayable on 19 Mar 2017 was repaid in full via conversion to equity in the capital raising that took place during the quarter. A total of \$11.8m of the Greenstone facility was repaid via conversion to equity in the capital raising that took place in the quarter. The proceeds from share issues (Item 3.1) has been grossed up for these amounts, which are shown as repayment of borrowings at Item 3.6.

4 Net increase / (decrease) in cash and cash equivalents for the		
4.1 Cash and cash equivalents at beginning of period	11,464	2,684
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(4,081)	(8,183)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(2,602)	(43,031)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	23,771	76,854
4.5 Cash acquired from business combination		228
4.6 Cash and cash equivalents at end of period	28,552	28,552

Reconciliation of cash and cash equivalents at the end of the	Current quarter	Previous quarter
5 quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000
5.1 Bank balances	18,012	2,954
5.2 Call deposits	10,540	8,510
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	28,552	9,170

6 Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Directors fees

Current quarter
\$A'000

82

-

7 Payments to related entities of the entity and their associates

7.1 Aggregate amount of payments to these parties included in item 1.2

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter
\$A'000

-

Financing facilities available**8**

Add notes as necessary for an understanding of the position

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

Total facility amount at quarter end	Amount drawn at quarter end
\$A'000	\$A'000
40,000	28,358
-	-
-	-

Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

The \$40m loan facility is a short-term unsecured bridging loan facility with lender Greenstone LP. It has an interest rate of 10% for the first 3 months, rising to 12% after 3 months. This facility was repaid in full on 18 April 2017.

At 31 March 2017, Metro had an undrawn \$40m unsecured loan facility with lender Namrog Investments. The purpose of the facility is limited to repayment of the Greenstone facility. The term is 12-months. Security can be requested by the lender (subject to Metro shareholder approval). The interest rate is 10%.

9 Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	337
9.2 Development	9,867
9.3 Production	0
9.4 Staff costs	412
9.5 Administration and corporate costs	549
9.6 Other - Repayment of loan facility, financing and interest costs	30,153
9.7 Total estimated cash outflows	41,318

10 Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
Interests in mining tenements and 10.1 petroleum tenements lapsed, relinquished or reduced	nil			
Interests in mining tenements and 10.2 petroleum tenements acquired (*) or increased	nil			

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:[Signature on file].....

Date:28 April 2017.....

Print name: .Scott Waddell.....

Notes

The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.

If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report.

If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.