

# Metro Mining Limited (ASX:MMI)

Explore | Define | Mine

Quarterly Activities Report | June 2017

## Highlights

- **Debt Financing Secured** providing approx A\$40M for development of Bauxite Hills Mine
- **Final Environmental Approvals** received for Bauxite Hills Mine
- **Metro Strengthens Offtake with Lubei** and signs non-binding Letter-of-Intent for supply of 0.5 to 1 Mtpa over three years
- **Joint Native Title Access Agreement** reached with the Ankamuthi People, Traditional Owners and OMAC.

## Bauxite Hills Mine Progress

**Pre-Construction works have commenced at the Bauxite Hills Mine.**

The Bauxite Hills Mine is located approximately 95km north of Weipa on western Cape York in North Queensland. Western Cape York is world-renowned for its deposits of high-quality, export-grade bauxite.

**The Bauxite Hills Mine is set to become a significant producer of bauxite and will supply the burgeoning aluminium sector in China.**

Metro has committed to long lead items and made various pre-commitments associated with the Bauxite Hills mine for construction to commence on schedule in Q3 2017.

The BFS completed Feb 2017 was based on a DSO Bauxite mine producing 2Mtpa in 2018 and ramping up to 6Mtpa by 2021. Financial outcomes generated were very robust with a NPV<sub>10</sub> of A\$601M, an IRR of 81% and annual average EBITDA of A\$145M.

### Progress on Site to Date

- Appointment of Site Project Manager
- Acquisition of site infrastructure and buildings
- Refurbishment of existing camp ongoing & installation of new camp planned Nov 2017
- Barge Loading Facility (BLF) – fabrication of piles & steel completed & arriving August 2017
- BLF conveyor design being finalised and fabrication to commence late July 2017
- Preferred civils contractor selected
- Contract for BLF Electrical installation awarded
- Light vehicles delivered to site
- Construction communications system commissioned








# Site Activities




Tug & Barge Mobilisation



Port Area Infrastructure



Structural Steel for Conveyor System



Fabrication of Piles for BLF



## Debt Financing Secured

### Refer ASX Announcement 22 June

**Metro announced Sprott Private Resource Lending (Sprott) and Inगतatus AG Pty Ltd (Inगतatus), had been selected to provide debt finance facilities of approximately A\$40 million for the development of the Bauxite Hills Mine.**

Binding terms were agreed following a strongly contested and rigorous global tender process.

All parties undertook an extensive technical due diligence process providing strong validation of the technical aspects of the Bauxite Hills Mine.

The selection of Sprott and Inगतatus, a related party of Metro's strategic cornerstone shareholder Balanced Property, delivers a debt financing package with low overall cost, limited covenants, low shareholder dilution and flexibility in relation to early repayment.

### Key Terms

- Tenor of approximately 3 years
- Attractive annual interest rate
- No principal amortisation before January 2019 and A\$20 million payment at end of loan
- No commitment fees
- No hedging requirements
- Low level of cash reserving and no mandatory cash sweep
- Low number of Metro options with strike price to reflect 25% premium to Metro share price

The Debt Financing is being led by Sprott as senior secured lender.

The new debt facilities replace Metro's A\$15 million short term debt facility with Namrog Investments Pty Ltd, also a related party of Balanced Property.

Completion of final Debt Financing agreements remains conditional upon documentation, legal due diligence, permitting and other conditions precedent usual for financings of this nature, including project equity requirements being raised prior to debt drawdown.

Subject to satisfaction of the remaining conditions, Metro expects final agreements to be concluded early in Q3 2017.

## Final Environmental Approvals Received for Bauxite Hills Mine

### Refer ASX Announcement 26 June

Metro announced final environment approvals for the Bauxite Hills Mine had been secured with the Commonwealth Government granting its approval for the project.

**The Commonwealth approvals followed State Government environmental approvals that were received on 22 June.**

Completion of the approvals process within a two-year timeframe was a testament to Metro's permitting expertise and credentials. The project received strong support from local stakeholders, State, Federal and Local Governments.

The Environmental approvals allow production of up to 10Mtpa.

Metro has significantly reduced the social and environmental impacts, and optimised the economic returns by combining two projects.

Importantly, the approvals satisfied a key condition of the secured debt-financing package.





## Metro Strengthens Offtake With Lubei

### Refer ASX Announcement 30 May

Metro signed a non-binding Letter-of-Intent with Shandong Aluminium Company Ltd ("Lubei") for the supply of 0.5 to 1Mtpa of bauxite for a 3 year minimum, from the start of mining operations.

**The proposed Lubei Offtake is in addition to the existing binding Offtake Agreement with China's Xinfu for 7 million tonnes over 4 years.**

Lubei is a division of Shandong Lubei Enterprise Group General Company, a diversified chemicals business producing fertilisers, industrial chemicals and alumina for Chinese domestic and international markets.

Lubei, the 5th largest importer of bauxite in China, produces approx 1Mtpa of alumina at its refinery located near Wudi, Shandong Province & currently purchases approx 2.5Mtpa of imported bauxite.

### Key Terms

- Complements existing binding Offtake Agreement with Xinfu for 7Mt over 4 years
- Initial Offtake tonnage to be 0.5 to 1.0Mtpa for three years, commencing in 2018 with possible one-year extension by mutual agreement
- Attractive market linked pricing structure
- Increases expected Offtake Agreements to over 60% of first 4 years of production from Bauxite Hills Mine
- Pricing determined by the Market Price as agreed between the parties
- Provides further confirmation of Bauxite Hills commercially attractive product and validation of Metro's marketing expertise and sales strategy

## Joint Native Title Access Agreement

### Refer ASX Announcement 08

Following the acquisition of Gulf Alumina Ltd, Metro amalgamated the existing Bauxite Hills and Skardon River Native Title Agreements.

The new Agreement jointly reached with the Ankamuthi People, Traditional Owners and OMAC, the Trustee owner of the land replaces separate Agreements for the Bauxite Hills Project & Skardon River Project and covers the entire project area. Combining the agreements demonstrates the continued strong community support for the Bauxite Hills Mine and further enhances the positive, long term relationships. The combined agreement is designed to simplify implementation and administration of the Agreement .

The Bauxite Hills Mine will provide vital training, employment and business opportunities for the Ankamuthi People with opportunities commencing immediately.

A Cultural Heritage Management Plan, detailed rehabilitation plan, provision of employment & training opportunities for traditional owners, business development and contracting opportunities for Ankamuthi businesses and payment of mining benefits to the Ankamuthi People & OMAC are in place for the life of the mine.

Once fully operational, the Bauxite Hills Mine is expected employ up to 200 people with a 30% indigenous workforce target.





## EGM Resolutions Approved

### Refer ASX Announcement 30 May

All Resolutions put to members at the Extraordinary General Meeting ("EGM") of shareholders, on 29 May 2017, were passed unanimously.

## Business Development and Finance

### Myanmar

During the past quarter, PanAust continued exploration activities on the Mahar San tenements in Myanmar including activities for drilling, analysis and geo-chemical sampling.

PanAust is still assessing the results of this work and will communicate the results of this work back to Metro by the end of 2017 as per the terms of the Joint Venture agreement signed between the parties.

### Presentations by Metro Managing Director

In addition to numerous individual Investor and Broker presentations, Metro Managing Director and CEO Simon Finnis presented at:

- **Mines and Money Asia:** 4 April 2017
- **RIU Sydney Resources Roundtable:** 10 May 2017
- **ASX CEO Series:** 20 June 2017



## MMI Cash Position

**Metro Mining's Cash position as at  
30 June 2017 was A\$15.3Million.**



ASX: MMI | ACN 117 763 443

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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")**

30 JUNE 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1 Cash flows from operating activities</b>		
1.1 Receipts from customers	95	462
1.2 Payments for		
(a) exploration & evaluation	(250)	(510)
(b) development	(5,229)	(7,643)
(c) production	0	0
(d) staff costs	(255)	(1,632)
(e) administration and corporate costs	(615)	(3,733)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	109	224
1.5 Interest and other costs of finance paid	(360)	(1,725)
1.6 Income taxes paid	0	0
1.7 Research and development repayment	0	(188)
1.8 Research and development refund	0	56
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(6,505)</b>	<b>(14,688)</b>
<b>2 Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(75)	(150)
(b) tenements (see item 10)		
(c) investments	(0)	(9,039)
(d) other non-current assets		
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment		
(b) tenements (see item 10)	0	55
(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	(57)	(34,029)
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(132)</b>	<b>(43,163)</b>
<b>3 Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares (1)	7,538	62,611
3.2 Proceeds from issue of convertible notes	0	0
3.3 Proceeds from exercise of share options	0	624
3.4 Transaction costs related to issues of shares, convertible notes or options (2)	80	(2,832)
3.5 Proceeds from borrowings	15,000	63,500
3.6 Repayment of borrowings (1)	(28,171)	(50,970)
3.7 Transaction costs related to loans and borrowings	(1,016)	(2,632)
3.8 Dividends paid	0	0
3.9 Other (provide details if material)	0	(16)
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(6,569)</b>	<b>70,285</b>
(1) The Bafflebox loan and the Greenstone Bridging Loan facility were fully settled during the quarter.		
(2) GST refund received for eligible acquisitions in the quarter		

<b>4 Net increase / (decrease) in cash and cash equivalents for the</b>		
4.1 Cash and cash equivalents at beginning of period	28,552	2,684
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(6,505)	(14,688)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(132)	(43,163)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(6,569)	70,285
4.5 Cash acquired from business combination	0	228
<b>4.6 Cash and cash equivalents at end of period</b>	<b>15,346</b>	<b>15,346</b>

<b>Reconciliation of cash and cash equivalents</b> at the end of the 5 quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter</b>	<b>Previous quarter</b>
	<b>\$A'000</b>	<b>\$A'000</b>
5.1 Bank balances	11,336	18,012
5.2 Call deposits	4,010	10,540
5.3 Bank overdrafts		
5.4 Other (provide details)		
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>15,346</b>	<b>28,552</b>

**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**

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**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**

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**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)

<b>Total facility amount at quarter end</b>	<b>Amount drawn at quarter end</b>
<b>\$A'000</b>	<b>\$A'000</b>
15,000	15,000
-	-
-	-

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 \$15m loan facility is a short-term unsecured loan facility with lender Namrog Investments. The purpose of the facility is limited to repayment of the Greenstone facility, which took place during the quarter. The term is 12-months. Security can be requested by the lender (subject to Metro shareholder approval). The interest rate is 10%, with interest payable 6 monthly.

<b>9 Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	298
9.2 Development	20,645
9.3 Production	0
9.4 Staff costs	1,199
9.5 Administration and corporate costs	442
9.6 Other - Financing and interest costs	5,141
<b>9.7 Total estimated cash outflows</b>	<b>27,725</b>

<b>10 Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	nil			
10.2 Interests in mining tenements and 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: .....14 July 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 1 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.