

# Highlights

- Activities during the quarter were focused on preparations for the commencement of mining operations and completion of any outstanding construction tasks.
- The mining, truck and haulage fleet was commissioned, initial mining areas prepared and recruitment of site-based staff largely achieved.
- After the quarter end, mining commenced on the BH6 deposit with the first ocean going vessel arriving at Skardon River on 19 April.
- The prolonged and late wet season (including Tropical Cyclone Nora in late March) resulted in a delay to commencement of production. However, there is no change to the 2018 production guidance of approximately 2 million wet metric tonnes (wmt) of bauxite.
- Metro's available cash on hand as at 31 March 2018 was A\$17.1M. Drawn debt facilities totalled A\$39.6M.



# Bauxite Hills Operations

Activities during the quarter that were impacted by the heavy wet season, were focused on site maintenance and planning, completion of construction tasks and preparation for the commencement of mining operations.

The first two months of mining are focused on the BH6 deposit (see photo below). Further areas will be gradually cleared ahead of mining operations with the BH1 deposit expected to be accessed in early June.

Analyses were received from grade control drilling completed last year over a 20m by 20m grid covering the planned initial mining areas on both the BH1 and BH6 deposits. Results were as expected and have been incorporated into 2018 mine planning.

The mining, truck and haulage fleet was mobilized to site and commissioned during late March and early April and operator training was completed.

Metro's transshipment contractor, Bauxite Transshipment Services (BTS), was actively involved in transporting equipment and supplies from Cairns and Townsville to site. The fleet of 3,500t barges will be supplemented with a new 7,500t barge in June. This larger barge will assist in the planned ramp up to the 2018 production rate.

The majority of site services and associated infrastructure are now in place:

- Both mobile and fixed laboratories are being installed with lab technicians completing training.
- The workshop, warehouse and maintenance facilities are operational.
- An interim communications system has been successfully installed. The mine will transition to a higher performance business standard in the next quarter.
- A small Cairns office has been established. It will be Metro's base for local content and purchasing activities. Most of Metro's mine staff will be based in Cairns during future wet seasons.



*Removal of topsoil at first mining area at BH6 in readiness for bauxite mining. Topsoil is collected and retained for rehabilitation*

# Bauxite Hills Operations

Recruitment of site staff (both Metro and its contractors) is now largely complete. The mine will ultimately employ up to 200 people and has an Indigenous workforce target of 30%. During the mine's construction phase up to 80 mine workers were employed with 40% Indigenous component.

During March twenty four of the mine's Indigenous workers from Cape York underwent a 3-week training course on the operation of shiplading equipment. Training was managed by Indigenous Marine Services, an Indigenous company which has joined with Transshipment Services Australia (TSA) to provide maritime functions to Bauxite Hills.

Following a relatively late start, the wet season at the project area was particularly heavy:

- There were three severe rain events – one in late January and two in March – each delivering approximately one metre of rain over several days.
- In late March the site was impacted by Tropical Cyclone Nora, and in accordance with our safety procedures, all non-essential staff and contractors were evacuated.

As a result, the commencement of mining operations was delayed. However, there is not expected to be any change to the 2018 production target as a result of this delay.

The production guidance for 2018 (shown below) reflects the ramp-up during the June quarter and planned production over the scheduled 8-month operating window.

## Bauxite Production Guidance (WMT)

	June '18 Qtr	Sept '18 Qtr	Dec '18 Qtr	2018 – CY	2019 - CY
<b>Bauxite Mined ('000t)</b>	475 – 525	800 – 850	650 – 700	1,925 – 2,075	3,000
<b>Bauxite Shipped ('000t)</b>	400 – 450	800 – 850	725 – 775	1,925 – 2,075	3,000



# Exploration Activities

As planned, Metro did not conduct any exploration activities during the quarter due to the expected impact of the wet season.

Exploration activities will be stepped up as the dry season progresses.

## Corporate and Finance

Metro's available cash on hand as at 31 March 2018 was A\$17.1M. In addition Metro holds A\$7.5M of restricted cash; comprising financial assurance bonds and other security deposits.

**Metro's outstanding debt facilities were A\$39.6M (at A\$/US \$0.77) comprising:**

- Fully drawn A\$20.0M with Inगतatus AG Pty Ltd (a related party of Namrog Investments Pty Ltd) – a facility with a three-year term expiring on 29 September 2020.
- Fully drawn US\$15.0M (A\$19.6M) with Sprott Private Resources Lending – repayment of the loan principal commences in January 2019 at US\$1m per month until the loan account balance is repaid.

Metro's risk management framework incorporates implementing a currency hedging program to manage the risks to sales revenue associated with a rising A\$/US\$ exchange rate during the first three years of operation. As part of this strategy Metro has acquired US\$/A\$ put options totaling US\$68.5m at an average strike price of \$0.85 with expiry dates staggered monthly during the Bauxite Hills operating periods in 2018 and 2019. These options will protect revenue should the A\$ strengthen above 0.85. The company continues to monitor currency markets closely and may look to increase this option position if attractive pricing opportunities arise.

During the quarter, Metro's CFO and Company Secretary, Scott Waddell tendered his resignation. Duane Woodbury was appointed CFO on an interim basis and Ms. Amy Treble was appointed Company Secretary.

**On the 19 March, Dow Jones Indices announced Metro will be included in the All Ordinaries Index as part of its March quarterly review.**



Automatic sampler on BLF

# Bauxite Market

## Bauxite Market / Pricing Chart and Commentary

Source: CM Group



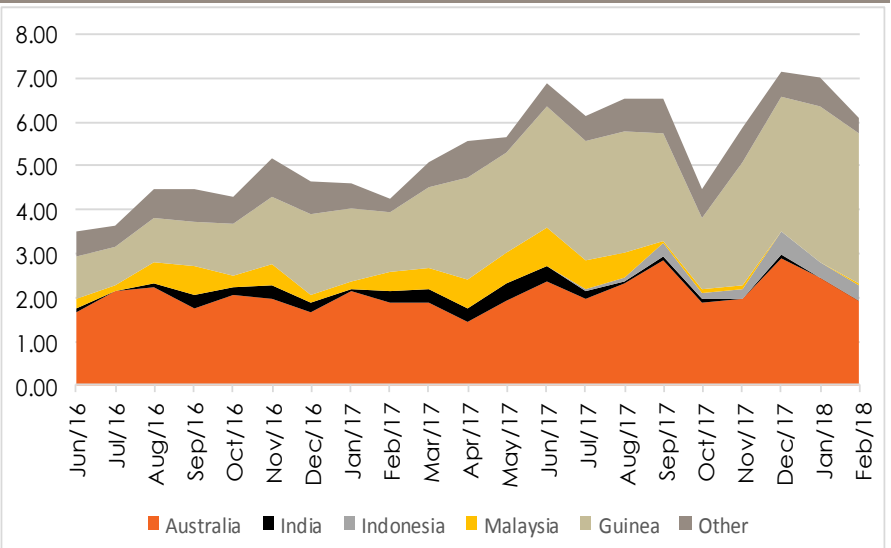
**China Market:** China's bauxite import market remained strong over Q1, at an estimated 20 Mt imports. This implies China annualised imports have now reached 80 Mt. Guinea consolidated its position as China's #1 source, although grade variation has impacted the potential for third party sales. Imports from Jamaica, Montenegro and Turkey over the quarter suggest Chinese refiners have an appetite for alternative sources as they continue to explore and develop their options.

China's domestic bauxite market has continued to show signs of tightness, leading to higher prices, especially in the northern provinces of Shanxi and Henan. In Q4 2017, the combination of high caustic soda prices and forced mine closures, through environmental compliance auditing, squeezed refining margins inland, leading to a jump in interest in imported bauxite by domestic refiners, which continued into Q1 2018.

## China Imported Bauxite Demand Forecast

Source: CM Group

**Bauxite Prices:** Import prices CFR China, as measured by the CBIX index, remained mostly stable over the Quarter, moving in the range US\$48/dmt to US\$50/dmt. A wide range of bauxite grades and qualities continues to enter the Chinese market, although higher volumes of integrated supply from Guinea, destined for Weiqiao, reduced the size of the contestable market. Caustic soda prices in China have remained high although they have pulled back during the Q1. This is still impacting higher silica



bauxite products with pricing being impacted by higher alumina production costs caused by caustic soda price levels. Inquiries from inland refiners for imported bauxite remain high given environmental compliance requirements and quality deterioration of domestic bauxite.

# Bauxite Market

## Commentary

Approximately 50% of Bauxite Hills planned 2018 production of 2Mt will be sold under a long term binding agreement with Xinha with the pricing structure linked to alumina benchmark prices.

### **Metro's marketing strategy has continued to focus on:**

- Conversion of existing non-binding agreements with Lubei and SPIC into long-term agreements.
- Developing a broad customer base to supply bauxite on a spot shipment basis.

It is likely that spot sales will form an important part of the sales program during the initial period of operations providing customers a period of price discovery based on product quality and bauxite processing performance in the alumina refineries.

The continuing environmental crack downs on mines in China has led to tightening of bauxite supply in the inland provinces. These areas have begun to take trial shipments of imported bauxite, mainly from Australia, as part of the bauxite supply mix. However, the environmental pressure on miners, including those that form part of their supply chain for alumina refining reagents, has led to a significant and unexpected increase in Caustic Soda prices; a key reagent in alumina refineries. This will potentially impact sales prices for higher silica bauxites, such as that produced at Bauxite Hills.



*Metro's Mobile Lab truck for bauxite quality control during mining operations*



ASX: MMI | ACN 117 763 443

For Further Info: P: +61 (0) 7 3099 8000 | E: [info@metromining.com.au](mailto:info@metromining.com.au) | W: [www.metromining.com.au](http://www.metromining.com.au)

Contact: Simon Finnis, MD & CEO | Amy Treble: Company Secretary | Duane Woodbury: CFO

Registered Office & Head Office: Lvl 2, 247 Adelaide St, Brisbane | GPO Box 10955, Brisbane Q 4000

**FORWARD LOOKING STATEMENT** Statements and material contained in this ASX Announcement, 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 Announcement (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 Announcement 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 Announcement 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 2018
Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1 Cash flows from operating activities</b>		
1.1 Receipts from customers	17	203
1.2 Payments for		
(a) exploration & evaluation	(90)	(399)
(b) development (1)	(3,283)	(37,061)
(c) production	0	0
(d) staff costs	(710)	(1,898)
(e) administration and corporate costs	(274)	(2,415)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	80	289
1.5 Interest and other costs of finance paid	(806)	(1,931)
1.6 Income taxes paid	0	0
1.7 Research and development repayment	0	0
1.8a Other - pre operations expenses	(1,839)	(5,600)
1.8b Other - Security/ financial assurance deposits	(1,250)	(5,937)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(8,155)</b>	<b>(54,749)</b>
<b>2 Cash flows from investing activities</b>		
<sup>(1)</sup> Includes allocated staff costs and development overheads		
2.1 Payments to acquire:		
(a) property, plant and equipment	(446)	(1,436)
(b) tenements (see item 10)		
(c) investments	0	0
(d) other non-current assets		
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment (2)	736	736
(b) tenements (see item 10)	0	0
(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	0	0
<b>2.6 Net cash from / (used in) investing activities</b>	<b>290</b>	<b>(700)</b>
<sup>(2)</sup> refund of equipment deposits paid - now subject of lease arrangement		
<b>3 Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	0	38,343
3.2 Proceeds from issue of convertible notes	0	0
3.3 Proceeds from exercise of share options	0	0
3.4 Transaction costs related to issues of shares, convertible notes or options	0	(2,156)
3.5 Proceeds from borrowings (3)	6,452	39,706
3.6 Repayment of borrowings	0	(15,470)
3.7 Transaction costs related to loans and borrowings	(30)	(2,694)
3.8 Dividends paid	0	0
3.9 Other - Finance lease payments	(457)	(516)
<b>3.10 Net cash from / (used in) financing activities</b>	<b>5,965</b>	<b>57,213</b>
<sup>(3)</sup> During the quarter, USD\$5million was drawn down on the Sprott Private Resource Lending ("Sprott") facility.		

+ See chapter 19 for defined terms  
1 September 2016

<b>4 Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	19,035	15,346
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(8,155)	(54,749)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	290	(700)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	5,965	57,213
4.5 Effects of foreign exchange	9	34
<b>4.6 Cash and cash equivalents at end of period</b>	<b>17,144</b>	<b>17,144</b>

<b>5 Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter	Previous quarter
	\$A'000	\$A'000
5.1 Bank balances	17,144	9,035
5.2 Call deposits	0	10,000
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>17,144</b>	<b>19,035</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

Current quarter \$A'000
95
-

Directors fees

**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
-
-

n/a

**8 Financing facilities available**

Add notes as necessary for an understanding of the position

- 8.1 Loan facilities (4)
- 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
8.1 Loan facilities (4)	39,569	39,569
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-

- 8.4 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.

(4) The total loan facilities consist of two secured loans. The Sprott facility amount is USD\$15 million, which is fully drawn down at the end of the quarter. The term of the facility is approximately 3 years, at commercial interest rates. Interest is payable monthly, and principal repayments on this facility commence January 2019. The Inगतatus facility is for AUD \$20million and a term of 3 years at a commercial interest rate, with interest payable quarterly and the principal repayment due at the end of the loan term. The Inगतatus facility (AUD\$20million) is fully drawn down at the end of the quarter.



<b>9 Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	55
9.2 Development	2,723
9.3 Production	22,726
9.4 Staff costs	600
9.5 Administration and corporate costs	997
9.6a Other - Payment for Financial Assurance Bond and other security deposits	400
9.6b Other - Financing and interest costs	2,336
<b>9.7 Total estimated cash outflows</b>	<b>29,837</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	N/a	N/a	N/a	N/a
10.2 Interests in mining tenements and petroleum tenements acquired (*) or increased	N/a	N/a	N/a	N/a

#### Compliance statement

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

Sign here:



Date: 30 April 2018

Print name: Amy Treble

(Company secretary)

#### 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.