METRO MINING LIMITED

ASX ANNOUNCEMENT

17 February 2015

Bauxite Hills Pre-Feasibility Study **

Highlights

Financial Results

- Real Net Present Value (NPV 15%) after tax of A$197 Million
- Internal Rate of Return 88% (100% equity)
- Operating Margin A$28.60 per tonne
- Average Annual Net profit after tax A$37.9 Million
- Low Capital Expenditure A$27.4 Million

Operations and Market

- Ore Reserve of 12.1 Million Tonnes* at 36.7%THA and 7.4% RxSi
- Total Resource 61.5Mt* (Inferred & Indicated)
- 21 years life of mine at 2 million tonnes per annum ***
- DSO Bauxite Price continues upward trend
- Significant shareholder China Xinfa Group shows interest in furthering discussion on offtake agreement

Bauxite Hill's Project – The Next Major Mining Development in Cape York

The Project is in a world renowned bauxite province 95km north of Weipa in Western Cape York.

A Pre-Feasibility Study (PFS) based on a 21 year mine life, producing 2Mtpa *** of Direct Shipping Ore (DSO) has been completed by MEC Mining. The PFS was based on a total resource of 61.5Mt of which 30.3Mt was Indicated and 31.2Mt Inferred*. The Indicated Resource includes a Probable Ore Reserve of 12.1Mt (Refer DSO Mineral Resource & Ore Reserve estimate page 5 and MMI ASX Announcement of 16 February 2015).

The PFS confirms the Project's attractive economics with a Real NPV (15%) after tax of A$197M and an IRR of 88%. Low Initial Capital of A$27.4M and operating costs (including royalty) of A$26.7/t FOB are attainable largely due to proposed simple mining technique and the fact that no beneficiation of the DSO product is required .

Analysis of typical samples by potential customers to evaluate suitability of the DSO product is underway. The average FOB bauxite price used in the financial evaluation was US$44.80/t (A$55.30/t) based on an independent study completed by the CM Group. The Project also benefits from a continuing positive market outlook.

Project schedule is based on approval process completion and Mining Lease grant by March 2016 with construction and mine development scheduled to start during Q2 of 2016 and first production by Q4 2016.

The Project is an important economic asset for Cape York and enjoys strong community support.

*** There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised.

*Refer Table Page 6 ** Refer Page 6 for Forward Looking Statement disclaimer

Bauxite Hills Project Description

The Bauxite Hills Project is located approximately 95 km 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 Project consists of two bauxite plateaus (BH 1 and BH 6) situated next to the Skardon River.

The forecast quality and nature of the bauxite is suitable for export as Direct Shipping Ore (DSO) according to the CM Group Marketing Study.

A DSO operation allows the development of a low capital and low operating cost mine by avoiding a number of significant costs traditionally associated with production of a beneficiated bauxite product, including reduced infrastructure costs and significantly reduced water and energy.
In addition no tailings dams are required.

Mine operations proposed are simple using trucks and front end loaders. No blasting is required.

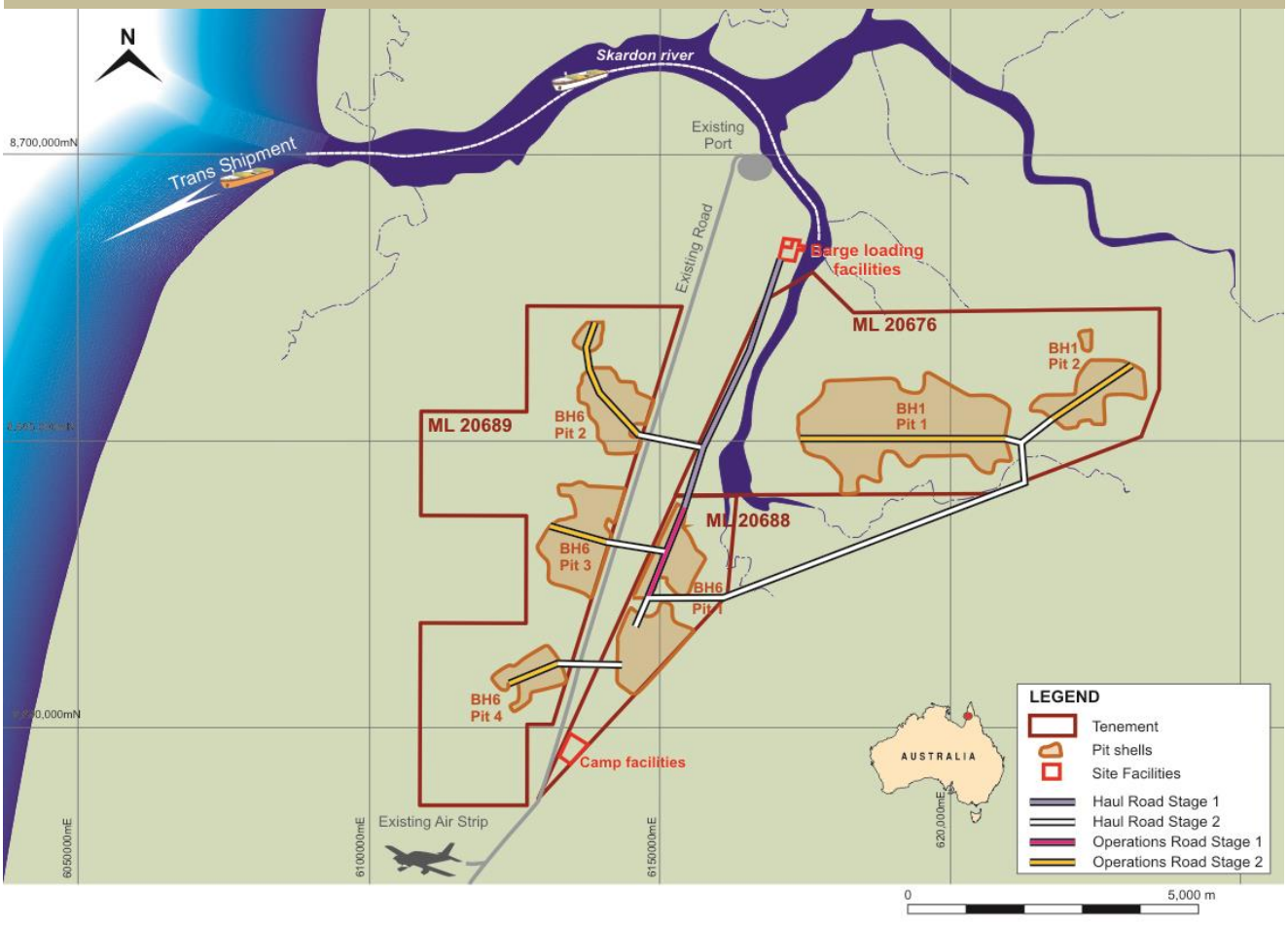
Metro Mining is working through the necessary approval processes for the grant of the mining lease including environmental, Native Title and access routes across the adjoining lease.

The bauxite is planned to be hauled to the barge load out facility at the Skardon River, then transported, by barge, approximately 10 kilometres offshore where it will be transshipped into bulk carriers for export to overseas customers.

Mine operations have been designed to have a minimum impact on the environment. Topsoil and overburden will be stripped ahead of mining and replaced on the mined out areas immediately after mining.

The Bauxite Hills Project anticipated mine life of over 20 years during will provide substantial economic and social benefits to the regional community.

Conceptual Site Operating Plan



Pre-Feasibility Results Indicate Strong Financial Return

The Bauxite Hills Project shows very strong project returns based on Pre-Feasibility work completed by MEC Mining Consultants.

KEY RESULTS:

A$ Real	BH Pre-Feas
NPV (15%) Real after tax	A$197 M
IRR	88%
Mine life	21 years
2016 Construction Capex	A$27.4 M
LOM sustain CAPEX (Excl 2016)*	A$18.1 M
OpCost (FOB/t)	A$26.69/t
Average Annual NPAT ($M)	A$37.9 M
Average Revenue (FOB/t)	A$55.30/t
Average Cash Margin (A$ FOB/t)	A$28.60/t
Capital Payback from 1st production	1.1 years

**Covers additional Life of Mine (LOM) capital required for extension to haul road and sustaining capital*

CAPEX: Breakup of capital required for first production

2016 Construction 2016 Capex	A$M
Mine Access (Haul Road)	$2.8
Mine & barge Loading Infrastructure	$10.6
Mine Camp & Airport	$5.0
Mining Equipment	$2.5
Contingency & Owners Costs	$6.5
Total Capex	**$27.4**

NB: additional anticipated capital of $18.1M will be required in years following first production for extending haul roads and sustaining capital.

Sensitivities:

- The High Price Case would increase the NPV to A$232 Million.
- The Low Price Case would reduce the NPV to A$133 Million.
- An FX (AUD/USD) of 0.90 would decrease the NPV to A$157 Million.

OPEX: The following shows the breakup of the Bauxite Hills average operating costs:

Operating Cost AS	Price/Cost ($/t) Pre-Feas
Mining Cost to ROM stockpile	$3.03
Crush Load and Barge costs	$10.50
Off Mine costs (incl marketing)	$6.80
Total Site & Overhead Costs	**$20.33**
Royalties	$6.36
Total Cost to FOB Inc. Royalties	**$26.69**

Bauxite Hills Pre-Feasibility Study Key Assumptions:

- The average FOB bauxite price used was US$44.80/t (A$55.30/t) based on an independent study completed by the CM Group. This price was adjusted for the quality of the DSO product.
- NPV and IRR are calculated on a project basis, with the commencement date 1 January 2016.
- The project economics assumes 100% equity financing. During the feasibility study, the effect of various other financing methods (such as debt) will be considered and analysed.
- 25% capital contingency has been assumed in the model. Various contingencies factors have also been applied on the operating costs, as considered reasonable by MEC consultants.
- An exchange rate of 0.81 (AUD/USD) has been used in the financial model. There are various views on where the future exchange will go; however, 0.81 is above the current rate of 0.78 and is considered relatively conservative. It is noted that based on discussions with a major bank, Metro Mining could hedge the AUD/USD exchange rate for 5 years at a fixed exchange rate of approximately 0.75.
- Mine life of 21 years and production rate of 2Mtpa DSO for the life of mine (refer *** on page 1).
- The project financial model does not take into account the company's accrued tax losses. This will be evaluated in later project economics.

Demand for DSO Bauxite Increases

Demand and Supply: Metro Mining engaged the CM Group (CM), an industry research boutique specialising in the global bauxite and alumina markets.

The report includes the following key points:

- The past decade has seen a transformation in the global third party traded bauxite market, brought about by the emergence of Chinese merchant alumina refining capacity treating imported bauxite. With Indonesia's mineral export ban now in effect Chinese merchant refiners have been forced to look further afield.
- China's economy continues to grow and aluminium demand is forecast to remain strong, with much of the industry forecasting about 8% growth over the next decade. A combination of strong growth (primary aluminium, alumina and bauxite), existing demand from merchant refiners, and depleting reserves and grades for domestic refiners forcing them to seek alternative supplies, is likely to result in growing demand for imported bauxite over the next decade and beyond.
- CM Group estimates China's bauxite import requirements to rise to 65-75 MTPY (dry) by 2020, up from 40 MTPY (dry) in 2014.
- The CM report includes analysis of the market impact of potential new suppliers from Malaysia and Australia, including the South of Embley and Aurukun projects, as well as other, smaller Australian suppliers.

Customer and Competitor Analysis: Marketability of the Bauxite Hills product was evaluated by CM Group for both high temperature and low temperature processing in Chinese refineries.

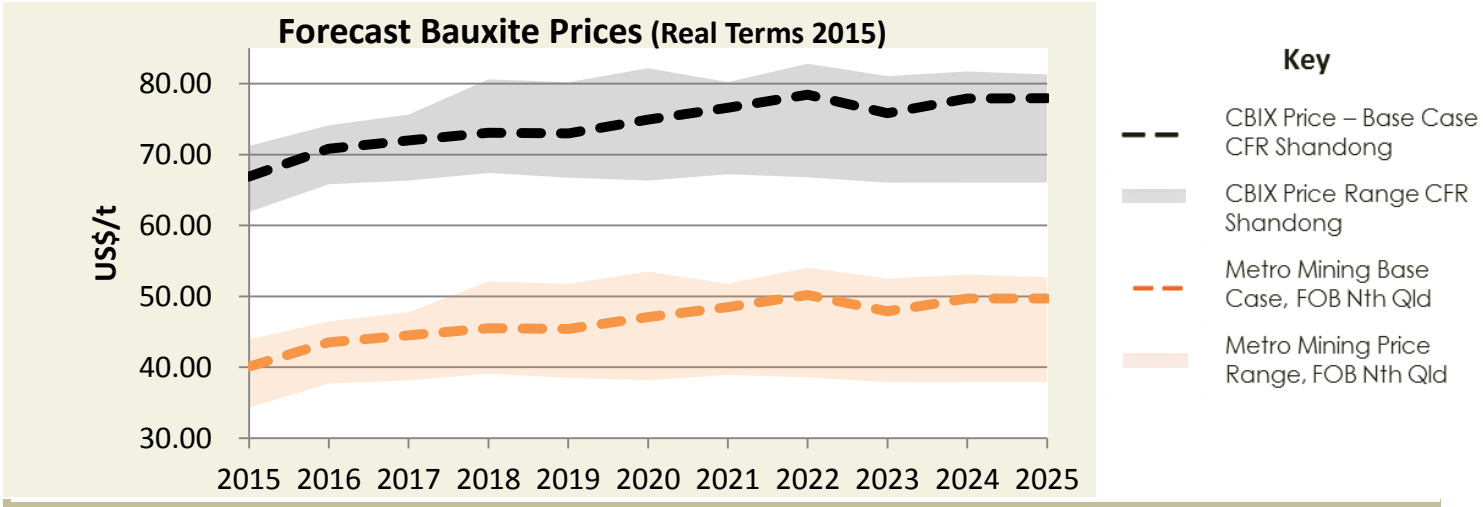
Low temperature refining of the bauxite was assumed in the market assessment as this opens the market for the Metro Mining product to over 80% of China's current merchant refining capacity and increases the potential customer base.

The CM report includes a brief summary of potential customers for the Bauxite Hills project.

Price Forecasts: The CM Group has provided a forecast for FOB bauxite prices for Metro Mining's Bauxite Hills project from 2015 to 2025 (US$/dmt) in Real Terms, (2015 dollars). The 2025 price has been maintained from 2026 to end of mine life (2037). The FOB prices are based on CFR prices in China adjusted for shipping and quality.

The forecast includes a bauxite price for high, low and base case scenarios for a product quality of 39.3% THA and 6.7% RxSi. Bauxite Hills' forecast average 'as shipped' quality over the mine life, from the PFS mine schedule, is 39.1% THA and 6.5% RxSi. Revenue in the financial model has been adjusted to reflect the 'as shipped 'quality according to CM's price adjustment formula.

The financial results quoted are based on the Base Case price adjusted for 'as shipped' quality unless otherwise stated. The results of the sensitivity analysis using the low and high price forecasts have been included in PFS results.



Real US$/t	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
MMI High Case, FOB	46.4	47.7	52.0	51.7	53.4	51.7	54.0	52.4	53.0	52.6
MMI Base Case, FOB	43.5	44.5	45.5	45.4	47.1	48.5	50.2	47.9	49.7	49.7
MMI Low Case, FOB	39.2	39.6	40.5	40.0	39.6	40.4	40.0	39.3	39.4	39.4

Key Points from Pre-Feasibility Study

Salient points from the Pre-Feasibility study are:

- Very simple mining method will be adopted to mine the bauxite ore – Pre-stripping will be done by one Front End Loader which removes the overburden soil. Once the bauxite ore is exposed the FEL will mine the bauxite down to the transition material.

- It is a shallow deposit and pit slope parameters are to the natural angle of repose. The mined out pit will be back-filled by the overburden.

- A Pit Optimisation study was conducted in order to determine the economic mining limit of the ore resource. Mineralised zones were defined by grades ≥45% total Al2O3 and ≤15% total SiO2 and the Lerchs-Grossmann pit optimisation algorithm was utilised in the Vulcan software to determine the extent of economically mineable ore reserves. Individual block values were assigned considering product price and mining costs, along with quality variations. The ore blocks are spatially grouped in the process to determine the economical extent of the mining reserves. Each block was evaluated based on the Metro Mining's base price (from the CM Group report) and the discount factor based on grade variability.

- The optimum pit shell polygons were reserved into Deswik software for scheduling purposes.

- The economic block model reserves were used to define a mining limit with practical mining blocks then cut to a detailed scheduling as part of the Prefeasibility study. The detail dig and dump sequencing along with equipment numbers were then modelled in a discounted cash flow model to further justify the project value when full offsite cash costs are analysed.

- The Bauxite Hills Project was assessed based on annual production of 2 million tonnes of product for a life of mine of about 20 years. The production target exceeds the currently available quantity of Indicated Resource of 30.3 Mt , situated in area BH6 (Table 1) therefore MEC Mining used the Inferred Resource category (area BH1) to infill the required quantities so 21 years production period can be demonstrated. It is important to note that Inferred Category according to JORC Standard cannot be converted to Ore Reserves due to its lower confidence level.

DSO Mineral Resource and Ore Reserve Estimate

The Pre-Feasibility study is based on the Bauxite Hills resource described in the recent resource statement (Refer ASX Release 16 February 2015). The BH6 Indicated Resource has been upgraded to a Probable Reserve as described in the recent Ore Reserve statement (Refer ASX Release 17 February 2015).

Area	Category	DSO[1] tonnes[2] (Mt)	Total SiO_2 (%)	Total Al_2O_3 (%)	THA[3] (%)	RxSi [4] (%)
BH1	**Inferred Resource (Dry In-situ)**	**31.2**	**9.1**	**51.5**	**40.7**	**6.2**
BH6	**Indicated Resource (Dry In-situ)**	**30.3**	**15.5**	**48.4**	**35.5**	**8.0**
Total Resource	**Indicated + Inferred**	**61.5**	**12.2**	**49.9**	**37.8**	**7.1**
BH6	**Probable Reserve[3] (ROM at 10% moisture)**	**12.1**	**14.8**	**49.2**	**36.6**	**7.4**

[1] DSO or "Direct shipping ore" is defined as bauxite that can be exported directly with minimal processing and beneficiation.
[2] For BH1 and BH6 the tonnages are calculated using the following default bulk densities determined from a program of sonic drilling; 1.6g/cm³ for BH1 and 2g/cm³ for BH6. Actual values are used where measurements have been taken
[3] THA is trihydrate available alumina (gibbsite alumina + kaolinite alumina – low temperature desilication product (DSP) alumina) at 150°C.
[4] RxSi is reactive silica at 150°C.

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COMPETENT PERSON'S STATEMENT The information in this report that relates to Exploration Results is based on information compiled by Neil Maclean who is a consultant to Metro Mining and a Fellow of the Australian Institute of Mining and Metallurgy (F.Ausimm).Mr Maclean has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Maclean consents to the inclusion in the report of the matters based on information in the form and context in which it appears.

The information in this report that relates to Mineral Resources is based on information compiled by Ed Radley who is a consultant to Metro Mining and a Member of the Austral Institute of Mining and Metallurgy (MAusIMM)). Review of this information was carried out by Jeff Randell of Geos Mining, a consultancy group contracted by Metro Mining Limited. Mr Randell is a Member of the Australian Institute of Geoscientists (MAIG), a Registered Professional Geoscientist (RPGeo) and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Randell consents to the inclusion in the report the matters based on information in the form and context in which it appears.

The information in this report to which this statement is attached that relates to the "Metro Mining – Bauxite Hills" Reserve Estimate based on information compiled by Maria Joyce, a consultant to Metro Mining and a Competent Person who is a Chartered Engineer of the Australasian Institute of Mining and Metallurgy. Maria Joyce is the head of the Technical Services division and full-time employee of MEC Mining Pty Ltd. Maria Joyce has sufficient experience that is relevant to the style of mineralization, type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Maria Joyce consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.