

7 January 2016

## Gulf's Target's Statement

Metro Mining Limited (ACN 117 763 443) (ASX:MMI) (Metro) wishes to advise that Gulf Alumina Limited (ACN 108 086 371) (Gulf) yesterday lodged with ASIC its Target's Statement in relation to Metro's off-market takeover offer to acquire all Gulf shares on issue (the Offer).

In the Target's Statement the Gulf directors recommend that Gulf shareholders do not accept the Offer.

Metro notes that while the Gulf directors recommend this course of action they do not disagree with the clear and compelling logic of combining Metro's and Gulf's adjacent projects at Skardon River, nor the merits of Gulf achieving a listing on a recognised stock exchange. The combination of Gulf and Metro would provide both of these benefits, and potentially also provide funding and shareholder liquidity benefits.

Metro is currently reviewing the Target's Statement and considering a number of claims Gulf has made within the Target's Statement, as well as claims Gulf made in a letter sent by Gulf's Managing Director, Mr Weidong Zhang, to Gulf Shareholders on 3 December 2015. Metro is concerned that a number of these claims may be unsubstantiated, incorrect or potentially misleading.

Metro intends to identify these concerns with Gulf directly and request that these statements be corrected where appropriate.

Metro is pleased to confirm its Offer opened on 24 December 2015 and that Metro now has a relevant interest in 22.1% of Gulf's shares on issue. The Offer is open for acceptance by Gulf shareholders until 15 February 2015, unless extended.

Lastly, Metro continues to focus on rapidly and efficiently advancing its Bauxite Hills Project, and expects to be in a position to announce the achievement of further key project milestones in the near future.

For further information please contact the Chief Executive Officer of Metro, Mr Simon Finnis, on (07) 3009 8000.

Yours faithfully,

Stephen Everett  
Chairman  
Metro Mining Limited



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**Gulf Alumina**  
LIMITED

ACN 108 086 371

**Target's Statement**

This Target's Statement has been issued in response to the Offers by Metro Mining Limited (ACN 117 763 443) for all of the Gulf Shares.

**Gulf Directors recommend that you**

**REJECT**

**the Offer and IGNORE all  
communications from Metro**

**THIS IS AN IMPORTANT DOCUMENT  
AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt about how to deal with this document, you should contact your broker, financial advisor or legal advisor immediately.



## Key dates

Date of Metro Mining Limited Offers	<b>24 December 2015</b>
Date of this Target's Statement	<b>6 January 2016</b>
Offers close (unless extended or withdrawn)	<b>7.00pm (Sydney time) on 15 February 2016</b>

## Important notices

### Nature of this document

This document is a Target's Statement issued by Gulf Alumina Limited (**Gulf**) under Part 6.5 Division 3 of the Corporations Act in response to the Bidder's Statement and Offers issued by Metro Mining Limited (**Metro**).

A copy of this Target's Statement was lodged with ASIC on 6 January 2016. Neither ASIC nor its officers take any responsibility for the content of this Target's Statement.

### Defined terms

A number of defined terms are used in this Target's Statement. Unless the contrary intention appears, the context requires otherwise or words are defined in section 8, words and phrases in this Target's Statement have the same meaning and interpretation as in the Corporations Act.

### No account of personal circumstances

This Target's Statement does not take into account your individual objectives, financial situation or particular needs. It does not contain personal advice. Gulf encourages you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offers.

### Disclaimer as to forward looking statements

Some of the statements appearing in this Target's Statement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement.

You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this

Target's Statement reflect views held only as at the date of this Target's Statement.

### Disclaimer as to information

Gulf has prepared the information concerning Metro contained in this Target's Statement using information released by Metro to the Australian Securities Exchange. Gulf has not independently verified the information concerning Metro contained in this Target's Statement.

### Privacy

Gulf has collected your information from the Gulf register of Gulf Shareholders for the purpose of providing you with this Target's Statement. The type of information Gulf has collected about you includes your name, contact details and information on your security holding in Gulf. Without this information, Gulf would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of Gulf Shareholders to be held in a public register. Your information may be disclosed on a confidential basis to external service providers (such as print and mail service providers) and may be required to be disclosed to regulators (such as ASIC). If you would like to obtain details of the information held about you by Gulf, please contact Gulf at the address shown below. A copy of Gulf's privacy policy is available on request by contacting Gulf on +61 2 9221 4689. Gulf's address is Suite 503, Level 5, 37 Bligh Street, Sydney NSW 2000.

### Gulf Shareholder information

Gulf Shareholders may contact Gulf on +61 2 9221 4689 if they have any queries in relation to the Offers.

Further information relating to the Offers can be obtained from Gulf's website at [www.gulfalumina.com.au](http://www.gulfalumina.com.au).

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# **YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU REJECT THE OFFER**

**The key reasons why Gulf shareholders should REJECT the Offer are summarised below and are set out in Section 3.2 of this Target's Statement. You are encouraged to read this Target's Statement in full before making a final decision regarding whether or not to accept the Offer.**

- Fifteen of the Gulf's shareholders representing in aggregate 70.6% of Gulf's shares (**Non-participating Gulf Shareholders**) have stated a current intention not to accept the Offer. Unless a sufficient number of Non-participating Gulf Shareholders change their intentions, the Offer will not succeed.
- The development of Gulf's Project, which includes existing infrastructure, is at an advanced stage being close to completion of its two year EIS process and the Board has a range of options for funding Gulf's Project into production.
- Metro's project, which has no existing infrastructure, is at an early stage of development with its EIS process having recently commenced.
- The valuation of Metro Shares by reference to 5 day VWAP does not necessarily represent true value due to historically low trading volumes and price volatility. The most recent arm's length transaction for a purchase of Gulf shares was at 27.56 cents per share compared to an implied value (for example) of 18.15 cents per Metro share calculated by reference to Metro's closing price on ASX on 4 January 2016.

# 1 Frequently Asked Questions

The following table sets out some common questions and corresponding answers in relation to the Offer and should be read in conjunction with the entire Target's Statement.

<b>What is the Offer?</b>	<p>Metro is offering to buy your Gulf Shares by way of an off-market takeover offer.</p> <p>The Offer consideration is 3.3 Metro Shares for every 1 Gulf Share. The terms of the Offer are set out in Schedule 1 to the Bidder's Statement. The Offer consideration is detailed in section 8 of the Bidder's Statement.</p>
<b>What is the Bidder's Statement?</b>	<p>The Bidder's Statement is a document containing the detailed terms of the Offer and information relating to the Offer and the Offer consideration you will receive from Metro.</p>
<b>What choices do I have as a Gulf Shareholder?</b>	<p>As a Gulf Shareholder, you have the following choices in respect of the Offer:</p> <ul style="list-style-type: none"><li>• REJECT the Offer, in which case you do not need to do anything;</li><li>• ACCEPT the Offer for all your Gulf Shares, in which case you should follow the instructions in the Acceptance Form that accompanied the Bidder's Statement; or</li><li>• SELL some or all of your Gulf Shares (unless you have previously accepted the Offer for all of your Gulf Shares).</li></ul> <p>Gulf Shareholders who are considering whether to sell some or all of their Gulf Shares should be aware that Gulf Shares are not listed on any securities exchange.</p>
<b>What happens if I do nothing in relation to the Offer?</b>	<p>Subject to what is stated below, if you do nothing in relation to the Offer you will not receive the Offer Consideration and (unless you otherwise sell your Gulf Shares) you will remain a Gulf Shareholder.</p> <p>If Metro acquires a Relevant Interest in at least 90% (by number) of the Gulf Shares and at least 75% (by number) of the Gulf Shares which are the subject of the Offer (whether the acquisitions happened under the bid or otherwise), Metro intends to proceed to compulsorily acquire your Gulf Shares (see section 6.2 of the Bidder's Statement). At the conclusion of the compulsory acquisition process you will receive 3.3 Metro Shares for every 1 Gulf Share that are compulsorily acquired. You will receive consideration for your Gulf Shares sooner if you accept the Offer.</p> <p>If Metro has an interest in less than 90% of the Gulf Shares, Metro will not be able to proceed to compulsorily acquire your Gulf Shares.</p>

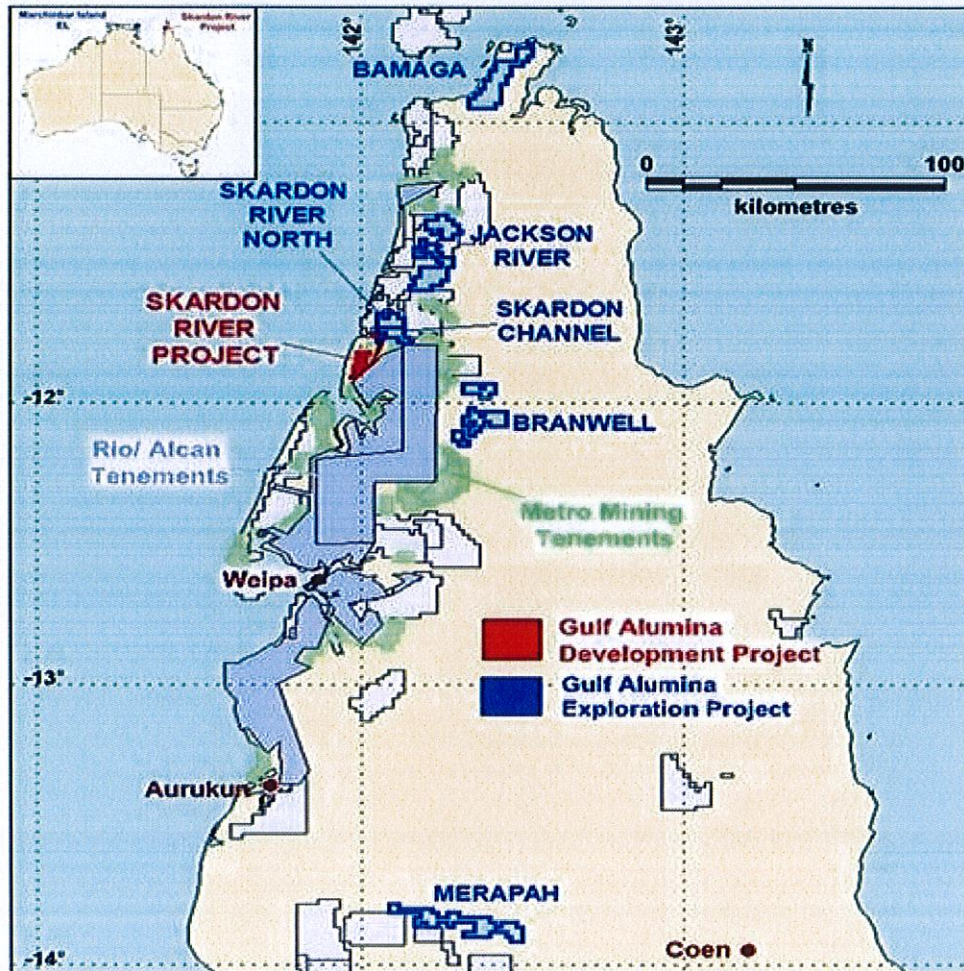
<b>What if I accept the Offer now?</b>	If you accept the Offer and the Offer becomes unconditional (because, for example, Metro waives its minimum acceptance condition) you will become a shareholder in Metro and will no longer hold shares in Gulf.
<b>Are there any risks in accepting the Offer?</b>	If you accept the Offer you will become a shareholder in Metro. There are risks in holding Metro Shares and these are set out in section 7.2 of the Bidder's Statement. You are already exposed to several of these risks, to varying degrees, as a result of holding Gulf Shares.
<b>When do I have to make a decision?</b>	<p>If you wish to accept the Offer, you must do this before the end of the Offer Period. The Offer will close no earlier than 7.00 pm (Sydney time) on 15 February 2016. It is possible that Metro may choose to extend the Offer Period in accordance with the Corporations Act. In addition, the Offer Period may be extended automatically in certain circumstances. However, Metro cannot close the Offer earlier than this date, except, with the consent of ASIC. See Section 3 of Schedule 1 of the Bidder's Statement for details of the Offer Period.</p> <p>If you wish to reject the Offer, you do not need to do anything.</p>
<b>What happens if I accept the Offer and the Bidder does not have a relevant interest in more than 50% of Gulf Shares at or before the end of the Offer Period?</b>	If you accept the Offer and the Bidder does not have a relevant interest in more than 50% of the Gulf Shares at or before the end of the Offer Period the Offer will not become unconditional. However, Metro may choose to waive any or all of the conditions including the minimum acceptance condition. If Metro waives the minimum acceptance condition after you have accepted the Offer and the Offer otherwise becomes unconditional, your Gulf Shares will be transferred to Metro and you will be issued Metro shares in accordance with the Terms of the Offer.
<b>Is there a phone number I can call if I have further queries in relation to the Offer?</b>	If you require additional assistance please contact the Gulf office during business hours on + 61 2 9221 4689.



## 2 Description of Gulf

Gulf Alumina Limited is an Australian unlisted public company established in February 2004 to develop bauxite deposits for export to China's rapidly expanding alumina/aluminium industry.

As the holder of approximately 1,205 square kilometres of partly drilled bauxite mining tenements and rights in Cape York Peninsula region of Queensland, and on Marchinbar Island, Northern Territory, as shown in the map below, Gulf plans to exploit a world class bauxite province where bauxite mining has been carried out since 1960.



Gulf's initial focus is to develop a 5 million tonnes per annum low temperature Direct Shipping Ore (DSO) bauxite mining operation on its Skardon River tenements (see Note below). Located 80 kilometres north of Weipa and covering an area of approximately 70 square kilometres of the Cape York Peninsula, Gulf is the sole holder of various mining leases and an interest in an MDL application on an existing EPM that is collectively known as the Skardon River tenements. Having previously been the site for a kaolin mining operation, the tenements include existing infrastructure and improvements embracing the airstrip, port wharf, haulage and access roads as well as civil works associated with the village services and power distribution. The existing infrastructure will benefit project construction and start-up. Together with some upgrade of the existing infrastructure, the new infrastructure is designed to cater for a greater than 5 million tonnes per annum operation.



Gulf intends to explore and develop its other tenements through new drilling programs and will also endeavour to increase the Skardon River mine life by mining its Skardon River North tenement (across the river) and adjoining tenements.

The following table is a comparative of the Gulf project with the Metro project to highlight differences in the development status of the respective ventures.

#### **SUMMARY OF DIFFERENCES BETWEEN GULF AND METRO PROJECTS**

<b>Gulf</b>	<b>Metro</b>
<ul style="list-style-type: none"> <li>Gulf's planned annual DSO production is 5.0 mtpa commencing at 3mtpa for the first 2 years (see Note below)</li> </ul>	<ul style="list-style-type: none"> <li>Metro's planned annual DSO production is 5.0 mtpa for their most recently announced project.</li> </ul>
<ul style="list-style-type: none"> <li>Gulf's Project includes substantial existing infrastructure comprising an airstrip, haul roads and access to a port.</li> </ul>	<ul style="list-style-type: none"> <li>Metro is a greenfield operation without any infrastructure of its own</li> </ul>
<ul style="list-style-type: none"> <li>Gulf has recently completed its DFS based on tenders received from reputable national contractors with significant local experience</li> </ul>	<ul style="list-style-type: none"> <li>Metro has not completed its DFS for its most recently announced project.</li> </ul>
<ul style="list-style-type: none"> <li>Gulf tenements are linked with an access road to a recognised port on its mining leases</li> </ul>	<ul style="list-style-type: none"> <li>Metro's holdings are landlocked and can only be accessed across Gulf tenements</li> </ul>
<ul style="list-style-type: none"> <li>Gulf's existing haul roads adequately serve the project</li> </ul>	<ul style="list-style-type: none"> <li>Metro proposes new haul roads in an environmentally sensitive zone</li> </ul>
<ul style="list-style-type: none"> <li>Gulf has an established and recognised port on its mining lease</li> </ul>	<ul style="list-style-type: none"> <li>Metro is seeking approvals for a new port in the environmentally sensitive zone and disadvantageously further upstream</li> </ul>
<ul style="list-style-type: none"> <li>Gulf's EIS has concluded the public notification phase which is now in the regulator's assessment process</li> </ul>	<ul style="list-style-type: none"> <li>Metro has yet to agree on the final terms of reference for the EIS with the regulator and prepare and submit an EIS</li> </ul>
<ul style="list-style-type: none"> <li>Gulf's project is expected to receive EA approval March or April 2016</li> </ul>	<ul style="list-style-type: none"> <li>Metro claims that it will submit its EIS in mid 2016 but will be required to address infrastructure issues unique to the Metro project in the environmentally sensitive zone.</li> </ul>
<ul style="list-style-type: none"> <li>Gulf's project is expected to commence construction in May 2016</li> </ul>	<ul style="list-style-type: none"> <li>Metro claims its project will commence construction around January 2017 subject to the above permitting approvals</li> </ul>
<ul style="list-style-type: none"> <li>Gulf plans to expand its management resource including finance and project execution as it draws close to the implementation phase</li> </ul>	<ul style="list-style-type: none"> <li>Metro funds a significant team in anticipation of receiving project approval.</li> </ul>
<ul style="list-style-type: none"> <li>Gulf has three mining leases over its tenements (which are expected to be renewed in the ordinary course in 2016)</li> </ul>	<ul style="list-style-type: none"> <li>Metro has no approved mining leases (refer Schedule 3 of the Bidder's Statement)</li> </ul>

<ul style="list-style-type: none"> <li>Gulf has a traditional owner agreement in place</li> </ul>	<ul style="list-style-type: none"> <li>Metro has no native title agreement in place which is a pre-requisite for obtaining a mining license</li> </ul>
<ul style="list-style-type: none"> <li>Gulf has a Heads of Agreement in place with Nanshan for offtake and project funding commitment, subject to formal documentation.</li> </ul>	<ul style="list-style-type: none"> <li>Metro states that it has a Memorandum of Understanding in place with an offtake party but has provided no details.</li> </ul>

Note: Gulf's planned annual DSO production of 5.0 mpta is based on Ore Reserves, as set out in Table 1-1 below.

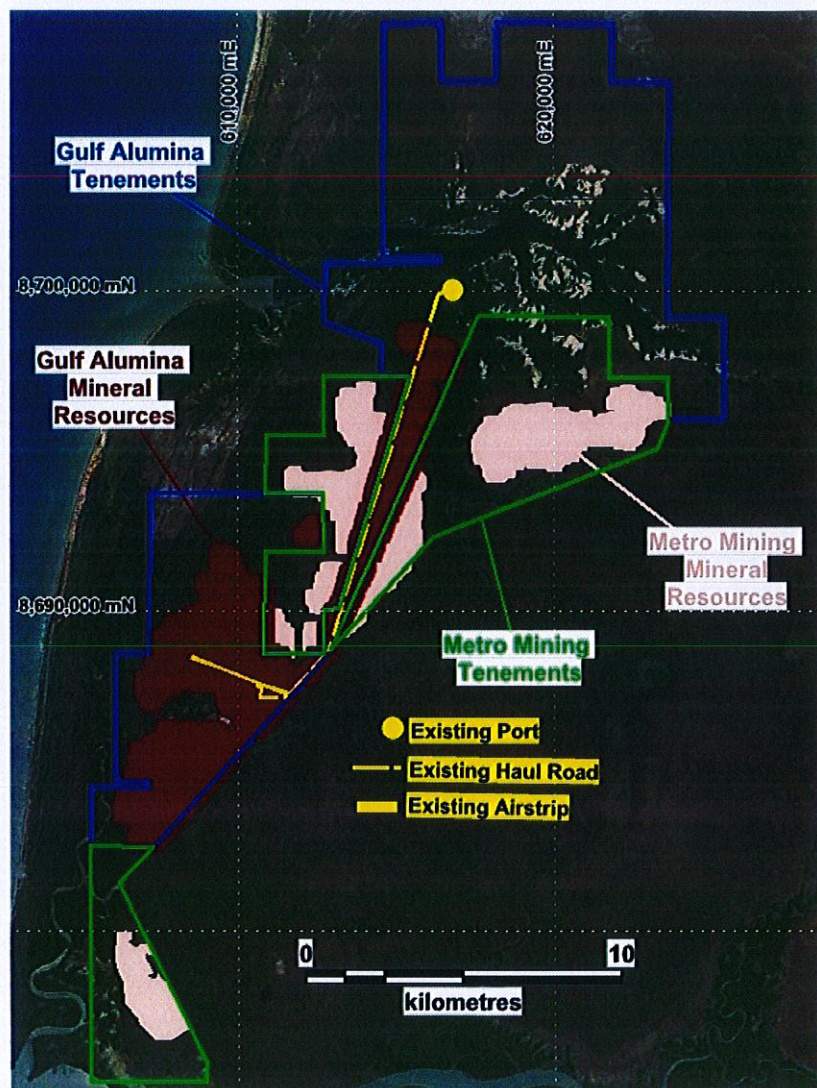
*Table 2-1 Direct Shipping Bauxite Ore Reserves as at 22 May 2015*

Category	Dry Tonnes				
	(Mt)	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	AAI <sub>2</sub> O <sub>3</sub> %	RSiO <sub>2</sub> %
Proved	16.6	49.8	14.3	41.4	6.1
Probable	31.8	49.2	15.0	39.8	6.4
<b>Total</b>	<b>48.3</b>	<b>49.4</b>	<b>14.7</b>	<b>40.3</b>	<b>6.3</b>

Note 1: The tonnes and grades are stated to a number of significant digits reflecting the confidence of the estimate. Since each number and total is rounded individually the columns and rows in the above table may not show exact sums or weighted averages of the reported tonnes and grades.

These Ore Reserves have been estimated in accordance with the requirements of the JORC Code (2012) by John Wyche, a Competent Person who is a member of The Australian Institute of Mining and Metallurgy. He is a full time employee of Australian Mine Design and Development Pty Ltd and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the JORC Code (2012). John Wyche has consented in writing to the inclusion in this Target's Statement of the information set out above, in the form and context in which it appears.

The following tenement map highlights the comparative information above. The map shows the landlocked nature of the Metro projects.





### 3 Director's Recommendation and Reasons for Recommendation

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#### 3.1 Directors

Weidong Zhang – Managing Director  
Cheng Wang – Non-Executive Director  
Jianbo Song – Non-Executive Director  
Stephen Lonergan – Non-Executive Director  
Zhaohui Wu – Alternate to Jianbo Song

#### 3.2 Director's recommendation

Each of the Directors recommends that you do not accept the Offer for the following reasons:

##### **Reason 1. – 15 Shareholders do not intend to accept Offer**

Fifteen of Gulf's Shareholders holding in aggregate 70.6% of Gulf's Shares have stated that it is their current intention not to accept the Offer. Unless Non-participating Gulf Shareholders change their intentions, the Offer will not succeed.

Each of the Non-participating Gulf Shareholders informed Gulf by letters dated between the dates of 15 December 2015 and 3 January 2016 that it had no current intention of accepting the Takeover Offer from Metro Mining Limited for all of the Ordinary Shares in Gulf as announced to ASX on 2 December 2015.

The statements by Non-participating Gulf Shareholders are as to current intentions and are not binding on them. However, as at the date of this Target' Statement, Gulf is not aware that any Non-participating Gulf Shareholder has changed its intention.

##### **Reason 2. - Investment and Management Philosophy**

Gulf's philosophy for developing the Skardon River Bauxite Project has been founded on the efficient utilisation of investor funds by:

- upholding a strict regime for the exploration and development phase by "keeping costs down";
- avoiding unnecessary shareholder dilution in past capital raising programs;
- maintaining a lean Board and executive team for the Project, preferring to bulk up management resources as permitting progresses.

Accordingly, the Board has preserved the underlying economic fundamentals for the benefit of existing shareholders and believes that a sale at this stage would not be in the shareholders' interests.

##### **Reason 3 – Project Funding and Investment Realisation**

As Gulf is in the final stages of permitting and as the international demand for low temperature DSO bauxite is strong, interest is being shown by potential funding providers now that the Project is at such an advanced stage. Gulf is currently pursuing funding solutions, including the following:

- Aluminium industry parties providing equity and debt funding with offtake rights on bauxite;
- A “one stop shop” proposal for mine construction and project operations with funding provided, which if successfully negotiated, could significantly reduce the amount of capital that Gulf would need to raise in order to bring the Gulf Project into production;
- Pre-listing funding with securities exchange listing at a later stage with support from a consortium investors.

The Board considers that it will be in a position to develop a commercially advantageous funding arrangement from a range of attractive opportunities.

#### **Reason 4 - Gulf Concerns Over Metro Project Risks**

In its Bidder's Statement Metro fails to identify various potential risks it faces in seeking to establish its Bauxite Hills project. These risks include the following:

##### *Traditional Owners Negotiations*

Metro has yet to complete the mining access rights and agree financial terms with the requisite native title claimants and the holder of the land. It also has yet to secure Minister of Mines approval to this arrangement on behalf of the State of Queensland.

##### *Environmental Approval*

Metro states it expects to secure an EIS approval by the last quarter of 2016. However, Metro has still to commence a rigorous and lengthy EIS process required by the regulators. In completing its EIS Gulf had the benefit of its previously lodged Environmental Management Plan on brownfield mining leases already established with various infrastructure for kaolin mining. Many of the studies required for the EIS evaluation had already been undertaken by Gulf in this early phase. Metro's project, being a greenfield proposition, has had no previous mining activity on its tenements and will require approval for haul / access roads plus a new port loading wharf to be established in an environmentally sensitive zone.

##### *Mining Lease*

Metro currently has no mining leases only mining lease applications (refer Schedule 3 of the Bidder's Statement). In order to obtain mining leases Metro is required to sign an agreement with the traditional owners and have an EIS approved. Gulf already has 3 Mining Leases endorsed for bauxite mining on its Skardon River tenements which are expected to be renewed in the ordinary course in 2016.

##### *Tenement Access*

Metro's Bauxite Hills tenements are dispersed in the region and some land locked with no common road access unless Gulf grants such access over its mining leases. This will affect Metro's operation of its proposed bauxite project and could materially affect the projected financial returns stated by Metro. Metro's investor presentations and other disclosures are predicated on the assumption that Gulf will grant access across its tenements and use of its airstrip and port facility. No such arrangement has been concluded and Gulf would only do so on terms which were commercially advantageous to Gulf.

### *Port Access*

Gulf's tenements are strategically linked together with good port access. Gulf has access to an established and declared port at Skardon River while Metro is seeking to gain river access via a new port to be established in an environmentally sensitive zone and disadvantageously further upstream with narrower and shallower water. This could increase transshipment costs as smaller barges are utilised to transport the ore.

### *Haul Roads*

Gulf has existing haul roads which require only some upgrading while Metro propose new haul roads to be built in an environmental sensitive zone with significant presence of mangroves.

### *Impact on Gulf Project Commencement*

Metro's statement that consolidated Metro and Gulf projects would result in "a simplified permitting process" is questionable as Gulf has already submitted its EIS while Metro has still to agree on the final terms of reference for the EIS process with regulators. Should the merger be successful, a plan to amend or lodge a joint EIS application will delay commencement of Gulf's project.

### **Reason 5 – Metro Valuation**

The VWAP valuation methodology used by Metro to value its shares may not reflect a true value of Metro's shares due to the historically low trading volumes and the price volatility of the Metro shares and the selective choice of the VWAP. For example the closing price for Metro shares on ASX 4 January 2016 was \$0.055, implying a value of \$0.1815 for each Gulf Share.

Metro is a mining exploration entity and does not have any operations producing cash. If Metro's projected quarterly expenditures remain as disclosed in its last Appendix 5 B Report to the ASX, Metro will have to raise additional funding during 2016.

Gulf also refers to Section 1.5 of the Bidder's Statement concerning the convertible notes previously issued by Gulf. The convertible notes were purchased by a party on an arm's length basis for the equivalent price of \$0.2756 per share (including transaction costs) and not \$0.15 as claimed by Metro.

### **Reason 6 - Bidder's Statement Accuracy**

Various statements made in the Bidder's Statement, particularly in Section 1.2, are inaccurate or are not current as set out below.

### *Definitive Feasibility Study*

The Bidder's Statement states Gulf does not have a completed DFS. Gulf finalised its Interim DFS in June 2015 and a Final DFS in December 2015 following the completion of various studies including the EPC tendering process that covered the project design, definitive capital expenditure, project planning and construction management expenditure and schedule.

Gulf plans to update the DFS with the results of the Mining Contract tendering which continues to validate the project's sound economics.



### *Project Capital Cost*

The Bidder's Statement states Gulf has an expected project development capital requirement of approximately \$90 million which is incorrect as the Final DFS estimate is \$66m. The development capital is apportioned as \$51m of capex and \$15m for production startup working capital.

The projected \$51m of capital expenditure has been confirmed by the detailed EPC tendering process with a select group of reputable national and regional contractors. This comprehensive tendering process has affirmed a capex inclusive of contingencies that represents a substantial reduction in the funding requirements as was claimed by Metro. The capex portion has been reduced by 32% (from \$75m to \$51m).

Gulf is not in a position to explain Metro's project capex level without further information from Metro, but it is Gulf's view that Metro may face substantially higher capex if it is unable to carry out development in the environmental sensitive areas or if it is unable to agree to use Gulf infrastructure for access.

### *Off-take Arrangement*

The Bidder's Statement states Gulf does not have off-take arrangements with customers while Metro has an MOU for its product. Gulf shareholders would be aware of the long term arrangement Gulf has with Nanshan, not only by taking a cornerstone shareholding in Gulf soon after inception, but also through the offtake Heads of Agreement (HoA) in relation to product offtaking and funding for the Skardon River project signed in May 2008.

Under a revised HoA signed in August 2014 with Nanshan, which reflects changes occurring in the project as well as the bauxite market place in recent years. Under the revised HoA the parties agree to negotiate definitive offtake agreements for bauxite.

### *Environmental Approval*

The Bidder's Statement states that Gulf does not have environmental approval to conduct its proposed operations. This is true, but Gulf, having already lodged its EIS with the Queensland authorities in August 2015, is in the final phases for securing EA being the last remaining permitting necessary to commence mine construction in the second quarter 2016 ahead of production and first export planned for April 2017. The public notification period for the EIS is now closed with the regulators' final assessment now expected to be completed by March or April 2016.

## **3.3 Gulf's Directors' intentions in relation to the Offers**

Each director of Gulf who has a Relevant Interest in Gulf Shares intends not to accept the Share Offer. Details of the Relevant Interests of each director of Gulf in Gulf Shares are set out in section 6.1.

# **4 Other Important Matters**

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## **4.1 Retaining your Gulf Shares: minority security holder consequences**

If, at the end of the Share Offer Period, Metro has a relevant interest in 90% or more of the Gulf Shares, Metro will be entitled to compulsorily acquire all Gulf Shares in respect of which it has not received an acceptance of its Share Offer. In this case, Gulf will become 100% owned by Metro and no minority security holders will remain.

If, at the end of the Offer Period, Metro does not have a Relevant Interest in at least 90% (by number) of the Gulf Shares, but has acquired effective control of Gulf and

declared the Offers free of all Conditions, then you will be a minority security holder of Gulf.

The Offers are both subject to minimum acceptance conditions. Please refer to Schedule 2 of the Bidder's Statement for further information.

However, Metro has the right to free the Offers from the minimum acceptance condition. If Metro acquires a majority of Gulf Shares, there may be a number of important implications for Gulf Shareholders who do not accept the Share Offer, such as:

- (a) Metro will be in a position to cast a majority of votes at a general meeting of Gulf, which would enable Metro to control the composition of Gulf's Board, determine Gulf's dividend and capital management policies and control the strategic direction of the business of Gulf. Additionally, if Metro acquires more than 75% of Gulf Shares, it will be in a position to cast the votes required for a special resolution at a general meeting of Gulf. This would enable Metro to pass resolutions, for example, to amend Gulf's constitution.
- (b) Metro may become a related party of Gulf and so dealings between them will be subject to the related party provisions and restrictions contained in the Corporations Act and ASX Listing Rules.

If you accept the Offer and the Bidder does not have a relevant interest in more than 50% of the Gulf Shares at or before the end of the Offer Period the Offer will not become unconditional however Metro may choose to waive any or all of the conditions including the minimum acceptance conditions. If Metro waives the minimum acceptance condition after you have accepted the Offer and the Offer otherwise becomes unconditional your Gulf shares will be transferred to Metro and you will be issued Metro shares in accordance with the Terms of the Offer.

#### **4.2 Taxation consequences of accepting the Offers**

The taxation consequences of accepting the Offers depend on a number of factors and will vary depending on your particular circumstances.

You should carefully consider the taxation consequences of accepting the Offers. You should seek your own specific professional advice as to the taxation implications applicable to your circumstances.

#### **4.3 No Independent Expert's Report**

The Board has not obtained an Independent Expert's Report in relation to the Offer for the following reasons:

- (a) Such a report is not required by Law;
- (b) There was insufficient time to prepare such report to accompany this Target's Statement due to the holiday season; and
- (c) A significant number of Shareholders indicated their present intention to the Directors not to accept the Offer so that the Directors determined not to incur the cost of doing so.

## **5 Your choices as a Gulf Shareholder**

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As a Gulf Shareholder you have the following choices available to you.

### **5.1 Not accept the Offer and do nothing**

If you do not wish to accept the Offers or sell your Gulf Shares you may do nothing.

Gulf Shareholders should note that if Metro acquires Gulf Shares so that it and its Associates acquire a Relevant Interest in 90% (by number) or more of the Gulf Shares, Metro will be entitled to compulsorily acquire the Gulf Shares in respect of which it has not received an acceptance of its Share Offer.

If you decide to retain your Gulf Shares and Metro does not become entitled to compulsory acquisition of Gulf Shares in respect of which it has not received an acceptance of its Offers, you should consider the risks associated with a continuing investment in Gulf as a minority security holder.

### **5.2 Accept the Offer**

Gulf Shareholders may elect to accept the Share Offer. Gulf Shareholders who accept the Offers (once the Conditions are satisfied or waived) will be issued 3.3 Metro Shares for every 1 Gulf Share they hold.

Gulf Shareholders who accept the Offers will not incur any brokerage charge.

If the number of Gulf Shares you hold is such that your entitlement to Metro Shares under these Offers is not a whole number, your entitlement to Metro Shares will be rounded down to the nearest whole number of Metro Shares.

### **5.3 Sell your Gulf Shares**

Gulf Shareholders may be able to sell their Gulf Shares. This may be above or below the value of the consideration under the Offer. However, you should be aware that as Gulf Shares are not listed on any securities exchange, this may be difficult for you to do.

### **5.4 Lapse of Offers**

The Share Offer will lapse if the Conditions of the Share Offer have not been satisfied or waived at the end of the Offer Period, in which case, all contracts resulting from acceptance of the Share Offer and all acceptances that have not resulted in binding contracts are void.

In such situations, subject to the Corporations Act and the Gulf Constitution, you will be free to deal with your Gulf Shares as you see fit.

### **5.5 Compulsory Acquisition**

Metro has indicated in section 6.2 of its Bidder's Statement that if it satisfies the required thresholds, it intends to compulsorily acquire all Gulf Shares in respect of which it has not received an acceptance of its Offers.

Metro will be entitled to compulsorily acquire any Gulf Shares in respect of which it has not received an acceptance of its Offers on the same terms as the Offers if, during or at the end of the Offer Period, Metro and its Associates have a Relevant Interest in at least 90% (by number) of the Gulf Shares.

If this threshold is met, Metro will have one month after the end of the Offer Period within which to give compulsory acquisition notices to Gulf Shareholders who have not accepted the Offers. Gulf Shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant shareholder to establish to the satisfaction of a court that the terms of the Offers do not



represent 'fair value' for their Gulf Shares. If compulsory acquisition occurs, Gulf Shareholders who have their Gulf Shares compulsorily acquired are likely to be provided their consideration approximately 5 to 6 weeks after the compulsory acquisition notices are dispatched to them.

## 6 Information relating to Gulf Directors

### 6.1 Relevant Interests and dealings in Gulf and Metro securities

#### (a) Interests in Gulf securities

As at the day before the date of this Target's Statement, the directors of Gulf and their associates had the following Relevant Interests in Gulf Shares.

Relevant Interests in Gulf Securities		
* Weidong Zhang	15,911,700	1,390,000 exercisable at \$0.30 expiring on 8/1/17 895,000 exercisable at \$0.30 expiring on 10/3/19
** Cheng Wang	10,214,760	200,000 exercisable at \$0.30 expiring on 8/1/17 150,000 exercisable at \$0.30 expiring on 10/3/19
*** Jianbo Song	10,316,146	200,000 exercisable at \$0.30 expiring on 8/1/17 150,000 exercisable at \$0.30 expiring on 10/2/19
Stephen Lonergan	Nil	Nil
Zhaohui Wu	Nil	Nil

\* 5,000,000 Shares held beneficially, 4,140,460 Shares in the name of Yanhua Liu and 6,771,240 Shares in the name of Amanda (Yitong) Li. All Options held beneficially.

\*\* 3,500,000 Shares and all Options held beneficially. 6,714,760 Shares held by an associate, Wenzhen Zhang.

\*\*\* All Shares held by an associate, Shandong Nanshan Aluminium Co. Ltd. All Options held beneficially.

#### (b) Interests in Metro Securities

As at the day before the date of this Target's Statement no Director of Gulf or any of their Associates had any direct or indirect interest in any Metro security.

#### (c) Dealings in Gulf Shares or Metro securities

No director of Gulf, nor any of their Associates, has acquired or disposed of a Relevant Interest in any Gulf Shares or Gulf Options in the 4 month period ending on the date immediately before the date of this Target's Statement. No director of Gulf, nor any of their Associates, has acquired or disposed of a

Relevant Interest in any Metro securities in the 4 month period ending on the date immediately before the date of this Target's Statement.

## **6.2 Benefits and agreements**

There are no agreements made between any Director and any other person in connection with, or conditional upon, the outcome of the Offers other than in their capacity as a holder of Gulf Shares or Gulf Options.

### **(a) Benefits in connection with retirement from office**

No person has been given or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person or someone else from a board or management office of Gulf or a related body corporate of Gulf.

### **(b) Agreements connected with or conditional on Offer**

There are no agreements made between any director and any other person in connection with or conditional upon the outcome of the Offer, other than in their capacity as a holder of Gulf shares.

### **(c) Interests of Gulf directors in contracts with Metro**

No director of Gulf has any interest in any contract with Metro.

### **(d) Interests of directors in contract with Gulf**

No director of Gulf has any interest in any contract with Gulf except that Weidong Zhang the Managing Director of Gulf has a Consultancy Agreement with Gulf.

## **7 Additional Information**

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### **7.1 Financial position of Gulf**

So far as is known to the Gulf Directors there have been no material changes to the financial position of Gulf since 30 June 2015 as set out in Gulf's latest Annual Report to Gulf Shareholders, except that Gulf has continued to incur expenditure on the Gulf Project and on working capital in the ordinary course.

Gulf will need to raise additional capital of between \$1.5m and \$2.0m pending the raising of long term project funding in order to carry out its business plan, including expanding its management resources. Given the financial robustness of the Project, the Gulf Directors consider that additional capital will be available from a number of sources, including from the exercise of Gulf Options and/or conducting a rights issue and/or making placements.

### **7.2 Effective offer on Gulf material contracts**

No Contract to which Gulf or any of its controlled entities is a party is affected by the Offer succeeding.

### **7.3 Material litigation**

Gulf is not aware of any current or proposed litigation or dispute that is material in the context of Gulf and its subsidiaries.

#### 7.4 Agreement to Grant Security

Pursuant to a Minerals Royalty Deed between Gulf, RSI (QLD Bauxite) Pty Ltd, and Royalty Stream Investments Pty Ltd dated 20 May 2014, Gulf is contractually bound to grant security over all the assets comprising the Project for the purpose of securing its obligations to pay the royalty under such Deed. Gulf is currently negotiating the terms of the security and intends executing such Deed as it is contractually bound to do. It is a prescribed occurrence under the Offer if Gulf charges a substantial part of its business or properties. Accordingly the execution by Gulf of the security may constitute a Target's prescribed occurrence under the Offer.

#### 7.5 Consents

The following persons have given and have not, before the date of this Target's Statement, withdrawn their consent:

- (a) to be named in this Target's Statement in the form and context in which they are named;
- (b) for the inclusion of their respective reports or statements (if any) noted next to their names and the references to those reports or statements in the form and context in which they are included in this Target's Statement; and
- (c) for the inclusion of other statements in this Target's Statement which are based on or referable to statements made in those reports or statements, or which are based on or referable to other statements made by those persons in the form and context in which they are included.

Person	Consent	Comments
ACT2 Pty Limited Mathew (Jun Jie) Gu Cheng Wang Weidong Zhang Hong Jiang George Birch George Gaal Aulis John Keppo Quiyun Shen Amanda (Yitong) Li Yanhua Liu Wenzhen Zhang Edale Capital Pty Limited John Wardman and Associates Pty Ltd Shandong Nanshan Aluminium Co. Ltd	Non-participating Gulf Shareholders	As to their current intention not to accept the Offer.
The Directors of Gulf Alumina Limited	Directors of Gulf Board	Statements of Opinion and Intention.
John Wyche	Competent Person	Information relating to Gulf's mineral reserves



Each of the above persons:

- (a) does not make, or purport to make, any statement in this Target's Statement other than those statements referred to above and as consented to by that person; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement other than as described in this section 7.5 with the person's consent.

As permitted by ASIC Class Order 01/1543, this Target's Statement contains statements which are made, or based on statements made, in documents lodged by Metro with ASIC or given to the ASX, or announced on the Company Announcements Platform of the ASX, by Metro. Pursuant to the Class Order, the consent of Metro is not required for the inclusion of such statements in this Target's Statement. Any Gulf Shareholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting the Company Secretary of Gulf on + 61 2 9221 4689.

As permitted by ASIC Class Order 03/635, this Target's Statement may include or be accompanied by certain statements:

- (a) fairly representing a statement by an official person; or
- (b) from a public official document or a published book, journal or comparable publication.

#### **7.6 No other material information**

This Target's Statement is required to include all the information that Gulf Shareholders, and their professional advisors would reasonably require to make an informed assessment whether to accept the Offers, but:

- (a) only to the extent to which it is reasonable for investors and their professional advisors to expect to find this information in this Target's Statement; and
- (b) only if the information is known to any Director.

Gulf is of the opinion that the information that Gulf Shareholders, Gulf and their professional advisors would reasonably require to make an informed assessment whether to accept the Offers is:

- (a) the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- (b) the information lodged by Gulf with ASIC before the date of this Target's Statement; and
- (c) the information contained in this Target's Statement.

Gulf has assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement which does not relate to Gulf is accurate.

In deciding what information should be included in this Target's Statement, Gulf has had regard to:

- (a) the nature of the Gulf Shares;
- (b) the matters that Gulf Shareholders may reasonably be expected to know;
- (c) the fact that certain matters may reasonably be expected to be known to Gulf Shareholders, professional advisors; and
- (d) the time available to Gulf to prepare this Target's Statement.

## 8 Definitions and Interpretation

### 8.1 Definitions

Terms used in this Target's Statement have the meaning given below (unless the contrary intention appears):

Term	Meaning
<b>AEST</b>	local time in Sydney, New South Wales.
<b>Announcement Date</b>	2 December 2015.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>ASX</b>	Australian Securities Exchange
<b>ASX Listing Rules</b>	the official listing rules of ASX from time to time.
<b>Associate</b>	has the meaning given to that term in the Corporations Act.
<b>Bidder's Statement</b>	the bidder's statement of Metro dated 24 December 2015.
<b>Capex</b>	capital expenditure
<b>Conditions</b>	the conditions of the Offers set out in Schedule 2 of the Bidder's Statement.
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth).
<b>DFS</b>	definitive feasibility study
<b>DSO</b>	direct shipping ore
<b>EA</b>	environmental authority
<b>EIS</b>	environmental impact study.
<b>EPC</b>	engineering, procurement and construction.
<b>Gulf</b>	Gulf Alumina Limited (ACN 108 086 371).

<b>Gulf Board or Board</b>	the board of directors of Gulf.
<b>Gulf Constitution</b>	the constitution of Gulf as modified from time to time.
<b>Gulf Option</b>	an option to subscribe for a Gulf Share.
<b>Gulf Project or Project</b>	Gulf's Project in the Cape York Peninsula region as described in Section 2.
<b>Gulf Share</b>	a fully paid ordinary share in the capital of Gulf.
<b>Gulf Shareholder</b>	a person registered in the register of members as a holder of one or more Gulf Shares.
<b>LOM</b>	life of mine
<b>Metro</b>	Metro Mining Limited (ACN 117 763 443)
<b>Metro Share</b>	a fully paid ordinary share in the capital of Metro.
<b>MTPA</b>	metric tons per annum
<b>Nanshan</b>	Shandong Nanshan Aluminium Co. Ltd.
<b>Non-Participating Gulf Shareholders</b>	the parties named as such in section 7.5.
<b>Offer</b>	the Share Offer (collectively the <b>Offers</b> and each an <b>Offer</b> ).
<b>Offer Period</b>	the Share Offer Period.
<b>Related Body Corporate</b>	has the meaning given to that term in the Corporations Act.
<b>Relevant Interest</b>	has the meaning given to that term in sections 608 and 609 of the Corporations Act.
<b>Share Offer</b>	the offer for all of the Gulf Shares contained in Schedule 1 the Bidder's Statement.
<b>Share Offer Period</b>	the period commencing on 24 December 2015 and (unless the Share Offer is withdrawn) ending at 7.00pm (Sydney time) on 15 February 2016, or such later date to which the Share Offer has been extended.
<b>Target's Statement</b>	this Target's statement, being the statement of Gulf under Part 6.5 Division 3 of the Corporations Act relating to the Offers.

## 8.2 Interpretation

In this Target's Statement, unless the context requires otherwise:

- (a) words importing the singular include the plural and vice versa and any gender include the other gender;

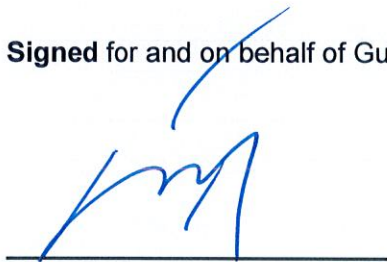
- (b) “includes” means includes without limitation;
- (c) if a word or phrase is defined in the Corporations Act or the ASX Listing Rules or the ASX Settlement Operating Rules, it bears the same meaning;
- (d) if a word or phrase is defined, other parts of speech and grammatical forms of that word or phrase have corresponding definitions;
- (e) all prices referred to in the Offers are inclusive of GST where applicable;
- (i) a reference to:
  - (i) a person includes a firm, unincorporated association, corporation and a government or statutory body or authority;
  - (ii) a person includes the legal personal representatives, successors and assigns of that person;
  - (iii) a statute, ordinance, code or other law includes regulations and other statutory instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
  - (iv) a right includes a benefit, remedy, direction or power;
  - (v) “\$” or “cents” is a reference to the lawful currency of Australia; and
  - (vi) a section, subsection, paragraph, subparagraph or annexure is to a section, subsection, paragraph, subparagraph or annexure of this Target’s Statement.

## 9 Authorisation

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This Target's Statement has been approved by a resolution passed by the directors of Gulf. Each director of Gulf has voted in favour of that resolution.

**Signed for and on behalf of Gulf Alumina Limited:**

A handwritten signature in blue ink, consisting of stylized, overlapping loops and strokes, positioned above a horizontal line.

**Weidong Zhang**





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