

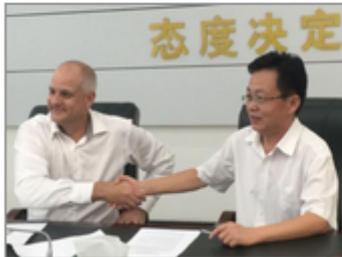
# Metro Mining

10<sup>th</sup> August 2015

## Metro Mining secures bauxite off-take with China's Xinha Group

Monday, August 10, 2015

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The agreement is for 1.0Mt to 1.2Mt a year over the initial five year term. This represents around half of the annual production from the Bauxite Hills Project. Xinha Group is one of the largest integrated aluminium companies in China.

[Metro Mining \(ASX:MMI\)](#) has signed a potentially company making agreement with Xinha Group - one of the largest integrated aluminium companies in China - over its Bauxite Hills project, located about 95 kilometres north of Weipa.

The project has an Ore Reserve of 48.2 million tonnes with high grade total alumina of 50.2% and reactive silica of 6.3%.

Metro has now entered into a bauxite off-take non-binding Memorandum of Understanding (MoU) with the Xinha.

Simon Finnis, CEO of [Metro Mining](#), commented: "This MoU shows the strong relationship and exceptional good faith between Xinha and [Metro Mining](#)."

"I am, and all MMI shareholders should be, heartened by the goodwill and support shown by Xinha.

"We look forward to continuing to work closely together as we finalise a long term Contract to the benefit of all concerned."

Metro forecasts total annual production of up to 2 million tonnes from its Bauxite Hills Project, which remains on track for first production in the third quarter of 2016.

The project is located in the in leading bauxite province of Cape York, in Queensland, Australia.

Xinha has significant refining and smelting operations in Shandong, Guangxi and Xinjiang Provinces. Xinha is currently a 7.2% shareholder in Metro.

### Off-take details

The agreement contemplates a minimum contract tonnage of 1.0 million tonnes a year up to a maximum of 1.2 million tonnes a year over the initial five years term – representing around half of the annual production.

- Minimum annual contract tonnage of 1 million tonnes up to a maximum of 1.2 million tonnes;
- An initial term of 5 years with an option to extend by mutual agreement;
- FOB pricing to be determined and subject to market conditions and bauxite quality;
- Quality within defined parameters has been agreed;

# Metro Mining

- Payment for each shipment to be made by irrevocable Letter of Credit;
- Take or Pay provisions applicable to both parties;
- Shipping schedule to be agreed by the Parties annually in advance; and
- Good faith negotiations to produce a binding long term Agreement within 4 months.

## Analysis

The off take agreement, although still at the MOU stage provides a strong platform for Metro to finalise a long term contract with Xinha.

As such it is a massive vote of confidence in the Bauxite Hills project and a shot in the arm for the Australian bauxite industry.

The project remains on track for first production in the third quarter of 2016.

The MOU is the latest significant event in a year of great progress for [Metro Mining](#) under CEO Simon Finnis.

Bauxite from Bauxite Hills Project is comparable to Weipa, along with nearby existing infrastructure, positive community engagement and a clear permitting pathway.

## Development momentum building

- PFS results including a post-tax NPV15 of A\$197M, based on a capital cost of A\$27.4M and an IRR of 88%;
- A significant increase in the Bauxite Hills Ore Reserve – from 12.1Mt to 48.2Mt;
- Based on the mining Reserve an extension of the mine life from 21 to 27 years; and
- \$5.6M Capital Raising comprising a fully underwritten shareholder Rights Issue aimed at raising \$3.6M, which followed a successful \$2M Placement;

## Next key price catalysts:

- Completion of the Definitive Feasibility Study;
- Achieving permitting approvals;
- Undertaking pre-development work including potential pre-commitments for mining and transshipment contractors; and
- Finalising the formal and binding offtake agreement.

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# Metro Mining

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