

Metro Mining

16th July 2015

Metro Mining raising \$5.6M to complete Bauxite Hills DFS

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The capital raising includes a fully underwritten 1 for 7 entitlement offer at \$0.08 per share to raise approximately \$3.6 million and a placement to raise \$2 million. Bauxite Hills remains on track for first production in the third quarter of 2016.

Metro Mining (ASX:MMI) is raising \$5.6 million to fund the final stages of preparation for development of its Bauxite Hills Project at Cape York, Queensland.

Notably, this includes a fully underwritten 1 for 7 non-renounceable entitlement offer at \$0.08 per share to raise approximately \$3.6 million.

This follows on a placement on 15th July 2015 of 25 million shares at \$0.08 to raise \$2 million.

Following the capital raising, the company will be well funded with more than \$8 million in cash on hand.

The rights issue is underwriting by joint lead managers Argonaut Capital Limited and GMP Securities Europe LLP.

Proceeds will be used to:

- Complete the Bauxite Hills Definitive Feasibility Study;
- Complete authorities and licenses to operate the Bauxite Hills Project (environment approvals, Native Title Agreements);
- Secure pre-commitments for mining and transhipment contractors as required;
- Exploration activities and business development;
- Proposed buy-back of shareholders' un-marketable parcels;
- Provide working capital.

Bauxite Hills remains on track for first production in the third quarter of 2016 at a rate of up to 2 million tonnes of direct shipping ore (DSO) per year.

Environmental permitting and DFS are on track for completion for Q4 2015

Simon Finnis, chief executive officer, said:

"We are delighted with the very strong support for the company from both Metro's longstanding shareholders and new investors.

"Completion of the Offer will strengthen Metro's balance sheet and allow Metro to be fully funded through the completion of Bauxite Hills' permitting and DFS."

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Bauxite Hills Project

The Bauxite Hills Project is located about 95 kilometres north of Weipa on Queensland's Cape York Peninsula and five kilometres south-east of the port at Skardon River.

It has an Ore Reserve of 48.2 million tonnes with high grade total alumina of 50.2% and reactive silica of 6.3%, which is typical of Western Cape York bauxite deposits destined for export.

According to a CM Group Marketing Study the forecast quality and nature of the bauxite is suitable for export as DSO.

The DSO operation will allow development of a low capital and low operating cost mine which avoids a number of significant costs traditionally associated with production of a beneficiated bauxite product including costs for infrastructure, water and energy.

In addition, no tailings dams are required.

Proposed mine operations are simple using trucks and front end loaders with no blasting required.

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

The bauxite will be hauled to the barge load-out facility at the Skardon River then transported by barge approximately 10 kilometres offshore where it will be transhipped onto bulk carriers for export to overseas customers.

[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.

Project Economics

The Pre-Feasibility Study previously established compelling financial returns based on sustaining Capex of A\$18.1 million, Average Operating Cost (FOB) is A\$26.7/tonne and an Average Price Received (FOB) based on A\$55.3/tonne.

This would amount to a healthy Average Cash Margin (FOB) of A\$28.6/tonne and an even healthier Average Annual Net Profit After Tax of A\$37.9 million.

Construction Capex for 2016 is estimated at just \$27.4 million, which is modest relative to the forecast revenues from an increasing bauxite price and the strong project metrics.

Cape York

Adding further interest, the company holds 1,300 square kilometres of exploration permits in Cape York.

A comprehensive exploration program is planned for the second half of 2015.

This offers the opportunity to increase production by replicating the Bauxite Hills model.

Analysis

On completion of the capital raising, [Metro Mining](#) will be well funded to progress the DFS for the Bauxite Hills Project with more than \$8 million in cash and no debt.

With a marketability study by CM Group indicating that the Bauxite Hill product is suitable for low temperature refining

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process used in over 80% of China's current refining capacity and potential offtake from major shareholder Xinfu Group of China, the project could have a clear path to production.

Share price catalysts ahead are significant for MMI:

- Definitive Feasibility Study Q3 2015
- Native Title Agreements Q4 2015
- Environmental Approvals Q4 2015
- Financing and funding Q4 2015/Q1 2016
- Construction and pre-strip Q2 2016/Q3 2016
- Production Q3 2016

MMI also enjoys strong support from Xinfu with an 8% stake.

Recent PFS metrics provided for a post-tax NPV of A\$197 million and 88% IRR, truly outstanding parameters highlighting the quality of the project. With a mine life of 25+ years following recent reserve increase, this will ensure a long profitable production profile.

With positive bauxite market fundamentals with increasing demand and positive outlook, we continue to believe that MMI will be a stand out share market performer in 2015/16.

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