



Metro Mining

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Metro Mining outlines a robust operation at Bauxite Hills

Metro Mining (ASX:MMI) has valued its Bauxite Hills project in Queensland at A\$235 million after feasibility results forecast healthy production over a 25+ year life with modest costs and a tight payback period.

Definitive Feasibility Study figures for the project have contemplated a simplified operation producing 2 million tonnes per annum of direct shipping ore (DSO) bauxite earning annual EBITDA of \$A54.4 million at a low operating cost of \$22.5 per tonne before royalties.

Capital expenses came in at only \$33.9 million, allowing for a payback period of 1.1 years and an internal rate of return at 148%.

Assuming all regulatory approvals are granted by late 2016 and project funding is obtained prior to the start of project development, mining could begin as early as September 2017.

Scoping studies to optimise the operation toward a production rate of 4-5 million tonnes per annum are already underway.

This will be supported by Bauxite Hill's resource of 53.6 million tonnes of DSO bauxite and 48.2 million tonnes of marketable DSO bauxite reserves.

Potential benefits of expanding the project beyond the initial scope of the DFS include a greater use of deployed capital, realisation of economies of scale and a stronger presence in the bauxite market.

The move would also better position Metro to attract offtake partners.

As part of its Environmental Impact Study submissions, Metro will submit terms of reference for a 5 million tonnes per annum mining operation at the project.

Project plans

Development of Bauxite Hills represents Metro's immediate focus. In addition to the additional expansion studies, this work will include near-term recruitment and regulatory protocols followed by seven months of preliminary construction works, pre-striping and equipment mobilisation.

Site preparation will benefit from a low average overburden thickness across the resource-bearing deposits of only 0.5 metres, which results in a very low strip ratio of 1:9.

The removal of the overburden exposes the bauxite DSO ore, which is free-dig in nature meaning no drill or blast is required. Front end loaders will be used to mine the bauxite and load directly into mobile in-pit screens.

The mine will be a day-shift-only operation over an 8-month per annum operating window.

Screened bauxite ore will be loaded into triple road trains capable of a 150 tonne payload for haulage to stockpiles at a 1,250-tonnes-per-hour barge loading facility between 7.1 and 16.4 kilometres away.

Metro's transshipment fleet will consist of two towing tugs, two support tugs and four dumb barges with about 3,500 tonnes of capacity.

Price: A\$0.068

Market Cap: A\$24.739M

Share Information

Code: MMI

Listing: ASX

Sector: General Mining

Website: www.metromining.com.au

Company Synopsis:

Metro Mining Limited (ASX:MMI) is an exploration & mining company based in Brisbane, Australia. The company emerged from MetroCoal Ltds 2014 takeover of Cape Alumina Ltd.

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Diversifying bauxite market

Used in the commercial production of alumina (and subsequently aluminium metal), bauxite has undergone a transformation in the past decade in the global third-party market.

This is due to the emergence of Chinese merchant alumina refining capacity treating imported bauxite.

The majority of these refineries were configured to process low temperature Indonesian bauxite. However with the change in legislation in Indonesia banning raw materials exports, Chinese merchant refineries have been forced to look for other supply sources.

Since the Indonesian bans on exportation of raw material, the major Chinese merchant refineries have been working to develop new global bauxite sources in Fiji, Australia, Guinea, Malaysia and other countries.

Despite concerns over the Chinese economy, the demand for aluminium is expected to remain strong with much of the industry forecasting 5 -8 % growth over the decade ahead.

Analysis

The DFS is significant as it confirms Bauxite Hills as an attractive project that should deliver strong financial returns.

Completion of the study within nine months of the Prefeasibility Study is a major achievement that testifies to the quality of the asset.

Bauxite Hills' DSO product is considered to have high silica levels that make it suitable for low-temperature Chinese refineries, a critical end-user market. More than 80% of Chinese merchant refinery capacity is for low temperature and there are nine potential Chinese customers available to Metro.

Metro is already in contact with several groups which are interested in long-term offtake agreements.

Along with developments related to these possible offtake deals, investors can look forward to milestones in obtaining all relevant regulatory approvals in order to move to a final investment decision for project development.

This will coincide with work regarding the planning of a larger, more economically efficient mining operation.

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