



Metro Mining

Jan 5th 2016

Metro Mining nears major bauxite expansion as takeover advances

Metro Mining (ASX:MMI) has received acceptance forms for 19.1% of Gulf Alumina as the company progresses an off-market takeover expected to benefit significantly from operational and developmental synergies through economies of scale.

The majority of the acceptance forms have been received from Gulf's largest and key founding shareholders.

Metro is in the process of transferring an additional 2.5 million Gulf shares to Metro, representing 2.9% of Gulf's shares on issue.

This transfer is part of the acquisition agreement with Equity & Permanent Investment Capital which is on the same terms as the offer.

The 16.3 million Gulf shares that are part of the acceptance forms, and the 2.5 million Gulf shares that are part of the acquisition agreement, total 18.8 million Gulf shares or 22.1% of Gulf's shares on issue.

Under the takeover offer Gulf shareholders will receive 3.3 new Metro shares for every 1 Gulf share held and will own approximately 44% of the combined group.

The enlarged company will benefit from a combined development scenario encompassing a reserve base of 96.6 million tonnes at 39.4% trihydrate bauxite (THA) and 6.3% reactive silica (RxSi).

This inventory will be supported largely by Gulf's probable reserves of 31.8 million tonnes at 39.8% THA and 6.4% RxSi.

Doubling in size

Increased production from this reserve is projected to benefit from a simplified permitting process and a stronger position for securing better sales deals thanks to a consolidated ownership model.

These operational advantages will in turn enable optimisation of development funding in order to minimise shareholder dilution and maximise shareholder value.

The result should be a company with a pro-forma market capitalisation of about A\$42 million (prior to any re-rate), or more than double Metro's current market cap of about \$20 million.

This outcome will allow for increased relevance for the combined group in the ASX resources sector with improved liquidity.

Analysis

Progress in the acquisition of Gulf represents an important step forward for Metro, which stands to streamline economies, improve operational metrics and enhance investment appeal with the takeover.

Importantly, support from Gulf's largest and key founding shareholder has already been confirmed.

Acquisition of Gulf follows just over a year after Metro's takeover of Queensland bauxite play Cape Alumina and represents another massive growth opportunity.

Price: A\$0.045

Market Cap: A\$16.505M

Share Information

Code: MMI

Listing: ASX

Sector: General Mining

Website: www.metromining.com.au

Company Synopsis:

Metro Mining (ASX:MMI) is a bauxite exploration & development company based in Brisbane.

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This includes a potential doubling of the company's market capitalisation to about A\$42 million.

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