

Metro Mining

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Metro Mining has added to its bauxite inventory on Queensland's Cape York Peninsula as the Bauxite Hills project plans for expanded operations and the recent takeover offer for Gulf Alumina lifts the bauxite profile of Metro.

[Metro Mining \(ASX:MMI\)](#) has enhanced bulk export prospects for its bauxite holdings on Queensland's Cape York Peninsula with the definition of expanded direct shipping ore (DSO) resources.

This follows immediately on Metro's proposed takeover of Gulf Alumina, a potentially game-changing acquisition which could result in a substantially larger company benefiting from a number of operational synergies and economics of scale.

The company's Cape York DSO bauxite resource has increased to 65.3 million tonnes with the delineation of 11.7 million tonnes in the indicated resource category at the broader Bauxite Hills project's BH2 deposit.

This material has been confirmed as suitable to produce a beneficiated product with grades of 49.1% total aluminium oxide, 37.4% available alumina and 6.7% reactive silica.

The average thickness of the bauxite mineralisation is 1.6 metres and the average overburden thickness is 0.5 metres

Information from other deposits in the Weipa area, such as Bauxite Hills and Metro's Pisolite Hills project – where resource estimates have been previously established –, provides additional confidence in the geological model at BH2.

BH2 is located in Western Cape York on the north bank of Port Musgrave estuary, near Mapoon and 10 kilometres south of Bauxite Hills, where resources were estimated earlier this year at 53.6 million tonnes of DSO bauxite and 48.2 million tonnes of marketable DSO bauxite reserves.

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

Wider momentum

New traction in adding Metro resources on Cape York bodes well for expansion ambitions at Bauxite Hills and supports the developer's longer-term strategy of establishing a substantially enlarged company via a takeover of regional neighbour Gulf.

Earlier this month, Metro flagged plans to streamline economies, improve operational metrics and enhance

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investment appeal by doubling in size through the integration of Gulf properties under one business model.

The enlarged company is expected to benefit significantly from operational and developmental synergies through economies of scale, improved efficiencies and the removal of duplicated costs.

Increased production from a larger reserve base 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.

Analysis

The expansion of Metro's bauxite resources on Cape York represents a positive step forward in its plans to expand the potential of Bauxite Hills, which remains the company's immediate operational focus.

Potential benefits of expanding Bauxite Hills beyond the initial scope of the Definitive Feasibility Study 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.

The fact that BH2 has been confirmed as hosting DSO material suitable for export is an important factor in realising plans to expand company output from the area.

With a growing DSO resource for export, it provides for potentially larger profit margins for Metro without the costs of large beneficiation.

This development has coincided with a potentially game-changing evolution for Metro in the form of its planned takeover of Gulf.

The Gulf deal is expected to generate major economies of scale for the company, doubling reserves and offering a simpler development scenario for a significantly stronger portfolio.

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

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 the project's development.

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