



METRO MINING LIMITED

Metro Mining Limited (ASX:MMI)

Quarterly Activities Report | December 2015

Overview

Metro Mining continued to focus on its key objectives of gaining Native Title and regulatory approvals for the Bauxite Hills Project on western Cape York.

Native Title Agreements have been finalised and a full Environmental Impact Statement process is well underway.

The Bauxite Hills Project has been considerably enhanced by activities undertaken during the Quarter.

Signing of Native Title Agreement with Ankamuthi People and Metro Mining at Injinoo 20 January 2016

Highlights

-  Bauxite Hills Native Title Agreement Signed.
-  DSO Bauxite Resources on Cape York increased to 65.3Mt¹.
-  4Mtpa² PFS Results Released.
-  EIS Commenced.
-  Bauxite Hills Definitive Feasibility Study for 2Mtpa².
-  Off Market Takeover Bid Launched for Gulf Alumina.
-  Final Payment for Hey Point Sale Received.



1. Refer 09 December 2015 ASX Release | 2. MMI confirms all material assumptions underpinning the production target & corresponding financial information continue to apply & have not materially changed as per Listing Rule 5.19.2

Bauxite Hills Project

Native Title & Land Access Agreement Secured

Refer 21 January 2016 ASX Announcement

Metro Mining has executed a Native Title and Land Access Agreement for the Bauxite Hills Project.

The Agreement, reached jointly with the Ankamuthi People and the Old Mapoon Aboriginal Corporation (OMAC), is a key milestone to the granting of the Mining Leases and sets a sound foundation for a long term relationship with the Ankamuthi People, Traditional Owners and OMAC - the Trustee owner of the land.



OMAC Representatives discussing plans on site with Metro Mining

The Agreement includes a Cultural Heritage Management Plan for the Project area, the provision of employment & training opportunities for traditional owners, business development and contracting opportunities for Ankamuthi businesses, and payment of mining benefits to both the Ankamuthi People and OMAC for the life of the Project.

The Agreement also contains employment and training targets and Metro will work with stakeholders and contractors to ensure these are met. Metro will also work with the stakeholders to identify business opportunities for the Ankamuthi and other local enterprises.

Metro is committed to the smooth transition into operations and the establishment of a Liaison Committee to manage communications regarding all aspects of the operation is a key component of the Agreement. All parties will be represented on the Liaison Committee, which will meet regularly throughout the life of the Project.

The mining benefits are based on a percentage of the Free on Board (FOB) price received per tonne of bauxite and will be used to fund long term programs and benefits to a broad cross section of the Ankamuthi People and their organisations. Land rehabilitation is included as an integral part of the Agreement with progress being continually monitored by the Liaison Committee.

The Agreement demonstrates excellent community support for the Bauxite Hills Project.

Increase in DSO Bauxite Resources on Cape York

*Refer 09 December 2015 ASX Announcement**

Metro increased its Cape York DSO Bauxite Resource to 65.3Mt* with the addition of a resource at its BH2 deposit.

In 2011 the BH2 deposit had been analysed, modelled and reported as being suitable to produce a beneficiated product.

Metro had the 142 drill hole program samples reanalysed and those sample analyses, and subsequent remodelling, confirmed the bauxite was suitable for export as a DSO product and an Indicated Resource estimate, in accordance with JORC 2012 guidelines, has been determined.

- 11.7 million tonne* (49.1% total Al_2O_3 , 15.7% total SiO_2) Direct Shipping Ore (DSO) Indicated.
- Resource estimated in accordance with guidelines in JORC (2012) for the BH2 deposit.
- Bauxite quality results confirm the DSO product is suitable for export with 37.4% available alumina and 6.7% reactive silica at 150°C.
- Deposit located in western Cape York on north bank of Port Musgrave estuary, near Mapoon, and 10km south of the Bauxite Hills Project.

Refer 14 & 24 September 2015 ASX Announcement

Project Potential Increases to 4Mtpa³

*Refer 27 January 2016 ASX Announcement**

Metro released a 4Mtpa³ Pre-Feasibility Study (PFS) for the Project showing considerable benefits in an expanded production model.

The PFS shows the increased production to 4Mtpa³ requires only minor changes to the Project's capital, operational and equipment requirements.

Importantly, the environmental impact for the expanded project is not materially different to the smaller 2Mtpa³ scenario.

The overall footprint is largely unchanged from the previously planned 2Mtpa³ with 24 hour mining operations and higher frequency barge movements causing minimal environmental impact.

Significant economies of scale are gained by incorporating a night shift into mining operations. The equipment fleet and barge loading facility, which were underutilised at 2Mtpa³, require only minor upgrades to deliver over 4Mtpa³.

Expanded production delivers lower unit operating costs in all operating aspects.

The latest PFS confirms a 13 year³ mine life based on existing DSO resources of 53.6Mt*. There is potential to extend mine life utilising an announced 11.7Mt⁴ Indicated Resource at a nearby deposit, and from further exploration.

While the PFS has been completed for a 4Mtpa³ scenario, Metro is still evaluating the optimal extraction and is therefore seeking approval for production up to 5Mtpa³ in its Initial Advice Statement for the EIS application submitted in November 2015.

The EIS will assess potential environmental, social and economic impacts of the Project to meet both State and Commonwealth requirements under the existing 'EIS Assessment' bilateral agreement.

The EIS formally commenced with the public notification and consultation for the Draft Terms of Reference (TOR) from 7 December 2015 to 3 February 2016. The Final TOR for the EIS will incorporate relevant comments and concerns raised during this consultation period.

Metro is undertaking extensive community engagement activities to ensure all affected and interested stakeholders are aware of, and have opportunity to comment on, the Project. In addition, the Metro Mining website is regularly updated to display relevant newsletters and EIS documents.

The Final TOR are expected to be received from the State in mid-March, after which the EIS document will be collated to address the TOR. Once accepted by the State, the EIS documents will then undergo their own public consultation period.

Given the extensive work Metro had completed as part of its original Environmental Approval application, the company does not expect any significant additional field work will be required and the EIS timeframes will largely be determined by the Government's regulated process. From the submission of the Draft TOR to the final EIS Assessment Report, the internal State Government timeframe is 42 weeks.

With Metro's prompt commencement of the EIS in 2015, the company expects the EIS process to be completed by Q4 2016.

Finalising the Environmental Authority and the Mining Lease is planned for Q1 2017, with production to commence in Q3 2017.

3 MMI confirms all material assumptions underpinning the production target & corresponding financial information continue to apply & have not materially changed as per Listing Rule 5.19.2 | 4. Refer 09 December 2015 ASX Release

Bauxite Hills Project

Project Definitive Feasibility Study for 2Mtpa⁵

*Refer 05 November 2015 ASX Announcement**

Metro Mining completed a sub 2Mtpa⁵ production profile Definitive Feasibility Study (DFS) in line with company's previous strategy to develop Bauxite Hills under a streamlined Environmental Approval process.

The 2Mtpa⁶ DFS considered a 25+ year⁵ mining operation producing 1.95Mtpa⁵ of DSO quality bauxite in steady state. A total of 53.6Mt* of resources exist across the BH1 and BH6 deposits.

The 2Mtpa⁵ DFS confirmed the project had strong and robust project economics given its modest CAPEX, low OPEX and an attractive LOM operating margin of A\$28.73/tonne. It calculated a post-tax Net Present Value (NPV) of A\$235 million and Internal Rate of Return (IRR) of 148%.

5. MMI confirms all material assumptions underpinning the production target & corresponding financial information continue to apply & have not materially changed as per Listing Rule 5.19.2

Key Factors include:

- Strong and robust project economics in line with Pre-Feasibility Study
- 1.95Mtpa⁶ DSO bauxite over 25+ year⁵ mine life
- Modest CAPEX of A\$33.9 Million with a capital payback period of 1.1 years
- Annual EBITDA of A\$54.4 Million and low OPEX (pre-royalties) of A\$22.49/t
- Post tax NPV15% of A\$235 Million with IRR of 148%



Takeover Offer of Gulf Alumina Limited

Ref 2/10/24 Dec '15 & 5/7 Jan '16 Announcement^{†*}

Transaction to Create Leading Independent Cape York Bauxite Company

Metro Mining announced a takeover offer to acquire all of the issued shares in unlisted company Gulf Alumina Limited (Gulf).

Metro announced it had gained support from Gulf's largest and key founding shareholder and had secured a 20% interest in Gulf.

At the time of the release of this report Metro had acquired an interest in 22.1% of Gulf's shares on Issue.

Under the 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.

Transaction Rationale:

The transaction will create a leading independent Australian bauxite company, well positioned to capitalise on the positive outlook for the Australian seaborne bauxite sector and provide an attractive investment proposition for existing and new shareholders.

Key Benefits of the Transaction Include:

- Creation of an attractively scaled and long life development project, well located in western Cape York, Queensland.
- Significant reserve base in excess of 96.6Mt* at 39.4% THA and 6.3% RxSi₂.
- Significant operational and development synergies through economies of scale, improved efficiency and the removal of duplicated costs.
- Increased production potential post permitting, with permitting process expected to be simplified under a combined development scenario.
- Enhanced scale of the combined projects and consolidated ownership provides stronger

position to secure product sales on improved terms.

- Pro-forma market capitalisation of approximately A\$42M* (prior to any re-rate), increasing the scale and market relevance of the combined group in the ASX resources sector, which should result in improved liquidity and investment appeal.
- Operational advantages will enable optimisation of development funding in order to minimise shareholder dilution and maximise shareholder value.

Metro Chairman, Stephen Everett says the logic of the combination is clear and compelling.

"Metro's and Gulf's adjacent bauxite development projects at Skardon River are complementary given their similar scale, mining and export methods. By combining the two projects we will create value well in excess of what is achievable on a stand-alone basis".

"Opportunities include the removal of duplicated capital and operating costs, operational efficiencies, a simplified permitting process and an enhanced position for the combined group to secure product sales and financing on improved terms".

"The transaction will create an attractive company and investment proposition for both existing and new shareholders". Mr Everett said.

The Offer is being implemented by way of an off-market takeover offer under the Corporations Act 2001 (Cth). The Offer is for Gulf shares currently on issue and for Gulf shares that come to be issued as a result of the exercise of options on issue at the date of this Announcement.

Offer is subject to a number of conditions, including:

- 50.1% minimum acceptance.
- No Regulatory Action.
- No Material Adverse Change.
- No Prescribed Occurrence.
- No material acquisitions, disposals or commitments.
- Other customary conditions.

Final Payment for Sale of Hey Point Received

Refer 4 January 2016 ASX Announcement

Metro Mining received the final cash instalment of A\$550,000 for the sale of its Hey Point tenements to Green Coast Resources Pty Ltd (GCR).

Total consideration for the sale was A\$1,575,000 and the right to receive royalties of 3-4% of gross proceeds from all bauxite sold from the tenements.

The original agreement for the sale of the Hey Point tenements was settled by Cape Alumina Limited (a wholly owned subsidiary of Metro) in June 2013 and the terms were subsequently modified in June 2015.

GCR has obtained all necessary permits and licences and has commenced mining bauxite from the Hey Point tenements.

To give some idea of the quantum of royalties that could be paid, Metro could receive a total royalty of up to A\$5.8 million over the life of the mine. This is calculated based on an assumed sale price of A\$55/t (refer to ASX announcement on 22 October 2015) and also assuming 3.5 million tonnes in total is sold by GCR.

Coal Update

During this quarter the Department of Natural Resources advised the Metro Mining & SinoCoal Joint Venture that the application for a Mineral Development Licence (MDL) over parts of EPC1165 had been approved and was expected to be granted in the near future.

On 21 December 2015 the Department of Environmental and Heritage Protection issued an Environmental Protection Order (EPO) on EPC 1165 which related to coal exploration boreholes drilled by Syntech Resources Limited in 2008.

Metro Mining and SinoCoal were not involved in the exploration however as the holders of the Environmental Authority for EPC1165, the EPO was issued to the both parties.

The EPO has been stayed while the matter is further investigated.



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FORWARD LOOKING STATEMENT Statements and material contained in this ASX Report, particularly those regarding possible or assumed future performance, production levels or rates, commodity prices, resources or potential growth of Metro Mining Limited, industry growth or other trend projections are, or may be, forward looking statements. Such statements relate to future events and expectations and, as such, involve known and unknown risks and uncertainties. Graphs used in this ASX Report (including data used in the graphs) are sourced from third parties and Metro Mining has not independently verified the information. Metro Mining is at an early development stage and while it does not currently have a operating bauxite mine it is taking early and preliminary steps (such as but not limited to Prefeasibility studies etc.) that are intended to ultimately result in the building and construction of an operating mine at its project areas. Although reasonable care has been taken to ensure that the facts stated in this ASX report are accurate and or that the opinions expressed are fair and reasonable, no reliance can be placed for any purpose whatsoever on the information contained in this document or on its completeness. Actual results and developments may differ materially from those expressed or implied by these forward looking statements depending on a variety of factors. Nothing in this ASX Report should be construed as either an offer to sell or a solicitation of an offer to buy or sell shares in any jurisdiction.

COMPETENT PERSON'S STATEMENT Technical information about the Bauxite Hills Project and information in this report that relates to Exploration Results is based on information compiled by Neil McLean who is a consultant to Metro Mining and a Fellow of the Australian Institute of Mining and Metallurgy (F.AusIMM). Mr McLean has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr McLean consents to the inclusion in the report of the matters based on information in the form and context in which it appears.

The information in this report that relates to Mining and Reserves is based on information compiled by MEC Mining and reviewed by Maria Joyce, a Competent Person who is a Chartered Engineer of the Australasian Institute of Mining and Metallurgy. The information in this report to which this statement is attached that relates to the "Metro Mining – Bauxite Hills" Reserve Estimate based on information compiled by Maria Joyce, a consultant to Metro Mining and a Competent Person who is a Chartered Engineer of the Australasian Institute of Mining and Metallurgy. Maria Joyce is the head of the Technical Services division and full-time employee of MEC Mining Pty Ltd. Maria Joyce has sufficient experience that is relevant to the style of mineralization, type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Maria Joyce consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Metro Mining Limited

ABN

45 117 763 443

Quarter ended ("current quarter")

31-Dec-15

Consolidated statement of cash flows

		Current quarter (Oct - Dec 2015) \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors		
1.2	Payments for:		
	(a) exploration and evaluation	-60	-172
	(b) development	-1,144	-2,330
	(c) production		
	(d) administration	-616	-1,232
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	32	55
1.5	Interest and other costs of finance paid		
1.6	Income tax refund (R&D)	0	0
1.7	Other	0	0
Net Operating Cash Flows		-1,788	-3,679
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets		
1.9	Proceeds from sale of:		
	(a) prospects / tenements	550	825
	(b) equity investments		
	(c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid to other entities		
1.12	Other		
Net investing cash flows		550	825
1.13	Total operating and investing cash flows (carried forward)	-1,238	-2,854

Appendix 5B**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	-1,238	-2,854
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		5,600
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (costs associated with the capital raising)		-536
	Net financing cash flows	0	5,064
	Net increase (decrease) in cash held	-1,238	2,210
1.20	Cash at beginning of quarter/year to date	6,564	3,116
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	5,326	5,326

Payments to directors of the entity and associates of the directors**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	82
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Payments to Related Parties (1.23) is for Director Fees

Non-cash financing and investing activities

3.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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3.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities - Convertible Note	0
	Loan facilities - Corporate Credit Card	20
3.2	Credit standby arrangements	

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	14
4.2 Development	670
4.3 Production	
4.4 Administration	470
Total	1,154

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,265	2,511
5.2 Deposits at call	3,061	4,053
5.3 Bank overdraft		
5.4 Other (provide details - Security Deposits)		
Total: cash at end of quarter (item 1.22)	5,326	6,564

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter (Sub-Blocks)	Interest at end of quarter (Sub-Blocks)
6.1 Interests in mining tenements relinquished, reduced or lapsed	EPC 1159 (Coal) EPC 1164 (Coal) EPC 1165 (Coal) EPC 1166 (Coal) EPC 1167 (Coal) EPC 1640 (Coal)	Direct, applied Direct, applied 49% ownership (JV) Direct, applied Direct, applied Direct, applied	237 215 280 41 289 111	0 129 168 27 49 0
6.2 Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	366,785,856	366,785,856		Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	8,250,000	8,250,000		Fully Paid

Appendix 5B

Mining exploration entity quarterly report

7.5	+Convertible debt securities (<i>description</i>)				
7.6	Changes during quarter				
	(a) Increases through issues				
	(b) Decreases through securities matured, converted				
7.7	Options (<i>description and conversion factor</i>)	Total number	Number quoted	Exercise price	Expiry date
		10,750,000 Unlisted options	-	6 cents	11/01/2017
		2,500,000 Unlisted options	-	15 cents	14/12/2017
7.8	Issued during quarter	2,500,000 Unlisted options	-	15 cents	14/12/2017
7.9	Exercised during quarter				
7.1	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)	-	-		

Compliance statement

- This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- This statement does give a true and fair view of the matters disclosed.

Signature on file
 Sign here:
 (Company secretary)

Date: 21 January 2016

Print name: SCOTT WADDELL

Notes

- The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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