



# Metro Mining

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## Metro Mining sees major profit hike in doubling bauxite plans

Metro Mining (ASX:MMI) has outlined a significantly stronger operating scenario for its Bauxite Hills project in Queensland with double the production output and a 148% increase in net present value (NPV).

The project is now being contemplated as producing 4 million tonnes per annum of bauxite by employing a 24-hour operational regime.

This is expected to deliver substantial economies of scale and underpins an increase in NPV from A\$235 million in a previous Definitive Feasibility Study (DFS) to A\$582 million

IRR improved about 5% to 156%, with average annual EBITDA estimated at A\$134 million and profit after tax coming in at \$92 million.

By comparison, after-tax net profit under the 2 million tonnes per annum scenario contemplated after-tax net profit at \$37.3 million a year.

These improved metrics are expected to be realised for only a modest increase in capital costs, with initial capex now tipped at \$40.1 million versus a prior estimate of \$33.9 million.

This is because increasing bauxite production to 4 million tonnes per annum will only require minor changes to the operational and equipment requirements from the smaller DFS scenario.

Expanded production also delivers lower unit operating costs.

Significant reductions in barging, transshipping and freight costs will be achieved through the increased scale of operations and introduction of an offshore platform for loading Panamax class vessels when production is increased.

The expansion scenario was based on a Pre-Feasibility Study (PFS) which confirmed a 13-year mine life based on Metro's existing direct shipping ore (DSO) resources of 53.6 million tonnes at Bauxite Hills.

### Recent progress

In the build-up to the latest operational and costing improvements at Bauxite Hills, Metro has achieved a major milestone at the project with a native title and land access agreement demonstrating strong community support.

The agreement earlier this month with the Ankamuthi People and the Old Mapoon Aboriginal Corporation (OMAC) is interpreted as setting a sound foundation for long-term relationships with these key stakeholders.

Mining benefits are based on a percentage of the Free on Board 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 reviewed by the Liaison Committee.

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

Bauxite Hills is envisioned as having a 25+ year mine life, with first production targeted for Q4 2017.

**Price:** A\$0.064

**Market Cap:** A\$22.007M

### Share Information

**Code:** MMI

**Listing:** ASX

**Sector:** General Mining

**Website:** [www.metromining.com.au](http://www.metromining.com.au)

### Company Synopsis:

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

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## Analysis

The former coal-focused company has leveraged its bulk commodities experience in the Queensland bauxite space by drawing up a plan to benefit from economies of scale while increasing profits.

Further demonstrating Metro's aggressive approach to this strategy, the company has taken the opportunity to seek approval for production at a rate of up to 5 million tonnes per annum in its environmental permitting application process.

Importantly, the development puts Metro in a better position to attract offtake partners.

Potential for further increasing the life of the project exists in the nearby BH2 deposit, which boasts a 11.7 million tone Indicated DSO bauxite resource.

Metro will continue to evaluate the benefits of increasing production further as it moves through the pre-development phase, offering potential price catalysts through continued optimisations as other development milestones are reached.

Given the extensive work Metro has already completed as part of its previous environmental approval submission, the Environmental Impact Statement for Bauxite Hills is expected to be completed in Q4 2016.

Shares in Metro were last trading 24.4% higher at A\$0.056.

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