



METRO

**MINING
LIMITED**

ASX ANNOUNCEMENT

13 October 2016

Metro Mining Signs Binding Off-Take Agreement with China's Xinha Group

Metro Mining Limited (ASX:MMI) (Metro) is pleased to announce it has signed a binding bauxite off-take agreement with the Xinha Group (Xinha).

The Xinha Group is one of the largest integrated aluminium Companies in China. It has significant refining and smelting operations in Shandong, Shanxi, Guangxi and Xinjiang Provinces. Xinha is currently a 4.3% shareholder in Metro.

Metro forecasts total annual production of up to 4 million tonnes from its Bauxite Hills Project.

The agreement has a four-year term and provides for contract tonnage of 1 million tonnes in the first year of operation and 2 million tonnes per year for each of the following three years.

"This agreement shows the strong relationship and exceptional good faith between Xinha and Metro Mining," Metro CEO Simon Finnis said.

This agreement represents approximately half of Metro's expected annual production over its four-year term, guaranteeing sales during the most important period of the operation, and underpinning our financing efforts.

It is a strong endorsement of the quality of our bauxite and shows the confidence Xinha has in our progress towards production.

"We look forward to continuing to work closely with Xinha as we further define the project development plans. The first shipment of bauxite is expected in 2018" Mr Finnis said.

Key Terms

- Fixed annual contract tonnage for a Term of 4 years with 1 million tonnes in the first year, followed by 2 million tonnes in each of the following three years, for a total of 7 million tonnes;
- Metro can vary the contract tonnage up or down by 10% in a Contract Year;
- CIF pricing determined subject to an agreed percentage of an established alumina index and bauxite quality;
- Quality within defined parameters has been agreed with bonus / penalty arrangements in place;
- Payment for each shipment to be made by irrevocable Letter of Credit;
- Take or Pay provisions applicable to both parties through Liquidated Damages clauses;
- Shipping schedule to be agreed by the Parties annually in advance;
- Conditions precedent: grant of mining lease, Metro Mining final investment approval, first shipment ready;
- Force Majeure and other customary clauses for an agreement of this nature are also included.

Mr Finnis says signing the Agreement is the latest significant event in a year of great progress.

Other major achievements have included:

- Greenstone funding of \$8.9 million received, with an additional US\$20 million of follow-on equity support available for construction of the Bauxite Hills project, subject to agreement on terms and structure.
- Acquisition of 39% of the shares of Gulf Alumina, which holds an adjacent bauxite project with a similar reserve to the Bauxite Hills project.

"Our focus is now on completion of the Definitive Feasibility Study (DFS), achieving permitting approvals and undertaking pre-development work," Mr Finnis said.



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