



25 October 2016

The Board of Directors
Gulf Alumina Limited
Suite 503, Level 5
37 Bligh Street
SYDNEY NSW 2000

Dear Directors,

Intention to make offer for all shares in Gulf Alumina Limited (Gulf)

I am pleased to advise you that Metro Mining Limited (**Metro**) intends to make a formal offer to acquire all of Gulf's shares (**Offer**).

As you are aware, Metro is Gulf's largest shareholder with a 39.3% interest in Gulf and owns the Bauxite Hills bauxite project which adjoins Gulf's bauxite project at Skardon River.

Under Metro's proposed Offer, Gulf shareholders may elect to receive either:

- Cash of \$0.60 for each Gulf share they own, or
- A cash and share alternative of \$0.50 cash plus 1 share in Metro for each Gulf share they own.

Based on Metro's closing share price of \$0.11 per share on 24 October 2016, the cash and share alternative has an implied value of \$0.61 per Gulf share.

Metro notes that Grant Thornton and Xstract Mining Consultants in Gulf's independent expert report dated 13 May 2016 assessed there to be over \$200 million in synergies which may result from the combination of Metro's and Gulf's complementary projects, and hence Gulf shareholders under Metro's Offer will have the opportunity to access this significant value should they elect to receive the cash and share alternative.

Metro's Offer is conditional only on Metro's relevant interest in the ordinary shares of Gulf exceeding 51% during the Offer period (**Minimum Acceptance Condition**).

Metro's Offer will be made in respect of all Gulf shares on issue (other than those which Metro currently has a relevant interest in), including those that are issued as a result of the exercise of Gulf options on issue at the date of this letter.

The Metro board considers that Metro's Offer is a superior offer to the highly conditional offer recently proposed by Moly Mines Limited (**Moly**).

We assume that you are aware that, Moly is a controlled subsidiary of Sichuan Hanlong Group Co., Limited (**Hanlong**). Hanlong controls 53.8% of Moly's shares and is also the

sole lender to Moly with over \$14 million of debt outstanding. Hanlong's nominees also represent half the Moly board and control the Moly board chair.

Metro considers Moly's highly conditional offer to have many challenges and cause for serious concerns, given Moly has been suspended from trading on ASX since April 2014 and given that Hanlong has, in recent times, been the subject of public controversy, including the following:

- (a) in March 2016, former director of Moly and managing director of Hanlong's wholly owned Australian subsidiary, Hanlong Mining Investment Pty Ltd (**Hanlong Mining**), Mr Hui Xiao was convicted of insider trading and sentenced to over 8 years imprisonment, following a 5 year long investigation by ASIC;
- (b) in February 2015, Mr Liu Han, founder and former chairman of Hanlong, was executed in China after being found guilty of charges including murder, operating illegal casinos and selling illegal firearms (as publicised by several prominent Australian news outlets); and
- (c) in February 2013, Calvin Zhu, the former vice-president of Hanlong Mining was sentenced to two years imprisonment for insider trading.

Given the superior terms of Metro's Offer and its greater certainty of proceeding (compared to Moly's highly conditional offer), and having due regard to Moly's ability to develop the project and other issues surrounding Moly, including the fact that Moly will remain a controlled subsidiary of Hanlong and continues to be suspended from trading on the ASX, we assume that you will have no hesitation in recognising that Metro's Offer is superior to Moly's proposal.

We also expect that you will recognise that Metro's Offer is the only offer capable of acceptance by Gulf shareholders and, accordingly, that you will exercise your fiduciary duty as directors in recommending Gulf shareholders accept Metro's Offer.

Given the highly unusual situation where Gulf shareholders who own 55.6% of the company have no apparent discretion to revoke their pre-offer agreements with Moly unless the Gulf board makes a determination that Metro's Offer is superior, we also assume that you will have no difficulty in forming the view that a change of recommendation is necessary to satisfy your fiduciary duties.

Should the Gulf board withdraw its recommendation for Moly's offer and instead recommend Metro's Offer, Metro will provide a loan facility to Gulf for \$1.9 million on similar or substantially similar terms to the loan facility provided by Moly, to enable Gulf to refinance the Moly loan. This facility will be made available on satisfaction of the Minimum Acceptance Condition, which, as you will no doubt appreciate, will be satisfied should Gulf's directors and their related parties accept Metro's Offer.

Metro's Offer is fully funded by way of a funding agreement with its cornerstone shareholder, Greenstone Resources II L.P (**Greenstone**). In case you are not aware, Greenstone is a leading private equity investment fund in the metals and mining sector with a proven track record and significant capability.

Under the implementation agreement with Moly, the Gulf board is now obliged to make a determination as to whether Metro's Offer constitutes a superior offer and modify its recommendation to Gulf shareholders accordingly.

We look forward to you confirming Metro's superior Offer and should you wish to discuss the contents of this letter, please contact myself or Metro's CEO Simon Finnis.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Stephen Everett', written over a light grey horizontal line.

Stephen Everett
Chairman