Metro Mining Limited (ASX:MMI)

Quarterly Activities Report | March 2016

Highlights

Bauxite Hills 4Mtpa* PFS Results Released
Expanded project requires only minor changes to CAPEX, OPEX and equipment requirements. The environmental impact is not materially changed from previous smaller 2Mtpa* model. PFS delivers compelling financial outcomes

The Environmental Impact Statement
On 11 April 2016 the EIS was submitted to the Queensland Government Department of Environment and Heritage Protection.

Bauxite Hills Native Title Agreement Signed
Agreement was reached with the Ankamuthi People and Old Mapoon Aboriginal Corporation (OMAC) and is a key milestone to granting of the Mining Leases. This agreement demonstrates the continued excellent community support.

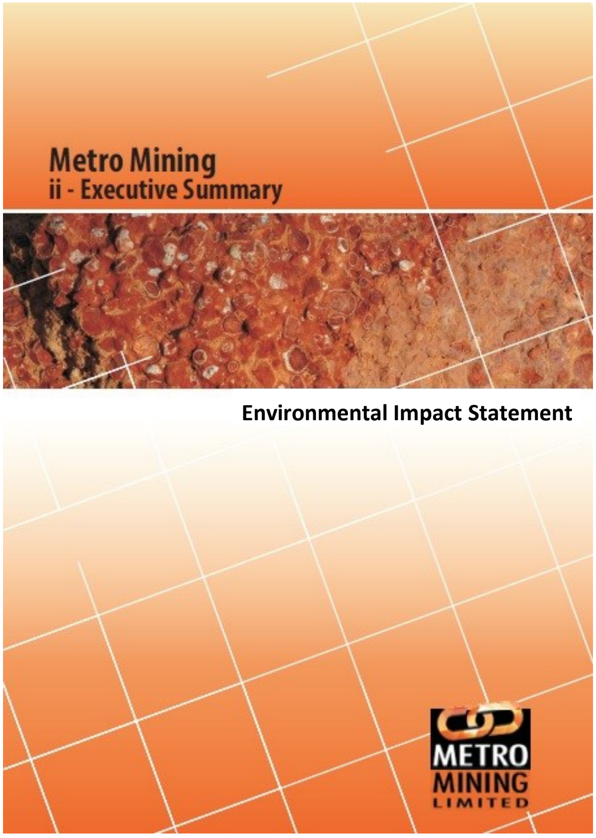
Tranship Ore 10km down Skardon River for transhipment 10km out to sea to bulk carrier for transport to China

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

Transhipment Agreement
Metro has entered into an agreement with BTS Pty Ltd for the provision of transhipment services for the Bauxite Hills Project.

Bauxite Hills Definitive Feasibility Study (DFS)
The DFS for an expanded project is on track for completion mid-2016 and progressing in line with the permit application process.

Offer to Merge with Gulf Alumina Limited
On the 8 March 2016 the offer was declared unconditional and Metro now owns 22% of unlisted company Gulf Alumina.



Bauxite Hills Project

Increase to 4Mtpa* Enhances Project Economics

Refer 27 January 2016 ASX Announcement

The expanded 4Mtpa* production model released by Metro showed significant advantages and required very little change to capital, operational and equipment needs.

It also showed:

- The environmental impact for a 4Mtpa* project is not materially different to smaller 2Mtpa* project.
- Overall footprint is similar to a 2Mtpa* and 24hr mining operations and higher frequency barge movements cause minimal environmental impact.
- Significant economies of scale gained by inclusion of night shift in mining operations. Equipment fleet and barge loading facility require only minor upgrades for 4Mtpa*.
- Expanded production delivers lower unit operating costs across all operating aspects.
- 13 year mine life using existing DSO Reserve of 48.3Mt**. Potential to extend mine life utilising an announced 11.7Mt** Indicated Resource at nearby deposit, and from further exploration.

4Mtpa* PFS Key Results***	
NPV_{10} (post-tax)	**A$582m**
IRR	**156%**
Payback Period	**1.2 years**
Capex (inc 15% contingency)	**A$40.1m**
Steady State Production	**4Mtpa**
LOM Production	**49.1Mt**
Mine Life	**13 years**
LOM Average Annual EBITDA	**A$133.6m**
LOM Average Total Operating Costs	**A$18.8/t**
LOM Average Operating Margin	**A$33.6/t**

*MMI confirms all material assumptions underpinning production target & corresponding financial information continue to apply & have not materially changed as per Listing Rule 5.19.2 | ** Refer 6 April 2016 ASX release | *** Refer 27 Jan 2016 ASX Release

Environmental Impact Statement Lodged

Refer 11 April 2016 ASX Announcement

In a major milestone in the Bauxite Hills approval process, the Environmental Impact Statement (EIS) was submitted to the Queensland Government DEHP on 11 April 2016.

The EIS submission marks the commencement of the Queensland Government's assessment phase for the project under the bilateral agreement with the Commonwealth Department of the Environment.

The submitted project is for a 5Mtpa Direct Shipping Ore (DSO) mine with no beneficiation.

The project requires no dredging or bed levelling of the Skardon River & operates only in the dry season.

The environmental impacts associated with the project have been assessed by a team of specialist consultants, led by CDM Smith. All potential environmental impacts have been identified and Metro has either changed the mine plan to avoid the potential impact, or proposed mitigation and management controls to ensure no significant environmental harm from the proposed activities.

The Bauxite Hills Project is classified as a Project of Regional Significance by the Qld Government.

DEHP and relevant referral agencies will assess the adequacy of the EIS in meeting the project Terms of Reference (TOR). If the EIS is deemed to meet the TOR, it will be placed on public display for a 30 day period.

The Company anticipates that the display period will commence within 2 months. During the display period, the public and Queensland Government agencies, as well as DOTE, will be provided with an opportunity to submit comments on the EIS.

The Company's response to each submission, together with the Company's final statement of commitments, will be lodged for approval by both DEHP and DOTE.

Recent timeframes for determination of similar projects indicate a target date for determination of the EIS late Q4 2016 is achievable.

Bauxite Hills Project

Native Title & Land Access Agreement Secured

Refer 21 January 2016 ASX Announcement

Early in the quarter Metro executed a Native Title and Land Access Agreement, jointly reached with the Ankamuthi People and the Old Mapoon Aboriginal Corporation (OMAC). The Agreement is a key milestone to granting of Mining Leases whilst setting sound foundations for a long term relationship with the Ankamuthi People, Traditional Owners and OMAC (the Trustee owner of the land).

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

Transhipment Agreement Signed

Refer 2 February 2016 ASX Announcement

Metro announced it has entered into an agreement with Bauxite Transhipment Services Pty Ltd (BTS) for the provision of transhipment services relating to the Bauxite Hills Project. BTS is a joint venture company between Transhipment Services Australia (TSA) and Dadaru SR (Dadaru).

The Agreement with BTS provides Metro with many benefits including:

- Allows Metro to minimise capital expenditure. BTS will provide all tugs and barges required for the operation;
- De-risks the Bauxite Hills operation by utilising a proven and experienced contractor to undertake marine operations;
- Delivers a low cost and low risk transhipment solution that does not require any dredging or bed levelling of the Skardon River.

The involvement of Dadaru, an indigenous company with extensive experience in ship loading, will maximise employment opportunities for local people. The Agreement is binding on both parties, subject to Metro obtaining the necessary project approvals and funding.

Bauxite Hills Project

The terms of the agreement provide the flexibility to expand the transhipping to expand the transhipping operation as production increases.

The financial details of the contract are commercial in confidence however the rates are extremely competitive.

BTS specialises and offers a service in the niche market of the transhipment method of transporting cargo from a land based loading facility to a bulk carrier ship offshore that is moored or at anchor using barges. The BTS management team have extensive experience in transhipment operations at remote locations around the world. TSA and Dadaru recently provided transhipment services at the Ridges Iron Ore project in Wyndham, Western Australia, successfully loading 119 bulk carrier ships to export the iron ore to China.

*MMI confirms all material assumptions underpinning production target & corresponding financial information continue to apply & have not materially changed as per Listing Rule 5.19.2 | ** Refer 9 Dec ASX Release

Definitive Feasibility Study Progressing

The Definitive Feasibility Study for Bauxite Hills is continuing in parallel with the permit application process and is expected to be completed mid-year.

The Bauxite Hills 4Mtpa* PFS showed considerable benefits in an expanded production model. The PFS confirmed a 13 year mine life based on existing DSO resources of 53.6Mt**. There may be potential to extend mine life utilising an announced 11.7Mt** Indicated Resource at a nearby deposit, and from further exploration.

Metro expects to finalise designs in preparation for the construction tendering process later this year.

Metro is seeking approval for production up to 5Mtpa in its EIS application.

Corporate

Offer to Merge with Gulf Alumina Limited

Transaction to Create Leading Independent Cape York Bauxite Company

On 24 December 2015, Metro Mining Limited (Metro) announced an offer (Offer) to acquire all of the ordinary shares in Gulf Alumina Limited (Gulf). The offer was 3.3 shares in Metro for every one share in Gulf. On 8 March 2016, the Offer was declared to be free of all conditions, and it was noted that Metro has an interest in 22% of Gulf's shares on issue.

As announced by Metro in its Second Supplementary Bidder's Statement, dated 6 April 2016, Metro intends to increase the consideration offered under the Offer to 3.5 shares in Metro for every one share in Gulf, subject to the conditions which are set out in the Second Supplementary Bidder's Statement (Improved Offer).

On 11 March 2016, the Takeovers Panel (Panel) made a declaration of unacceptable circumstances in relation to the affairs of Gulf and issued orders requiring Gulf to, among other things, either provide a comparative value of Gulf as a stand-alone entity on the one hand and Metro offer on the other hand, or appoint an independent expert to consider whether Metro's Offer is fair and reasonable. Gulf chose to appoint an independent expert.

On 7 April 2016, Gulf successfully applied to the Panel to vary those orders so as to allow the independent expert more time to prepare its report. Metro now expects Gulf to release a Supplementary Target's Statement, including the independent expert's report, by 9 May 2016.

To give Gulf shareholders more time to consider the findings of the independent expert's report, Metro has extended the close of the Offer period to 7.00pm on 19 May 2016.

Corporate

Gulf shareholders can accept the Offer (or indicate an intention to accept the Improved Offer) on the acceptance forms provided to Gulf shareholders with the Second Supplementary Bidder's Statement.

Transaction Rationale: *To 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, Qld.
- Significant reserve base in excess of 96.6Mt* at 39.4% THA and 6.3% $RxSiO_2$.
- 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 combined projects and consolidated ownership provide 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 to minimise shareholder dilution and maximise shareholder value.

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 as at 24 December 2015.

MMI Cash Position

Metro Mining's Cash position as at end March 2016 was $4.2Million.

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*Refer 24 Dec 2015 ASX Release

Rule 5.3

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	Quarter ended ("current quarter")
45 117 763 443	31-Mar-16

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter (Jan 16- Mar 16) $A'000	Year to date (9 months) $A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for:		
	(a) exploration and evaluation	-45	-217
	(b) development	-961	-3,291
	(c) production	0	
	(d) administration	-452	-1,684
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	25	80
1.5	Interest and other costs of finance paid		
1.6	Income tax refund (R&D)	541	541
1.7	Other	0	0
	Net Operating Cash Flows	-892	-4,571
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments	-186	-186
	(c) other fixed assets	-1	-1
1.9	Proceeds from sale of:		0
	(a) prospects / tenements	0	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	-187	638
1.13	Total operating and investing cash flows (carried forward)	**-1,079**	**-3,933**

1.13	Total operating and investing cash flows (brought forward)	-1,079	-3,933
	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	-1,079	1,130
1.20	Cash at beginning of quarter/year to date	5,326	3,116
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	**4,247**	**4,247**

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

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

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

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	0
	Loan facilities - Corporate Credit Card	20	5
3.2	Credit standby arrangements		

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	51
4.2	Development	757
4.3	Production	0
4.4	Administration	513
	Total	**1,321**

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	1,660	2,265
5.2	Deposits at call	2,587	3,061
5.3	Bank overdraft		
5.4	Other (provide details - Security Deposits)		
	Total: cash at end of quarter (item 1.22)	4,247	5,326

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	EPM 15848 EPC 1609	Direct, applied Direct, applied	9 sub-blocks 18 sub-blocks	6 sub-blocks 5 sub-blocks
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				
7.5	**+Convertible debt securities** (*description*)				

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

Compliance statement

1 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).

2 This statement does give a true and fair view of the matters disclosed.

Signature on file

Sign here: .... Date: 29 April 2016
(Company secretary)

Print name: SCOTT WADDELL

Notes

1 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.

2 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.

3 **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.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **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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