



METRO
MINING
LIMITED

Metro Mining Limited (ASX:MMI)

Quarterly Activities Report | September 2016

Highlights

■ Greenstone Strategic Investment in Metro

Tranche 1: A\$8.1 million received in July

EGM to Approve: Tranche 2 placement approved 30 August

Tranche 2: A\$0.9 million received 20 September

■ Strategic Increase in Gulf ownership

Metro announced it had entered binding agreements to increase its ownership in Gulf Alumina Limited to approximately 39% of the total issued capital of Gulf.

■ Binding Bauxite Off-take Agreement Signed

The off-take agreement secured with China's Xinfu Group will greatly assist with Bauxite Hills project financing. The 4 year Agreement provides for contract tonnage of 1Mt in the first year of operation and 2Mt pa for each of the following three years

■ Take-Over Offer for Gulf Alumina – 21 October

Metro announced it will make a take-over offer to acquire all of the shares of Gulf. Metro is Gulf's largest single shareholder with a 39% interest

■ 4Mtpa Definitive Feasibility Study (DFS)

The 4Mtpa DFS is well advanced and is currently on hold pending the outcome of the Gulf Alumina takeover position.

■ Strong Cash Position.

Metro's cash position as at 30 September was \$9.2 million

Greenstone Strategic Funding

Refer ASX Announcement 11 July 2016

Greenstone Resources, a specialist mining and metals private equity fund based in the Channel Islands, provided a major financial injection of \$8.9 million to Metro.

Metro Mining announced definitive and binding agreements with Greenstone via a two tranche placement of 105 million shares at 8.5cents per share. This represented a 27% premium to the closing price of Metro shares prior to the announcement of the investment from Greenstone.

The initial Placement, which did not require Metro shareholder approval, raised \$8.1 million via the issue of 94.8 million shares. A second tranche, requiring shareholder approval, raised A\$0.9 million.

Greenstone became a 19.98% shareholder of Metro Mining and, subject to terms and conditions, announced it is also willing to provide up to an additional US\$20 million of follow-on equity funding to support financing of the Bauxite Hills Project into development.

Metro and Greenstone will establish a strong strategic relationship with Greenstone gaining a Metro Board seat and representation on the Bauxite Hills development steering committee.

Greenstone's approach to investing is to develop a collaborative relationship with management leveraging upon in-house skills, expertise and global networks to add value to projects.

Corporate

About Greenstone *(Continued from Page 1)*

The Greenstone team has over 100 years of real industry experience in the resource sector with particular expertise in developing and operating mines globally, including specific expertise in the alumina and aluminium industry.

Strategic Increase in Gulf Ownership

Refer ASX Announcement 21 September 2016

Metro announced it had entered binding agreements to increase ownership in Gulf Alumina to approximately 39% of the total issued capital of Gulf.

Under the agreements Metro acquired the shareholdings of four long-term Gulf shareholders. Total cash consideration for the acquisition was approximately \$8.5 Million funded by an unsecured loan facility arranged on commercial terms.

In the ASX Announcement Metro reiterated its key focus continued to be the near term development of its 100% owned Bauxite Hills Project in Cape York. Metro remains open to bringing about the logical combination of Metro and Gulf's projects to unlock significant synergies and commercial benefits for the shareholders of both companies.



Binding Off-Take Agreement with China's Xinfu Group

Refer ASX Announcement 13 October 2016

Metro Mining signed a binding bauxite off-take Agreement with the Xinfu Group for the purchase of approximately half of Metro's production over the first four years of operation of the Bauxite Hills Project.

Xinfu is one of China's largest integrated aluminium companies. It has significant refining and smelting operations in Shandong, Shanxi, Guangxi and Xinjiang Provinces. Xinfu is currently a 4.3% shareholder in Metro.

The Agreement with Xinfu includes one million tonnes in the first year and two million tonnes per annum for the following three years.

The Agreement represents approximately half of Metro's expected annual production over the four year term, guaranteeing sales during the most important period of Metro's operation, and will also help underpin Metro's Project financing.

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;

Key Terms (Continued)

- 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.

EIS Public Submissions Received

The public submission period for the Bauxite Hill Environmental Impact Statement (EIS) has been finalised.

A total of nineteen (19) submissions were received eight (8) of which were either supportive or expressed no concerns with the EIS for the project. The remaining eleven (11) submissions requested additional information on a number of standard issues including environmental offsets, groundwater impacts and erosion and sediment controls.

Metro Mining's project was supported by State and Federal members of Parliament, traditional owners and landowners.

Metro is in the process of responding to the public submissions, taking into account a number of operating scenarios that may be relevant, including the development of a combined project should the Gulf Alumina takeover be successful. The response, together with the Company's final statement of environmental commitments, will be lodged for approval to both DEHP and DOTE.

Through the EIS process Metro Mining is seeking approval for the development a Direct Shipping Ore (DSO) bauxite mine in western Cape York with annual production of up to 5 million tonnes per annum (Mtpa). The Project does not require a tailings dam and nor does it require dredging or bed levelling of the Skardon River. It will operate during the dry season only, greatly reducing mining complexity and environmental impact.

Metro Mining believes final determination of the EIS may be achieved in the first half of 2017 with mining operations to start Q2 2018.



Corporate

Renewed Take-Over Bid for Gulf Alumina

Refer ASX Announcement 25 October 2016

Metro Mining announced its intention to make a take-over offer to acquire all of Gulf Alumina's shares which it does not already own. Metro currently holds a 39% interest in Gulf following the acquisition of an additional 17% in September this year .

Metro believes the Offer provides the logical opportunity to unlock over \$200 million in synergies by combining Metro's and Gulf's operations*.

Under Metro's Offer, Gulf shareholders can receive either \$0.60 cash for each Gulf share they own or alternatively \$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 (24 Oct 2016) the cash and share alternative has a value of \$0.61 per Gulf share.

Metro's offer is subject only to Metro obtaining more than 51% of Gulf and is fully funded by an arrangement with Metro's cornerstone shareholder Greenstone Resources.

Metro Mining Notice of AGM

- Metro Mining Limited Annual General Meeting will be held:

Date: 22 November 2016

Time: 11am

Place: Offices of BDO, Lvl 10, 12 Creek St Brisbane.

Myanmar — Mahar San Project

The process to transfer the Mahar San tenements to the Metro Myanmar Joint Venture Company is proceeding.

Efforts to introduce partners to assist in funding this project have been positive and are also proceeding well.



MMI Cash Position

Metro Mining's Cash position as at end September 2016 was \$9.2Million.



ASX: MMI | ACN 117 763 443

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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 an 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.

*Refer ASX Release 17 May 2016 —Gulfs 2nd Supplementary Target Statement

+Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Metro Mining Limited

ABN

45 117 763 443

Quarter ended ("current quarter")

30-Sep-16

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1 Cash flows from operating activities		
1.1 Receipts from customers	195	195
1.2 Payments for		
(a) exploration & evaluation	(96)	(96)
(b) development	(1,238)	(1,238)
(c) production		0
(d) staff costs	(345)	(345)
(e) administration and corporate costs	(276)	(276)
1.3 Dividends received (see note 3)		0
1.4 Interest received	15	15
1.5 Interest and other costs of finance paid		0
1.6 Income taxes paid		0
1.7 Research and development refunds		0
1.8 Other (provide details if material)		0
1.9 Net cash from / (used in) operating activities	(1,745)	(1,745)
2 Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(7)	(7)
(b) tenements (see item 10)		
(c) investments	(8,700)	(8,700)
(d) other non-current assets		
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment		
(b) tenements (see item 10)	55	55
(c) investments		
(d) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(8,652)	(8,652)
3 Cash flows from financing activities		
3.1 Proceeds from issues of shares	8,946	8,946
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options	(564)	(564)
3.5 Proceeds from borrowings	8,500	8,500
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.1 Net cash from / (used in) financing activities	16,882	16,882

+ See chapter 19 for defined terms
1 September 2016

4 Net increase / (decrease) in cash and cash equivalents for the		
4.1 Cash and cash equivalents at beginning of period	2,684	2,684
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,745)	(1,745)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(8,652)	(8,652)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	16,882	16,882
4.5 Effect of movement in exchange rates on cash held		0
4.6 Cash and cash equivalents at end of period	9,170	9,170

	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter	Previous quarter
		\$A'000	\$A'000
5.1	Bank balances	2,050	1,453
5.2	Call deposits	7,120	1,231
5.3	Bank overdrafts		-
5.4	Other (provide details)		-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	9,170	2,684

6 Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

Current quarter \$A'000
82
-

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Directors fees

7 Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

Current quarter \$A'000
-
-

- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Financing facilities available

8

Add notes as necessary for an understanding of the position

- 8.1 Loan facilities
- 8.2 Credit standby arrangements
- 8.3 Other (please specify)

Total facility amount at quarter end	Amount drawn at quarter end
\$A'000	\$A'000
8,500	8,500
-	-
-	-

- Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

The loan facility is a short term unsecured loan facility with lender Bafflebox Pty Ltd. It has an interest rate of 8% for the first 3 months, rising to 10% after 3 months.

9 Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	113
9.2 Development	1,495
9.3 Production	0
9.4 Staff costs	284
9.5 Administration and corporate costs	859
9.6 Other - Interest and financing costs	1,168
9.7 Total estimated cash outflows	3,919

10 Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	EPC 2234, Surat Basin, QLD EPM	100%	3 sub-blocks	nil
	15012 Cape York, QLD EPM	100%	14 sub-blocks	nil
	15077 Cape York, QLD	100%	15 sub-blocks	nil
	EPM 15173 Cape York, QLD	100%	16 sub-blocks	nil
	EPM 15263 Cape York, QLD	100%	12 sub-blocks	nil
	EPM 15269 Cape York, QLD	100%	55 sub-blocks	nil
	EPM 15277 Cape York, QLD	100%	20 sub-blocks	nil
	EPM 15374 Cape York, QLD	100%	33 sub-blocks	nil
	EPM 15375 Cape York, QLD	100%	53 sub-blocks	nil
10.2 Interests in mining tenements and petroleum tenements acquired or increased	EPM 25877, Cape York, QLD	100%	nil	50 sub-blocks
	EPM 25878, Cape York, QLD	100%	nil	86 sub-blocks
	EPM 25879, Cape York, QLD	100%	nil	82 sub-blocks

Compliance statement

This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

This statement gives a true and fair view of the matters disclosed.

Sign here:[Signature on file].....
(Director/Company secretary)

Date:xx October 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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
- If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
- Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.