

02 December 2015

Metro to Make Takeover Offer to Gulf Alumina

Transaction to Create Leading Independent Cape York Bauxite Company

Highlights

-  Compelling financial, operational and strategic rationale for combination
-  Opportunity to create significant value by developing adjacent and complementary projects on a combined rather than stand-alone basis
-  Ability to leverage Metro's proven board and management team across an enlarged project to maximise shareholder value
-  Enhanced scale and market relevance, increased financial strength and simplified permitting process
-  Support from Gulf's largest and key founding shareholder, with Metro having secured 20% interest in Gulf

Metro Mining Limited (ASX: MMI) (Metro) is pleased to announce its intention to make a takeover offer (the Offer) to acquire all of the issued shares in unlisted company Gulf Alumina Limited (Gulf), after having gained the support from Gulf's largest and key founding shareholder and having secured a 20% interest in Gulf.

Under the Offer, Gulf shareholders will receive 3.3 new Metro shares for every 1 Gulf share held and will own approximately 44% of the combined group¹.

¹ Based on the number of Metro and Gulf shares currently on issue and Metro acquiring 100% of the Gulf shares



Transaction Rationale

The transaction will 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, Queensland
- Significant reserve base in excess of 96.6Mt at 39.4% THA and 6.3% RxSi² (Refer Table below)
- Ability to realise 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 the combined projects and consolidated ownership provides stronger position to secure product sales on improved terms
- Pro-forma market capitalisation of approximately \$42 million³ (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 in order to minimise shareholder dilution and maximise shareholder value
- Ability to leverage Metro's proven Board and management team across an enlarged project to maximise shareholder value

Metro Chairman, Stephen Everett says the logic of the combination is clear and compelling.

"Metro's and Gulf's adjacent bauxite development projects at Skardon River are complementary given their similar scale, mining and export methods. By combining the two projects we will create value well in excess of what is achievable on a stand-alone basis", Mr Everett said.

"Opportunities include the removal of duplicated capital and operating costs, operational efficiencies, a simplified permitting process and an enhanced position for the combined group to secure product sales and financing on improved terms".

"It is pleasing that the merits of our Offer have been recognised by Gulf's largest and key founding shareholder, and we look forward to formally making our Offer to Gulf shareholders in due course."

"The transaction will create an attractive company and investment proposition for both existing and new shareholders." Mr Everett said.







Company	Category	DSO Tonnes (Mt)	DSO Bauxite Qualities (Dry Basis)	
			THA(%)	RxSi(%)
Metro	Proved Reserve	41.8	38.6	6.3
Metro	Probable Reserve	6.4	36.8	6.9
Gulf	Proved Reserve	16.6	41.4	6.1
Gulf	Probable Reserve	31.8	39.8	6.4
TOTAL RESOURCE		96.6	39.4	6.3

² Based on Metro reserve of 48.2Mt at 38.4% THA and 6.4% RxSi released 2 June 2015 and Gulf reserve of 48.3Mt at 40.3% THA and 6.3% RxSi as reported in Gulf's letter to Gulf shareholders dated 27 July 2015. THA is trihydrate available alumina at 150°C. RxSi is reactive silica at 150°C ³ Based on the 20 day volume weighted average price (VWAP) of Metro shares of 6.5 cents, the number of Metro and Gulf shares currently on issue, and Metro acquiring 100% of the Gulf shares

Transaction Details

The Offer will be 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 at the date of this announcement.

The Offer is subject to a number of conditions, including:

-  50.1% minimum acceptance;
-  no Regulatory Action;
-  no Material Adverse Change;
-  no Prescribed Occurrence;
-  no material acquisitions, disposals or commitments; and
-  other customary conditions

The full conditions of the Offer are attached to this announcement.

Metro Interest in Gulf

Metro has entered into pre-bid acceptance agreements with Joyday Pty Limited and Equity & Permanent Investment Capital Limited in relation to 17.1% of the shares in Gulf.

The pre-bid acceptance agreements require the shareholder to accept the Offer, within three business days of it being open for acceptance, subject to there being no superior proposal within five business days of the date of the agreement, in which case Metro would have an opportunity to increase the Offer consideration, in the absence of which, the pre-bid acceptance agreements would lapse. The pre-bid acceptance agreements contain customary warranties and restraints on the shareholder dealing in the shares the subject of the pre-bid acceptance agreement until the agreement terminates.

Metro has also entered into acquisition agreement with Equity & Permanent Investment Capital Limited in relation to 2.5 million shares in Gulf (representing 2.9% of Gulf's shares on issue) on the same terms as the Offer.

Timetable

Metro expects its bidder's statement, which will contain further information about the Offer, will be despatched to Gulf shareholders later this month. The Offer will open for acceptance around that time and will be open for at least one month (unless withdrawn during that period under section 652B of the Corporations Act).

Advisers

Metro Mining's advisers are Argonaut as Financial Adviser and McCullough Robertson as Legal Adviser

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Defeating Conditions

To the offers under the proposed off-market takeover bid by Metro Mining Limited for all the ordinary shares in Gulf Alumina Limited

The Offer and any contracts resulting from acceptance of the Offer are subject to fulfilment of the following conditions:

1 Minimum Acceptance

The Bidder has a relevant interest in more than 50% of the Target Shares at or before the end of the Offer Period.

2 No Regulatory Action

Between the Announcement Date and the end of the Offer Period:

- (a) no preliminary or final decision, order or direction is made or issued by any Regulatory Authority;
- (b) no action, proceeding or investigation is announced, commenced or threatened by any Regulatory Authority; and
- (c) no application is made to any Regulatory Authority (other than by the Bidder or any associate of the Bidder),

which is likely to or purports or threatens to restrain, prohibit, impede or otherwise adversely affect the making of the Offer, the acquisition of Target Shares by the Bidder, the rights of the Bidder in respect of the Target or the Target Shares or the progress of the 'Skardon River' bauxite project of the Target or its subsidiaries (other than any action or decision by or application to ASIC or the Takeovers Panel in exercise of the powers or discretions conferred by the Corporations Act).

3 No Target Prescribed Occurrences

Between the Announcement Date and the end of the Offer Period, there is no occurrence of a Target Prescribed Occurrence.

4 No Material Adverse Change

Between the Announcement Date and the end of the Offer Period, there is no occurrence of any Material Adverse Change.

5 Third Party Consents

If the Target, or a subsidiary of the Target, is a party to, is bound by, or is subject to, an agreement, arrangement or understanding which as a result of or in connection to the acquisition of Target Shares under the Offer entitles another person (Third Party) to exercise any rights (including termination rights or pre-emptive rights).

6 No Material Acquisitions, Disposals or Commitments

Between the Announcement Date and the end of the Offer Period, none of the following events occurs, are announced or become known to the Bidder:

- (a) any member of the Target Group acquires, offers to acquire or agrees to acquire one or more companies, businesses or assets (or any interest therein) for an amount in aggregate greater than \$200,000, other than in the ordinary course of business;
- (b) any member of the Target Group disposes of, offers to dispose of or agrees to dispose of one or more companies, businesses or assets (or any interest therein) for an amount, or in respect of

which the book value is, in aggregate, greater than \$200,000, other than in the ordinary course of business; and

- (c) any member of the Target Group enters into, or offers to enter into or agrees to enter into, any agreement, joint venture, partnership, management agreement or commitment which would require expenditure, or the foregoing of revenue, by any member of the Target Group of an amount which is, in aggregate, more than \$200,000, other than in the ordinary course of business.

Definitions

Announcement Date	Means 2 December 2015, being the date of announcement of the Offer.
ASIC	Means Australian Securities and Investments Commission.
Bidder	Means Metro Mining Limited ACN 117 763 443
Financial Indebtedness	Means any debt or other monetary liability (whether actual or contingent) in respect of moneys borrowed or raised or any financial accommodation including under or in respect of any: <ul style="list-style-type: none"> (a) bill, bond, debenture, note or similar instrument; (b) acceptance, endorsement or discounting arrangement; (c) guarantee; (d) finance or capital lease; (e) agreement for the deferral of a purchase price or other payment in relation to the acquisition of any asset or service; or (f) obligation to deliver goods or provide services paid for in advance by any financier.
Insolvency Event	Means any of the following events occurring in relation to a party: <ul style="list-style-type: none"> (a) a liquidator, receiver, receiver and manager, administrator, official manager or other controller (as defined in the Corporations Act), trustee or controlling trustee or similar official is appointed over any of the property or undertaking of the party; (b) the party is, or becomes unable to, pay its debts when they are due or is or becomes unable to pay its debts within the meaning of the Corporations Act, or is presumed to be insolvent under the Corporations Act; (c) the party ceases to carry on business; or (d) an application or order is made for the liquidation of the party or a resolution is passed or any steps are taken to liquidate or pass a resolution for the liquidation of the party, otherwise than for the purpose of an amalgamation or reconstruction.
Material Adverse Change	Means any event, change, condition, matter or thing occurring or information is disclosed or announced by any member of the Target Group, or becomes known to the Bidder, concerning any such event, change, condition matter or thing (each a Specified Event) which, whether individually or when aggregated with all Specified Events, has had or would be considered reasonably likely to have a material adverse effect on the: <ul style="list-style-type: none"> (a) assets, liabilities, performance or prospects of the Target Group; or (b) status or terms of (or rights attaching to) any material permits, licences or approvals issued by a Regulatory Authority and applicable to the Target Group, including, without limitation where the effect is a diminution, or likely diminution, in the value of the consolidated net assets of the Target Group, by at least \$200,000 against what it would reasonably have been expected to have been but for such Specified Event, but does not include:

	<p>(c) a Specified Event relating to changes in business conditions affecting the industry in which the Target Group operates; or</p> <p>(d) a Specified Event that is fairly disclosed, or that is reasonably apparent on its face as potentially to flow from the Specified Event that is fairly disclosed in information publicly disclosed by any member of the Target Group before the Announcement Date.</p>
Offer Period	Means the period commencing on the date the Offer is open for acceptance and ending at 7:00pm (Sydney time) on the date to be set out in the bidder's statement, being a date no less than one month after the Offer opens for acceptance, or such later date to which the Offer has been extended.
Regulatory Authority	Means a government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity whether foreign, federal, state, territorial or local and for these purposes includes the Department of Environment and Heritage Protection (Queensland), ASX and ASIC.
Target	Means Gulf Alumina Limited ACN 108 086 371.
Target Group	Means the Target and each subsidiary of the Target.
Target Prescribed Occurrence	<p>Means:</p> <ul style="list-style-type: none"> (a) (conversion) the Target converts all or any of its shares into a larger or smaller number of shares; (b) (reduction of share capital) the Targets resolves to reduce its share capital in any way; (c) (buy-back) the Target: (i) enters into a buy-back agreement; or (ii) resolves to approve the terms of a buy-back agreement under subsection 257C(1) or s257D(1) Corporations Act; (d) (distribution) the Target makes or declares, or announces an intention to make or declare, any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie); (e) (issuing or granting shares or options) the Target, or a subsidiary of the Target: (i) issues shares; (ii) grants an option over its shares; or (iii) agrees to make such an issue or grant such an option, in each case to a person outside the Target or its subsidiaries; (f) (securities or other instruments) the Target, or a subsidiary of the Target: (i) issues securities or other instruments convertible into shares or debt securities; or (ii) agrees to issue securities or other instruments convertible into shares or debt securities, in each case to a person outside the Target or its subsidiaries; (g) (constitution) the Target, or a subsidiary of the Target, adopts a new constitution or modifies or repeals its constitution or a provision of it; (h) (disposals) the Target, or a subsidiary of the Target, disposes, or agrees to dispose, of the whole or a substantial part of its business or property; (i) (acquisitions, disposals or tenders) the Target, or a subsidiary of the Target: (i) acquires or disposes of; (ii) agrees to acquire or dispose of; or (iii) offers, proposes, announces a bid or tenders for, any material business, asset, interest in a joint venture, entity or undertaking; (j) (charges) the Target, or a subsidiary of the Target, charges, or agrees to charge, the whole or a substantial part of its business or property; (k) (employment arrangements) the Target, or a subsidiary of the Target: (i) materially increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors or employees; (ii) accelerates the rights of any of its directors or employees to compensation or benefits of any kind; or (iii) pays any of its directors or employees a termination or retention payment (otherwise than in accordance with an existing contract which, at the date of this document, is in place and has been disclosed to the Bidder), other than in the ordinary course of business, as a result of contracted arrangements that are consistent with past practice and in effect before the Announcement Date

	<p>(l) (commitments and settlements) the Target, or a subsidiary of the Target: (i) enters into any contract or commitment involving revenue or expenditure by the Target or its subsidiary of more than \$200,000 over the term of the contract or commitment; (ii) terminates or amends in a material manner any contract material to the conduct of the Target or its subsidiary's business or which involves revenue or expenditure of more than \$200,000 over the term of the contract; (iii) waives any material third party default where the financial impact on the Target or its subsidiary will be in excess of \$200,000; or (iv) accepts as a settlement or compromise of a material matter (relating to an amount in excess of \$200,000) less than the full compensation due to the Target or a subsidiary of the Target, other than those arrangements notified to the Bidder on or before the Announcement Date;</p> <p>(m) (capital expenditure) the Target, or a subsidiary of the Target, undertakes or agrees to undertake capital expenditure in excess of \$200,000 in aggregate other than that expenditure notified to Bidder on or before the Announcement Date;</p> <p>(n) (insolvency) an Insolvency Event occurs in relation to the Target, or a subsidiary of the Target;</p> <p>(o) (financial indebtedness) the Target, or a subsidiary of the Target, provides financial accommodation (irrespective of what form of Financial Indebtedness that accommodation takes) in excess of \$200,000;</p> <p>(p) (breach of law) the Target, or a subsidiary of the Target, takes or omits to take action which results in a breach of law material to the Target or a subsidiary;</p> <p>(q) (related party) the Target, or a subsidiary of the Target, enters into or resolves to enter into a transaction with any related party of the Target as defined in section 228 Corporations Act; or</p> <p>(r) (tax liability) the Target, or a subsidiary of the Target, does anything that results in a taxable gain for the Target or a subsidiary by either causing a subsidiary to cease being a subsidiary of the Target or causing the Target, or a subsidiary of the Target to cease being a consolidated group.</p>
Target Shares	Means fully paid ordinary shares in the Target.



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Technical Information about the Bauxite Hills Project. The information in this report that relates to Metro's Exploration Results is based on information compiled by Neil McLean who is a consultant to Metro Mining and a Fellow of the Australian Institute of Mining and Metallurgy (F.AusIMM). Mr McLean has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr McLean consents to the inclusion in the report of the matters based on information in the form and context in which it appears. The information in this report that relates to Metro's Mining and Reserves is based on information compiled by MEC Mining and reviewed by Maria Joyce, a Competent Person who is a Chartered Engineer of the Australasian Institute of Mining and Metallurgy. The information in this report to which this statement is attached that relates to the "Metro Mining – Bauxite Hills" Reserve Estimate based on information compiled by Maria Joyce, a consultant to Metro Mining and a Competent Person who is a Chartered Engineer of the Australasian Institute of Mining and Metallurgy. Maria Joyce is the head of the Technical Services division and full-time employee of MEC Mining Pty Ltd. Maria Joyce has sufficient experience that is relevant to the style of mineralization, type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Maria Joyce consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.