

27 January 2016

Increased Production Scenario Delivers Significant Benefits

Highlights

A pre-feasibility study (PFS) for a doubling of bauxite production at Bauxite Hills has been completed;

The 4 million tonnes per annum PFS is based on the 2015 definitive feasibility study (DFS) for production of 2 million tonnes per annum at Bauxite Hills;

Increased plant and equipment utilisation, achieved by moving to a 24 hour operation, delivers significant economies of scale for little additional capital expenditure;

The expanded project will have a 13 year mine life with potential for increasing this by utilising the nearby BH2 deposit;

Based on Independent price forecasts for bauxite, the PFS gives the following results:

- Average annual EBITDA of A\$134 million and profit after tax of \$92 million
- After tax NPV₁₀ of A\$582 million
- After tax IRR of 156%;

Low initial capital cost of A\$40.1 million.

Environmental footprint unchanged from previously announced DFS.

EIS permitting process for up to 5Mtpa production scenario underway and expected to be completed by Q4 2016.

Metro Mining Limited (ASX:MMI) is pleased to advise that it has made further progress in its strategy to become a leading independent Cape York bauxite producer, completing a Pre-feasibility Study confirming that its Bauxite Hills Project benefits significantly from increasing production from 2Mtpa to 4Mtpa

The PFS considers annual bauxite production of 4 million tonnes per annum (Mtpa) and was completed by MEC Mining, an independent and highly reputable Mining Consultancy firm. It is based on the 2Mtpa Definitive Feasibility Study (DFS) announced to the ASX on 5 November 2015.

As the PFS is based on the detailed technical studies carried out in support of the DFS, Metro has a high degree of confidence in the technical and financial outcomes of the PFS.

Increasing bauxite production to 4Mtpa will only require minor changes to the operational and equipment requirements from the 2Mtpa DFS scenario. This is attributable to the significant economies of scale which will be achieved by incorporating a night shift into the mining operations.

Increasing production from 2Mtpa to 4Mtpa also only requires a small increase in capital expenditure. The mining method and equipment fleet is of a similar size and the Barge Loading Facility (BLF), which was relatively under utilised at 2Mtpa, will only requires minor upgrades to conveyors to comfortably deliver over 4Mtpa.

Up front capital requirements, including working capital, have been kept to a minimum through the use of the initial low capital approach designed for 2Mtpa in the first 2 years of production before ramping up 4Mtpa from year three.

Expanded production also delivers lower unit operating costs. Significant reductions in barging, transshipping and freight costs will be achieved through the increased scale of operations and introduction of an offshore platform for loading Panamax class vessels when production is increased from 2Mtpa.

The results of the PFS confirm a 13 year mine life based on Metro's existing direct shipping ore (DSO) resources of 53.6Mt at Bauxite Hills. There is potential to extend the mine through utilizing the 11.7Mt Indicated DSO bauxite resource at the nearby BH2 deposit, as well as from further exploration success.

The PFS economic analysis is based on independently derived bauxite pricing assumptions from CM Group obtained in October 2015 as part of the DFS and calculated a very significant after-tax net present value (at a discount rate of 10%) of A\$582 million and an internal rate of return (IRR) of 156%.

The expanded project will generate an average annual EBITDA of A\$133.6 million over the life of the mine.

The environmental impact of the expanded project is not materially different to that for the 2Mtpa scenario because the overall project footprint is unchanged, with the 24 hour mining operations and higher frequency of barge movements having little additional environmental impact.

Whilst the PFS has been completed for a 4Mtpa scenario, Metro has taken the opportunity to seek approval for production up to 5Mtpa in its EIS application submitted in December 2015. Metro will continue to evaluate the benefits of increasing production further as it moves through the pre-development phase.

Given the extensive work Metro completed as part of its previous environmental approval submission and the prompt commencement of the EIS process last year, Metro expects the full EIS process for Bauxite Hills to be completed in Q4 2016.

Key Results & Assumptions

Results	4Mtpa	Assumption	4Mtpa*
NPV (10% DR, Real, after tax)	A\$582M	Annual Production Rate (Steady State)	4.0Mt
NPV (15% DR, Real, after tax)	A\$440M	LOM Production	49.1Mt
IRR	156%	Mine Life	13 years
Payback Period	1.2 years	Bauxite Price (FOB)	US\$38.60-45.40/t
Total LOM Revenue	A\$2.93B	Exchange Rate (AUD/USD)	0.75
LOM Average Annual EBITDA	A\$133.6M	Discount Rate	10% / 15%
LOM Average Annual NPAT	A\$91.6M	Pre-Mining Development Capital Expenditure	A\$40.1M
LOM Average Operating Margin	A\$33.66/t	Deferred and Sustaining Capital Expenditure	A\$4.9M
LOM Average Opex (ex-Royalties)	A\$18.80/t	Working Capital	A\$4.0M
LOM Total Operating Costs	A\$26.07/t		

Capital & Operating Cost Estimates

Capital Cost Item	PFS 4.0Mtpa*	Operating Cost Item	PFS 4.0Mtpa*
Haul roads and site establishment	A\$3.03M	Mining, haulage and operation of BLF	A\$6.27/t
Navigational aids and cyclone moorings	A\$1.15M	Transshipment activities	A\$8.40/t
Site Infrastructure including BLF and accommodation camp	A\$27.63M	Site and administrative costs	A\$4.13/t
Mining and ancillary equipment	A\$6.18M	Total Operating Costs (ex-royalties)	A\$18.80/t
Mobilisation, insurances and EPC design	A\$2.11M	Royalties and other costs	A\$7.27/t
Total	A\$40.1M	Total Operating Expenditure	A\$26.07/t

NOTE: The total capital cost includes a contingency amount of A\$5.2M, which equates to a 15% contingency.

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

Project Development Schedule

Event	Scheduled Dates
Preliminaries (recruitment, development pre-commitments operating systems)	November 2016 – February 2017
BLF Construction	February 2017 – August 2017
Mobilisation to site	April 2017
Roads	April 2017 – June 2017
Site infrastructure	April 2017 – August 2017
Commence Mining	September 2017

The Table above displays the development timeline envisaged for the 4Mtpa PFS assuming all regulatory approvals are granted by late 2016 and project funding is obtained prior to the commencement of project development.



ASX: MMI

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FORWARD LOOKING STATEMENT

Statements and material contained in this ASX Announcement, 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 Announcement (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 Announcement 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 Announcement should be construed as either an offer to sell or a solicitation of an offer to buy or sell shares in any jurisdiction.

COMPETENT PERSON'S STATEMENT

The information in this report that relates to 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 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.

