



**METRO**

**MINING  
LIMITED**

**ASX ANNOUNCEMENT**

9 November 2016

## **New Highly Conditional Proposal from Moly Mines to Gulf Alumina**

Metro Mining Limited (ASX: MMI) (**Metro**) notes the announcement by Moly Mines Limited (ASX: MOL) (**Moly**) yesterday that Moly has presented a new highly conditional proposal to acquire all the shares of Gulf Alumina Limited (**Gulf**).

Metro understands the board of Gulf is considering whether the new proposal from Moly, which remains uncertain and conditional on FIRB and ASX approval (among other conditions), matches or is superior to Metro's fully funded offer dated 28 October 2016 (**Metro's Offer**).

### **Moly's New Highly Conditional Proposal**

Moly's new proposal consists of:

- An all cash option of \$0.63 for each Gulf share, subject to cash consideration payable not exceeding \$42 million, which should all Gulf shareholders elect to receive will only provide cash of \$0.46 for each Gulf share; or
- A cash and share option of \$0.46 per Gulf share and 1.14 Moly shares, which based on Moly's last share price of \$0.069 before it has suspended from ASX trading in April 2014, will only provide implied value of \$0.54 for each Gulf share.

Metro notes Moly's new proposal provides no change to the quantum of the cash consideration but instead simply changes the equity being proposed from unlisted options to shares in a company suspended from ASX trading.

Moly's use of historic net asset backing per share as at 30 June 2016 to justify the value of Moly's shares is questionable, potentially misleading and demonstrates the inherent uncertainty associated with the conditionality and value of Moly's new proposal.

Under Moly's new proposal Hanlong will remain the dominant shareholder of Moly. Hanlong will also remain Moly's sole lender with approximately \$13.5 million of debt outstanding. In addition, under Moly's new proposal, should all conditions be satisfied and Moly acquire all the shares of Gulf, Moly will have limited net cash and will need to raise a substantial amount of capital to fund the development of Gulf's project into production.

### **Metro's Offer Considered to Remain Superior**

Metro considers that Metro's Offer, which is due to close on 5 December 2016, remains superior to Moly's new highly conditional proposal for the following key reasons:

- Metro's Offer is the only offer capable of acceptance by Gulf shareholders;

- Metro's Offer provides all cash certainty of \$0.60 for each Gulf share, irrespective of the number of Gulf shareholders that choose this alternative;
- Metro's Offer provides a clearly superior cash and scrip alternative, with higher upfront consideration, higher overall consideration and immediate ASX liquidity and re-rating benefits, given cash of \$0.50 for each Gulf share plus one Metro share, which based on Metro's closing price yesterday of \$0.12 provides total implied value of \$0.62 for Gulf each share;
- Only Metro's Offer can unlock over \$200 million in synergies from combining Metro's and Gulf's complementary projects, as estimated in Gulf's own independent expert report dated 13 May 2016;
- Gulf's own independent expert report, as mentioned above, valued Metro's shares (post combination with Gulf) at \$0.20 per share, which based on Metro's Offer and the cash and scrip alternative provides implied value of \$0.70 for each Gulf share;
- Only Metro's Offer can create a leading independent Cape York focused Australian bauxite company, well positioned to deliver value for all stakeholders, including shareholders, traditional owners, the local community and state and federal governments;
- Only Metro's Offer provides the benefit of an independent, well managed company trading on ASX with a well-balanced share register, including several strategic, well-funded and supportive investors; and
- Metro's Offer, is subject only to Metro's relevant interest in Gulf shares exceeding 51% during the Offer period. There are no other conditions.

### **Gulf Board Decision**

Given the highly conditional, uncertain and inferior value of Moly's new proposal and the clear benefits that Metro's Offer can provide, Metro believes the Gulf board should now immediately recommend Metro's Offer.

Metro continues to believe such a recommendation by the Gulf board especially important given the highly unusual situation where Gulf shareholders who collectively own 55.6% of Gulf shares have no apparent discretion to revoke their pre-offer acceptances of Moly's previous highly conditional proposal unless the Gulf board makes a recommendation that Metro's Offer is superior.

Metro looks forward to the Gulf board recommending that Gulf shareholders accept Metro's Offer and will keep interested parties informed of any developments with the Gulf board.

**END.**



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