



METROCOAL
An Australian Coal Company

2014

March

**QUARTERLY
REPORT**



Corporate details

METROCOAL LIMITED | ABN 45 117 763 443

Quarterly Activities Report For the period ended 31 March 2014

ASX CODE: MTE

Issued Capital (31/03/2014)

208,883,663 shares issued

6,000,000 Unlisted Directors' Options

4,500,000 Unlisted management and employee options

6,250,000 Other Unlisted options

1,451 Shareholders

Top 20 Shareholders

Hold 69.72% of listed shares

Directors & Management

Mr Stephen Everett - Chairman

Mr Andrew Gillies – Non-executive Director (Alt Mr John Haley)

Mr Lindsay Ward – Non-executive Director

Mr Wang Dongping – Non-executive Director (Alt Mr Robert Finch)

Mr Mike O'Brien – Chief Executive Officer

Mr Nicholas Villa – Project Manager

Mr John Haley – Company Secretary

Largest Shareholders

Metallica Minerals Limited	30.78%
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Dadi Engineering Development Group	22.62%
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Cash Balance

As at 31 March 2014 MTE's cash balance was approximately \$6.9 million

Highlights for the Quarter

- MetroCoal finished the quarter in a strong cash position with approximately \$6.9 million - cash backing is approximately 3.3 cents per MetroCoal Limited share.
- MetroCoal gains control of bauxite focused Cape Alumina Limited with a 57.23% shareholding following the successful takeover Bid of 18th March.
- Pentland South tenement (EPC 1640) was granted over a 111 sub-block area located 110 km southwest of Charters Towers in North Queensland. This tenement offers MetroCoal thermal coal exploration opportunities outside the Surat Basin.
- Further cost reductions achieved through reduction in the number of Board members and reduced Directors' fees.
- MetroCoal is actively seeking and evaluating both corporate and project opportunities in the resource sector both domestic and overseas.

Corporate Activities

On Market Bid for Cape Alumina Limited

During the quarter MetroCoal launched an on-market takeover bid for all of the fully paid ordinary shares in Cape Alumina Limited (Cape). At the date of making the offer, 18th March 2014, MetroCoal held 16,666,667 Cape shares (6.87%).

MetroCoal is seeking to diversify its asset base and risk profile with a stronger near term (bauxite) and long term (coal) project pipeline. Acquiring Cape will expose MetroCoal shareholders to the bauxite market, a bulk commodity with a favourable outlook, for a relatively small capital outlay (based on the current Offer price).

The offer is an unconditional cash offer of 0.6 cents per Cape share and is due to close on Monday 5th May 2014.

As at the 31st March 2014 MetroCoal held 46.07% of the shares in Cape (refer ASX Announcement dated 27th March 2014). MetroCoal's shareholding subsequently increased to 57.23 % on 17 April 2014 (refer to ASX Announcement dated 22 April 2014).

MetroCoal now has a majority shareholding in Cape, and in accordance with MetroCoal's intentions outlined in its Bidders Statement, MetroCoal will commence discussions with the Board and Management of Cape to:

- (a) Engage with the Queensland Government to ensure that the Bauxite Hills project is able to be developed in conjunction with the Cape York Regional Plan once enacted;
- (b) Accelerate the development of the Bauxite Hills provided the project is able to be developed in accordance with the Cape York Regional Plan (once adopted) and if acceptable economic returns are demonstrated;
- (c) Support Cape in any future resubmission to the Queensland Government to develop the Aurukun bauxite deposit;
- (d) Utilise part of MetroCoal's surplus cash to facilitate the funding of Cape's bauxite projects and in particular the Bauxite Hills project in a period of strong global bauxite markets with a view to commercial production and corresponding generation of positive cash flows; and
- (e) Support Cape in optimising opportunities with third parties in the bauxite exploration and development sector (initially in the Cape York region) to enhance or accelerate the development of Cape's bauxite projects.

MetroCoal also intends to conduct a broad based review of Cape's structure and operations, and intends to amalgamate the administrative functions of both companies with a view to eliminating duplication of tasks.

Details of the Offer are set out in the Bidder's Statement which can be viewed at http://metrocoal.com.au/uploads/MTE_Bidder_Statement.pdf.

Bauxite Hills Project

Cape Alumina Limited announced on Friday 6 December 2013 that it is now focusing on the development of the Bauxite Hills project.

The Bauxite Hills ASX Release contained, inter alia, the following details on the Bauxite Hills Project:

"The proposed Bauxite Hills integrated mine and port project is located approximately 95 kilometres north of Weipa on western Cape York, Queensland, within the bauxite plateau between the Ducie and Skardon River and just five kilometres south-east of the existing port* at Skardon River.

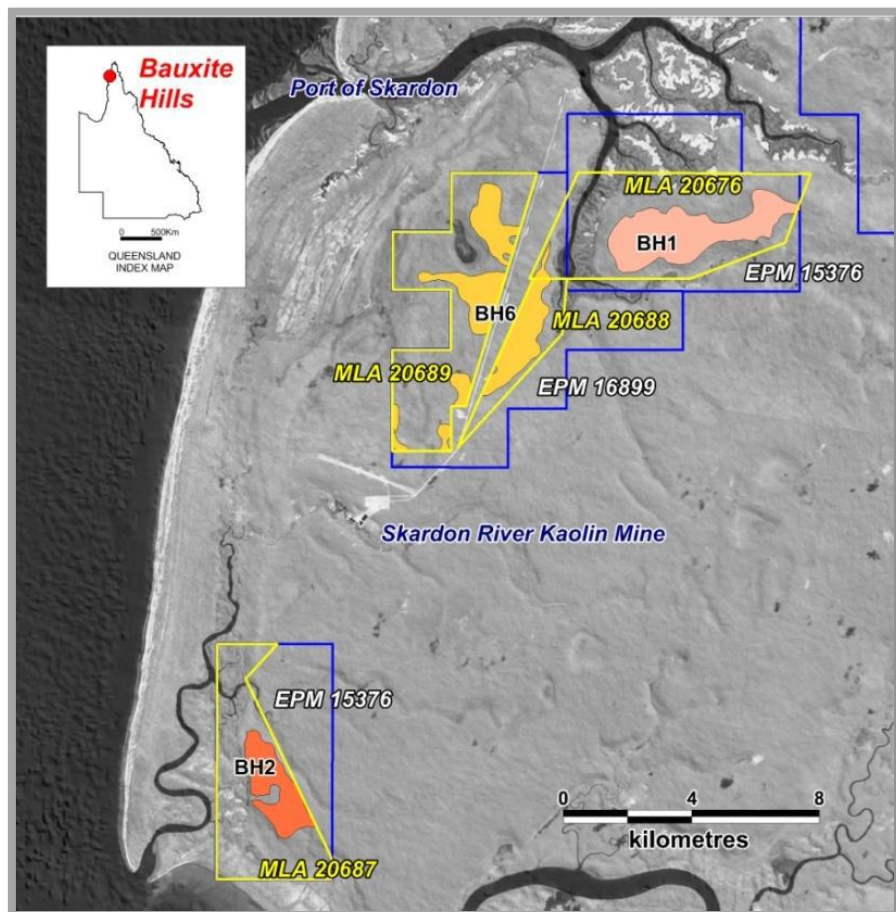
Cape has advised that the resources at Bauxite Hills have low strip ratios and are very shallow, free-digging deposits. They are located close to coastal waters and international shipping routes, and have a high alumina content when low bauxite to alumina rates, which mean lower shipping costs and lower overall refinery input costs compared to bauxite deposits outside the Weipa region.

The assay results from the project's BH1 area have indicated the presence of two types of bauxite – an upper layer of mixed boehmite-trihydrate bauxite (MBT) and an underlying layer of low monohydrate bauxite (LMB). The LMB product is expected to be suitable for refineries operating at low temperature.”

*Note the Skardon River facility is suitable only for barging and as a base for transshipping.

(Source: Cape Alumina Limited ASX release dated 6 December 2013 “Cape Alumina to focus on development of Bauxite Hills project”) – <http://www.asx.com.au/asxpdf/20131206/pdf/42lflwkckytj4.pdf>

Figure 1 – Cape Alumina Bauxite Hills Project



Cost Reductions

The Company continues to seek ways to reduce costs and announced on 31 March it had accepted the resignation of Mr Michael Hansel as a non-executive Director of the company effective from 1st April 2014.

Michael has been a Director of the company since 2008 and the Board thanks him for his significant contribution to the company since this date.

The Company has also reduced the director fees for the remaining non-executive Directors.

Other Opportunities

The status of the global mineral industry remains depressed. Although most commentators predict uplift in the longer term, especially in coal, only a few commodities have a positive outlook in the near and medium term. As a result of this raising capital for exploration and early stage project assessment is extremely difficult and many small and micro-cap companies are faced with looming cash shortages.

This difficult capital market has however also created opportunities for entry into, and acquisition of, attractive projects in Australia and overseas at a very low cost. MetroCoal's strong cash position has allowed us to take advantage of these opportunities through our entry into the bauxite sector, via our shareholding in Cape Alumina.

In parallel with the strategy to build a stake in the bauxite market the Company has also been actively assessing other potentially attractive projects both domestically and overseas. The cost of this assessment has been kept to a minimum by maximising our in house capability and limiting external resources.

Although the focus is now on bauxite and Cape Alumina the Company will continue to seek avenues to diversify our risk base through participation and acquisition of other projects

Coal Resources

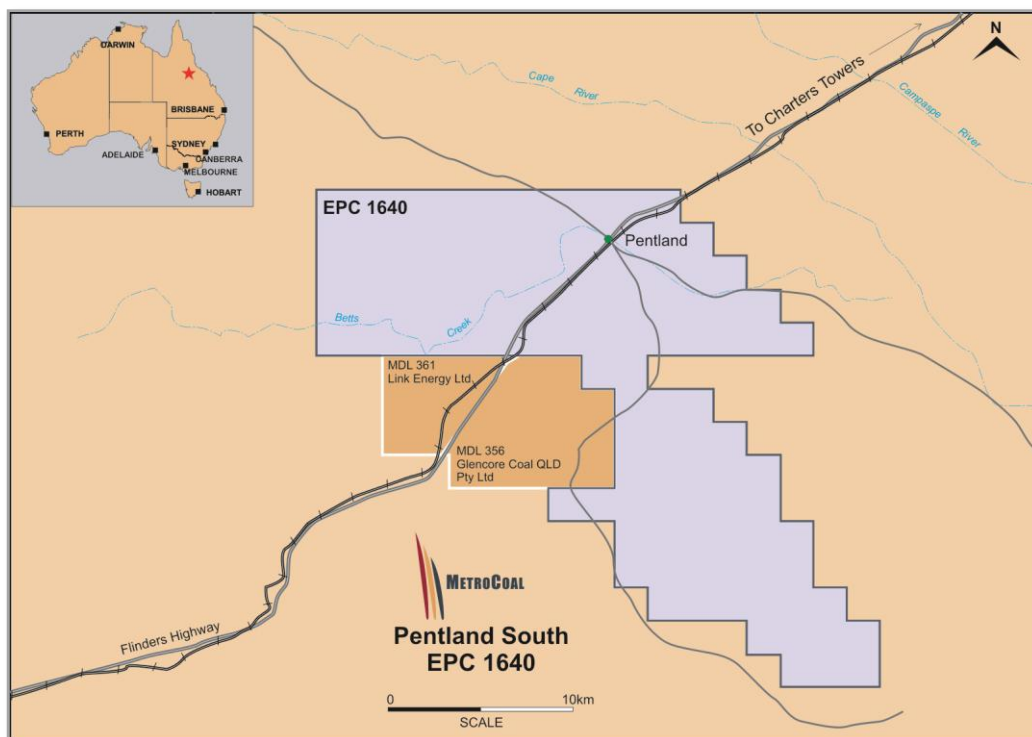
New Coal Opportunity

In February MetroCoal's application for Pentland South (EPC 1640), located 110 km southwest of Charters Towers in North Queensland, was granted. The tenement is in the northern extension of the Galilee Coal Basin next to the Flinders Highway and the Mt Isa to Gladstone Rail line. The tenement comprises 111 sub-blocks, approximately 310sq km, and surrounds Mineral Development Licences (MDL) held by Linc Energy and Glencore.

The EPC application was made in 2008 based on the prospective extension of known coal occurrences in the adjoining tenements into EPC 1640.

Pentland South offers MetroCoal thermal coal exploration opportunities outside the Surat Basin which are prospective for opencut mining. An exploration program is being prepared.

Figure 2 – Pentland South (EPC 1640)

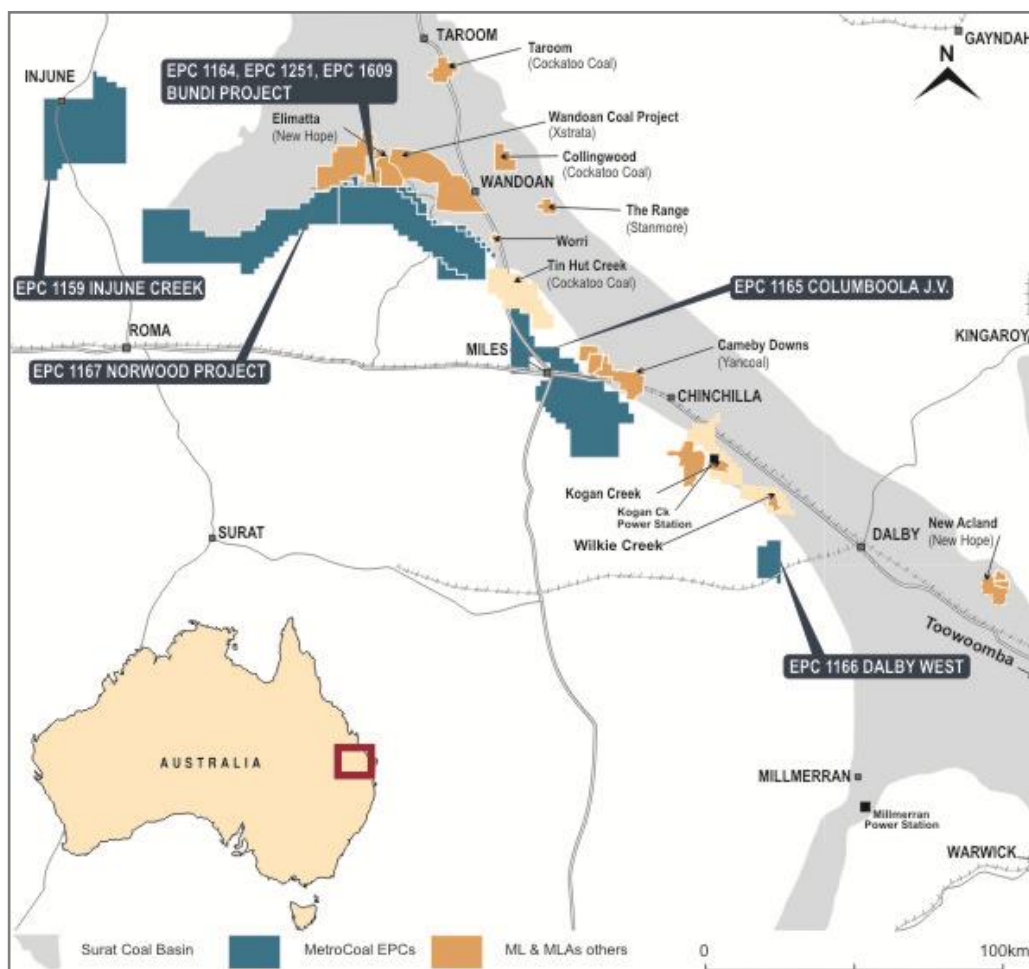


Existing Projects

Thermal coal export coal prices remain at 5 year lows and although MetroCoal remains confident in the long-term outlook for coal costs at Bundi have been reduced to a minimum with field activities suspended and only some low cost work continuing to optimise geology and mine plans.

The small exploration program and environmental work on the Columboola Joint Venture (China Coal 51%: MetroCoal 49%) as described in the December Quarterly is on hold pending a review and final decision by the joint venture.

Figure 3 – MetroCoal’s Surat Basin Coal Tenements



MetroCoal Thermal Coal Resources & Reserves

Project	MTE Ownership	Resources (Mt)*			Reserves (Mt)*	Applicable JORC
		Indicated	Inferred	Total		
Columboola	49%	94.7	1,618	1,712.7		2004
Goombi ²	49%	4.9	13.8	18.7	26.2	2004
Bundi (includes Juandah) ¹	100%	296	1,705.6	2,001.6		2012
Dalby West	100%		520	520		2004
Norwood	100%		156	156		2004
TOTAL		395.6	4,013.4	4,409	26.2	

¹ Refer ASX Release – Bundi Project Update – 24 October 2013

² Refer ASX Release – Columboola JV – Goombi Maiden Reserve Announced – 19 December 2012

* Mt – Million tonnes

Competent Person Statements

With reference to resources in the MetroCoal Resource and Reserve table excluding Bundi and Juandah

The information in this Announcement that relates to the Compilation of existing data and Exploration Results is based on information compiled by Mr Ed Radley who is a Member of the Australian Institute of Mining and Metallurgy (MAusIMM) (Membership No 300512). Mr Ed Radley is an independent Geological Resource Consultant retained by MetroCoal Limited. Mr Ed Radley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Ed Radley has consented in writing for inclusion in this announcement the matters based on the information in the form and context it appears.

With reference to the Bundi and Juandah resources in the MetroCoal Resource and Reserve table

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