METROCOAL

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ASX ANNOUNCEMENT

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METROCOAL CHAIRMAN'S ADDRESS TO 2013 ANNUAL GENERAL MEETING.

Following is a transcript of Chairman Stephen Everett's address to the 2013 MetroCoal Annual General Meeting.

"The last year has been one of the most difficult for your Company as the challenge has been to ride out the turbulent times facing the Australian thermal coal industry. Our proposed merger with Cape Alumina was a solution to the delay in the ability to develop our own coal assets. The Queensland government's last minute decision to ban all mining within the Steve Irwin Reserve in Cape York has changed this.
Before expanding on this disappointment I would like to take a moment to put it into context with our coal business.

"Developing projects such as our Bundi and Columboola thermal coal assets face enormous hurdles. The combination of the decline in international coal prices, an Australian dollar that reached record levels and the high capital costs of developing key rail and port infrastructure all resulted in lower confidence in new thermal coal projects. The Glencore decision to put its Wandoan project on hold was not a complete surprise but its withdrawal has certainly had an adverse effect on confidence in the Surat Basin and may well have influenced the decisions of some of our potential investors.

"Despite this, the underlying driver for the growth of coal which is the increasing demand for energy in the developing world has not changed and we, along with most commentators, foresee coal continuing to play a major role in meeting this increasing demand.

"There are also indications that some of the negatives affecting the sector in Queensland may finally have turned the corner. The Australian dollar has fallen from its highs with many forecasters predicting further declines. The drop off in new developments in the mining industry and the coal seam gas industry passing its peak has taken some of the heat out of both capital and operating costs making us somewhat optimistic that the costs of developing and operating new projects will decrease.

"Recognising the realities of the coal market and the situation in the Surat Basin our focus moved to find opportunities to grow and develop MetroCoal as a company while we wait for the right time to progress Bundi and Columboola.

"In light of this we broadened our search for new opportunities into other commodity sectors and on 25 September we announced our proposal to merge MetroCoal with Cape Alumina.
The intention was create a Queensland-based, diversified bulk commodities company with a portfolio of major bauxite and thermal coal projects which would provide resilience through commodity cycles. The merger would also deliver significant benefits for both companies, including increased near-term development opportunities, a strengthened balance sheet, increased trading liquidity and enhanced access to capital markets.

"The State government announcement on November 20th has, as I said at the start, changed this.
MetroCoal had entered into the merger process following extensive due diligence which included meetings and discussions with senior Queensland Government officials. In particular, a significant component of the due diligence concentrated on the many Queensland Government assurances of its intention to repeal the

Wild Rivers Act and replace it with an alternative plan that would allow the development of Cape's Pisolite Hills project, subject to the development plans meeting the necessary environmental requirements.

"Despite declaring Pisolite Hills a 'significant' project in October 2012 and making regular assurances over many months that the project's assessment would be determined by due process, the State Government unexpectedly announced that mining would not be allowed in the most valuable part of the Pisolite Hills Project area.

"MetroCoal and Cape Alumina were given no prior warning of the Government's intentions and are bitterly disappointed with this outcome, which is confusing, frustrating in the extreme and goes against all prior indications and consultation.

"As a result of the Governments decision the merger has been called off as it is no longer in the interests of the Metro shareholders. One result of this process is that your company now holds 16.7million shares (6.8%) in Cape Alumina after advancing $1million as a convertible note to allow Cape to progress its activities. Metro is still well funded with over $6miilion in cash.

"The MetroCoal Board remains committed to, and will now re-focus its efforts on seeking alternative opportunities to realise value for shareholders. We will keep shareholders updated with regards to any proposals.

"As a result of the curtailing our coal exploration activities and desire to conserve cash, our exploration team has been downsized and we have also farewelled our Geology Manager and COO, Theo Psaros.
I would like to express my thanks to the team for their contribution over the past several years.
I would also like to thank our Columboola Joint Venture partner, SinoCoal Resources, for their support and understanding throughout this challenging year. We are very grateful to have a company of their stature working alongside us as we continue to advance this project.

"I would like also to thank my fellow directors, management and staff for their hard work, loyalty and commitment this year which has seen us emerge in a strong position from this difficult period.
I would also like to thank our existing shareholders, especially Dadi and Metallica for their support in 2013 and look forward to progressing the company and enhancing shareholder value in 2014"

For further information, please contact:

Mr. Mike O'Brien
Chief Executive Officer
Phone: +61 (7) 32493040 Fax: +61 (7) 32493041
Email: admin@metrocoal.com.au
Postal Address: GPO Box 122, Brisbane QLD 4001

Further information on MetroCoal can be found on our website **www.metrocoal.com.au**