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ASX ANNOUNCEMENT

9 December 2013

UPDATE METROCOAL AND CAPE ALUMINA MERGER TERMINATION RESULTING FROM THE QUEENSLAND STATE GOVERNMENT DECISION

MetroCoal Limited (ASX: MTE "**MetroCoal**") advises on the following matters arising from the termination of the proposed merger with Cape Alumina Limited (ASX;CBX "**Cape Alumina**").

Federal Court Orders

On 5 December 2013, the Federal Court of Australia confirmed in its orders that the members' meeting convened by Cape Alumina (to consider the merger) need not be held.

CBX Convertible Note

CBX has converted the \$1million amount advanced under the convertible note issued to MTE into CBX shares. MetroCoal now holds 16,666,667 shares (6.87%) in Cape Alumina.

MetroCoal and Cape Alumina have agreed that no further funding under the convertible note will be advanced and the convertible note is now at an end.

Qld Government Release

The Deputy Premier in his media release dated 3 December 2013 stated:

"We made it abundantly clear to all stakeholders on the Cape, including Cape Alumina, that the Statutory Regional Planning process was about protecting existing land uses and, in the case of the Nature Reserve, that meant maintaining the area as an environmental reserve, for all time."

The Queensland Government's position on the Statutory Regional Planning process, as expressed in the Deputy Premier's release, was not communicated to MetroCoal at any stage of its due diligence investigations. .

As stated in the MetroCoal ASX announcement of 22 November 2013 a significant component of the due diligence concentrated on the many Queensland Government assurances for its intention to repeal the Wild Rivers Act and replace it with an alternative plan that would allow mining subject to the mine plans meeting the necessary environmental requirements.

Dispute with 3TL – MTE Options

Tenement to Terminal Limited (3TL) has confirmed that it will not pursue its claim seeking the immediate vesting of 12.5 million MTE share options.

Recognising the current downturn in the thermal coal market and infrastructure delays in the Surat Basin MetroCoal has reduced its costs in order to preserve capital. The Company is continuing to seek other opportunities in the resources and energy sectors.

For further information, please contact:

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