MetroCoal

An Australian Coal Company

2013

December

QUARTERLY REPORT

Corporate details

METROCOAL LIMITED | ABN 45 117 763 443

Quarterly Activities Report For the period ended 31 December 2013

ASX CODE: MTE

Issued Capital (31/12/2013)

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 69.78%of listed shares

Directors& Management

Mr Stephen Everett - Chairman
Mr Andrew Gillies – Non-executive Director (Alt Mr John Haley)
Mr Michael Hansel – Non-executive Director
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%
Dadi Engineering Development Group	22.62%

Cash Balance

As at 31 December 2013, MTE's cash balance was approximately $7.85million

Highlights for the quarter

- MetroCoal finished the year in a strong cash position of $7.85 million - cash backing being approximately 3.75 cents per MetroCoal Limited share.
- Merger with Cape Alumina was terminated following Queensland Governments decision on the Steve Irwin Nature Reserve.
- Exploration at Columboola Joint Venture is planned to recommence in Q1 2014
- Research and Development tax refund of $633,900 received in December 2013.
- Corporate costs reduced significantly in response to the infrastructure delays in the Surat Basin and the low coal price. Further cost reduction strategies will continue to be evaluated.
- MetroCoal is actively seeking and evaluating both corporate and project opportunities in the resource sector

Resources

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

Corporate Activities

During the quarter MetroCoal announced its proposed merger with Cape Alumina Limited (Cape). The merger was intended to provide MetroCoal with access to Cape's bauxite projects which could be developed in the near term while the coal assets in the Surat Basin would be developed in the longer term.

The merger process had reached its final stages when on 20 November 2013 the Queensland State Government announced, with no prior consultation or warning, that it would introduce legislation to declare the "Steve Irwin Wildlife Reserve" a "Strategic Environmental Area" under the proposed Cape York Regional Plan and banned allproposed mining on the site in perpetuity.

A significant portion of Cape Alumina's flagship Pisolite Hills Project is located within the Steve Irwin Wildlife Reserve and the ban on mining has sterilised the majority of the resource and effectively destroyed Pisolite Hills as a standalone project. As a result Cape and MetroCoal agreed that the proposed merger would not continue.

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 extremely disappointed with their action.

The $1 million Convertible Note issued by Cape Alumina Limited to MetroCoal Limited has, under the terms of the merger agreement, now been converted into 16,666,667 (6.87%) shares in Cape Alumina Limited.

MetroCoal is conscious that with the cancellation of the merger with Cape Alumina and the depressed state of the current coal market there is a need to redefine the company's strategy. The depressed market, particularly in the junior sector, presents some opportunities and MetroCoal is continuing to evaluate these opportunities.

Corporate costs have been reduced to a minimum with the retrenchment of employees and implementation of other cost saving measures. Further restructuring will be considered as plans for the company's future are clarified.

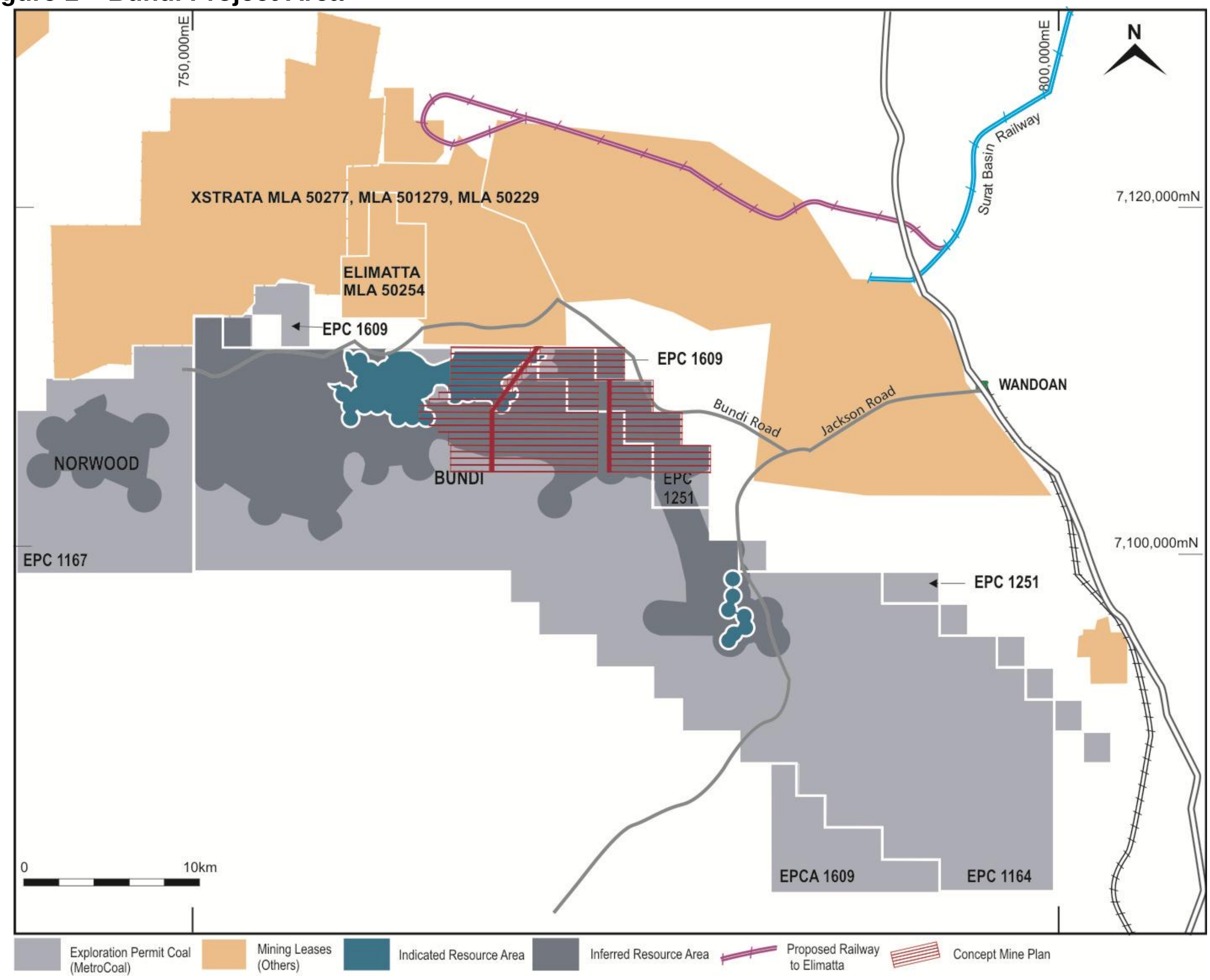
Bundi Project

Following successful completion of the Bundi 2013 drilling program the geological model was updated to include the latest availablel structural information. The Bundi Resource estimate tonnage was also increased by 11%. The project has also been rationalised to include the previously separate Juandah Project. The Bundi Project resource has now reached 2 Billion tonnes of which 296Mt is Indicated and 1,705Mt is Inferred based on the JORC 2012 Code.

As announced in MetroCoal's Quarterly Report for the quarter ended 30 September 2013, the decision by Xstrata Limited to delay indefinitely its proposed Wandoan coal project has resulted in the postponement of the proposed Surat Basin Railway. This has in turn impacted our Bundi Project by delaying its possible development.

MetroCoal remains confident in the long-term outlook for coal with increasing export volumes and prices forecast by all commentators. In an effort to minimise holding costs field activities have been suspended but some low cost work will continue to optimise geology and mine plans.

Figure 1 – Bundi Project Area



Columboola Joint Venture

Discussions have continued with the Central Surat Joint Venture including ATEC Rail Group Ltd and other coal companies. The final agreement has been completed and a decision as to whether to participate is expected in Q1 2014.

The Columboola Joint Venture (China Coal 51% : MetroCoal 49%) is finalising a small exploration program designed to underpin the mine plan preparation. This exploration program, fully funded by Joint Venture funds, will be managed by MetroCoal's remaining personnel. The Initial Advice Statement is also being completed in preparation for lodgement. It is expected that both the exploration program and the environmental field studies will commence late in Q1 2014.

Figure 2 – Columboola Project Area

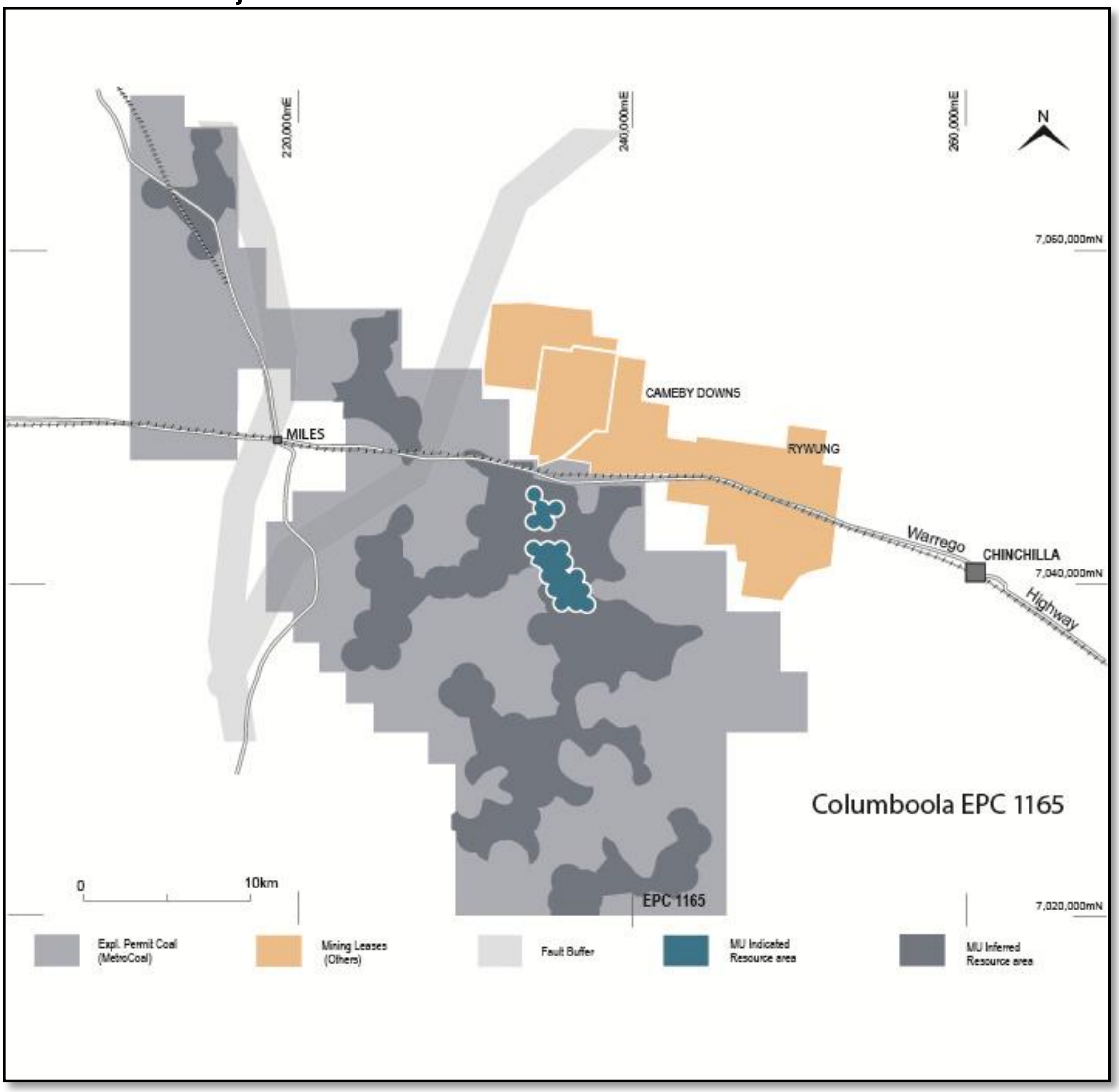
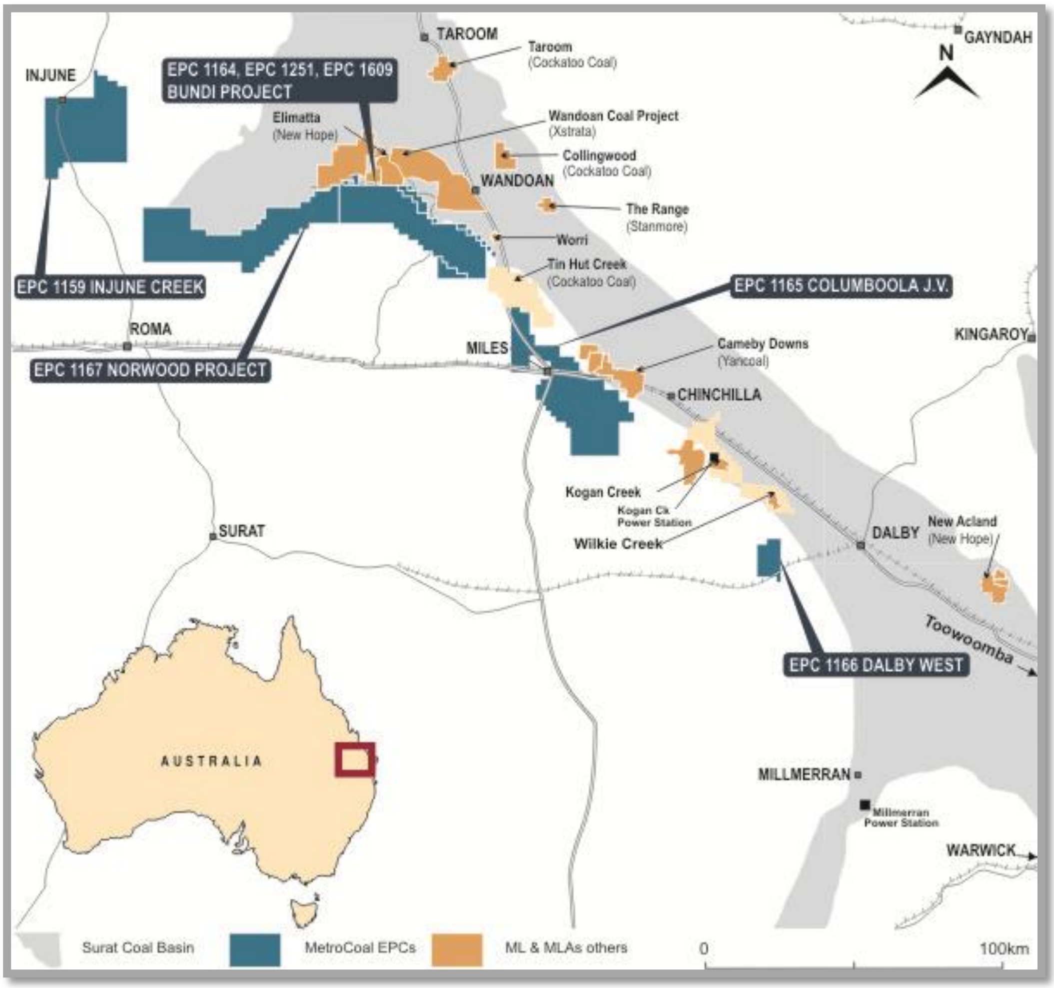


Figure 3 – MetroCoal's Surat Basin Coal Tenements



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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Rule 5.3

Appendix 5B
Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

METROCOAL LIMITED

ABN	Quarter ended ("current quarter")
45 117 763 443	**31/12/2013**

Consolidated statement of cash flows

Cash flows related to operating activities		Currentquarter $A'000	Year to date (6months) $A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation	(1,003)	(2,441)
	(b) development	0	0
	(c) production	0	0
	(d) administration	(551)	(1,007)
1.3	Dividends received	0	0
1.4	Interest and other items of a similar nature received	135	193
1.5	Interest and other costs of finance paid	0	0
1.6	Income taxes paid-GST refunded and Research and Development tax refund	601	606
1.7	Other (provide details if material)	0	0
	Net Operating Cash Flows	(818)	(2,647)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects		
	(b)equity investments	(1,000)	(1,000)
	(c) other fixed assets	0	0
1.9	Proceeds from sale of: (a) prospects	0	0
	(b) equity investments	0	0
	(c)other fixed assets	0	0
1.10	Loans to other entities	0	0
1.11	Loans repaid by other entities	0	0
1.12	Other (provide details if material)	0	0
	Net investing cash flows	(1,000)	(1,000)
1.13	Total operating and investing cash flows (carried forward)	(1,818)	(3,647)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(1,818)	(3,647)

	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	0	0
1.15	Proceeds from sale of forfeited shares	0	0
1.16	Proceeds from borrowings	0	0
1.17	Repayment of borrowings	0	0
1.18	Dividends paid	0	0
1.19	Other (provide details if material) - Issue costs	0	0
	Net financing cash flows	0	0
	Net increase (decrease) in cash held	(1,818)	(3,647)
1.20	Cash at beginning of quarter/year to date	9,673	11,502
1.21	Exchange rate adjustments to item 1.20	0	0
1.22	**Cash at end of quarter**	**7,855**	**7,855**

Payments to directors of the entity and associates of the directors Payments to related entities of the entity and associates of the related entities

		Currentquarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	76
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Directors' Fees

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	--	--
3.2	Credit standbyarrangements	--	--

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	0
4.2	Development	0
4.3	Production	0
4.4	Administration	400
	Total	**400**

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Currentquarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	1,974	1,297
5.2	Deposits at call	5,881	8,376
5.3	Bank overdraft	0	0
5.4	Other (provide details)	0	0
	Total: cash at end of quarter (item 1.22)	**7,855**	**9,673**

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed				

6.2	Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference ⁺securities***(description)*	--	--	--	--
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	--	--	--	--
7.3	**⁺Ordinary securities**	208,883,663	208,883,663		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	--	--	--	--
7.5	**⁺Convertible debt securities** *(description)*	--	--	--	--
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	--	--	--	--
7.7	**Options***(description and conversion factor)*			*Exercise price*	*Expiry date*
		500,000 unlisted options		25 cents	4 December 2014
		750,000 unlisted options		50 cents	18 May 2014
		1,000,000 Unlisted Options		23.5 cents	11 July 2015
		1,000,000 Unlisted Options		50 cents	11 July 2015

+ See chapter 19 for defined terms.

7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter	3,250,000 unlisted options 2,000,000 Unlisted options 2,000,000 Unlisted options		40 cents 75 cents 78 cents	19 November 2013 25 November 2013 25 November 2013
7.11	**Debentures** *(totals only)*	--	--		
7.12	**Unsecured notes** *(totals only)*	--	--		

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: .... Date: 29 January 2014
(Company Secretary)
Print name: JOHN HALEY

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows*apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.