

# **ASX ANNOUNCEMENT**

21 March 2013

# MetroCoal Ltd (ASX:MTE) Letter to Shareholders

Attached is a copy of a letter sent to MetroCoal shareholders today.

#### **Highlights**

- MetroCoal has a 4.2 Billion tonne coal resource (see Table 1), one of the largest thermal coal resources in Australia.
- Strong interest shown by potential joint venture partners in our Bundi thermal coal project.
- Cash balance \$12.4 million at 7 March.
- Positive global outlook for thermal coal.
- Plan to lodge the Bundi and Columboola Mining Lease Applications this year.

## For further information, please contact:

Mr Mike O'BrienMr Theo PsarosChief Executive OfficerChief Operating Officer

Phone: +61 (7) 3249 3040 Fax: +61 (7) 3249 3041

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



21 March 2013

**Dear Shareholder** 

# MetroCoal (MTE) Shareholder Update

# Highlights

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- Strong interest shown by potential joint venture partners in our Bundi thermal coal project.
- Cash balance \$12.4 million at 7 March.
- Positive global outlook for thermal coal.
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With the 2013 year now well underway we would like to take this opportunity to update you on the activities that are currently being pursued by your company. While the current challenges in the coal industry in Australia are obviously affecting MTE and its peer group companies, MTE remains confident that thermal coal has a strong future and work is continuing to build intrinsic shareholder value by progressing our Surat Basin thermal coal projects.

Expenditure has been contained with work focussed only on project value adding activities. We have also set up a closer cooperation with the Columboola Joint Venture enabling cost saving to be realised for both projects by sharing services and careful phasing of field activities.

MTE has more than enough cash to complete this year's planned work program at Bundi enabling us to lodge the Mining Lease Application before year end without needing to raise additional funds. The Columboola JV will also be self-sufficient this year and we expect to also lodge the Columboola Mining Lease Application.

### Update on the Joint Venture for the Bundi Project

MTE is continuing to pursue a joint venture partner into our Bundi Project and we have had a positive response from several companies following our visits to India in late 2012 and China in February of this year.

MetroCoal participated in the Queensland Premier Newman's Trade Mission to India where meetings were held with a number of Government and Private Energy corporations. In February of this year MetroCoal visited several Chinese coal corporations introduced by Dadi Engineering (19.6% shareholder in MTE).

Discussions with all these companies have reinforced our positive view that demand for thermal coal will increase significantly over the next decade and supports WoodMackenzie's forecast for strong growth in the international thermal coal market with demand from India and China increasing from an estimated 350 million tonnes this year to approximately 1 billion tonnes by 2025.



This positive view of the thermal coal is shared by most market commentators and is reflected in the interest shown by potential joint venture partners in our Bundi Project.

Following these meetings, discussions have continued with several Indian and Chinese companies and visits to Bundi and Gladstone are envisaged in the near future.

#### 2013 Bundi Project work plan

MetroCoal completed the 2012 exploration program in August and since then have continued to upgrade the geological model incorporating results from last year's seismic and quality programs. This updated geological model will form the foundation of this year's drilling program which we expect to announce shortly. The planned field program will provide further data on groundwater, geotechnical, gas desorption and infill gaps in our resource definition.

The data obtained from this year's field program will also be used in the Bundi EIS which we expect to complete in early 2014 for submission to the Department of Natural Resources & Mines in mid 2014. The information will also be used in the mine planning leading to a Mining Lease Application planned for later this year.

#### Columboola Joint Venture

Field work in the Columboola JV (SinoCoal Resources 51% and MTE 49%) was completed last year following the drilling program on the Goombi Project. Similar to the Bundi Project work has continued on the Columboola geological model and designing this year's field program which is expected to commence in the second quarter following completion of the codevelopment agreement with QGC.

### **Surat Basin Infrastructure**

The provision of key rail and port infrastructure is progressing. Following announcements on the Surat Basin Rail (SBR) made late last year the earliest start of the SBR now believed to be mid-2014. As we announced at that time this delay in the SBR does not impact directly on our current mine development time table as the SBR was not on our critical path. We are however following progress between the SBR and the Queensland State Government in securing the rail corridor and are in discussion with other Surat Basin coal companies regarding the provision of infrastructure.

Plans for extension of the railway south of Wandoan to Columboola have also progressed with FIRB approving the planned investment by SinoCoal Pty Limited in the Central Surat Rail Joint Venture.

Port capacity is essential to both our projects. In order to ensure our Surat Basin projects have the necessary port capacity MTE and SinoCoal have committed to the Wiggins Island Coal Export Terminal (WICET) expansion process (WEXP2). At the same time MTE has maintained its interest in the proposed Yarwun Terminal in Gladstone.

The proposed Yarwun terminal is 100% owned by Tenement to Terminal Limited (3TL) in which MTE holds a 20% share. The land is freehold and provides a real opportunity to develop a coal terminal at the lowest possible cost which will translate into lower tariffs and improved project profitability.

The ability to participate in and influence a low cost terminal provides MTE with a real competitive advantage which has been recognised by large international coal companies interested in the Bundi Project and its required port and rail infrastructure plans i.e. a mine-rail-port project strategy/concept.

#### **Thermal Coal Resources**



MTE holds one of the largest thermal coal resources in Australia. On a 100% basis, MTE's projects have a JORC resource of just over 4.2 billion tonnes (see Table 1 below). This extensive coal resource has the potential to support a number of additional projects and exploration is now focused on improving its value by advancing the Bundi and Columboola projects rather than simply expanding the resource base. This approach is reflected in this year's work program.

Table 1: MetroCoal's Thermal Coal Resources & Reserve

Project	MTE	Resources (Mt)			Reserves
	Ownership	Indicated	Inferred	Total	(Mt)
Columboola	49%	94.7	1,618	1,712.7	
Goombi	49%	4.9	13.8	18.7	26.2
Bundi	100%	246.3	1,315.8	1,562.1	
Dalby West	100%		520	520	
Juandah	100%	24.4	224	248.4	
Norwood	100%		156	156	
TOTAL		370.3	3,847.6	4,217.9	26.2

Refer:-

in Inferred Resource

MTE ASX Announcement 19 July 2012 - Bundi Resource Upgrade and Project Update

MTE ASX Announcement 9 December 2011 – Dalby West Project – Maiden Inferred Resource of 520Mt MTE ASX Announcement 6 September 2012 – Maiden Indicated Resource for Columboola JV plus 26% increase

MTE ASX Announcement 19 December 2012 - Goombi Maiden Reserve Announced

In conclusion, we remain confident that the thermal coal market will continue to grow and the Surat Basin, with Bundi and Columboola will play a significant role in this growth. With a large coal resource base of 4.2Bt and a current market capitalisation of around \$20m, the market value attributed to each tonne of insitu coal resource is less than 1 cent! MetroCoal is therefore highly leveraged to a turnaround in sentiment in the coal sector and we expect shareholder value to grow as our projects progress towards development and the global coal market improves.

We appreciate your patience and support of MetroCoal and look forward to a positive 2013.

**Stephen Everett** 

Chairman

Mike O'Brien

Chief Executive Officer

#### Competent Person Statement

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 a fulltime employee of MetroCoal Ltd, in the role of Geological Manager, 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 2003 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.