



HopgoodGanim

2 September 2014

Australian Securities Exchange
Company Announcement Platform

BRISBANE

Level 8, Waterfront Place
1 Eagle Street
Brisbane Qld 4000 Australia

By facsimile: 1300 135 638

PO Box 7822, Waterfront Place
Brisbane Qld 4001 Australia

Our Ref: 1486646 – Katherine Hammond

ABN: 54 105 489 661

This electronic transmission is intended only for the use of the individual or entity to which it is addressed and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient, any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please notify us immediately by telephone, return the original electronic transmission to us at the address below by post and delete or destroy any electronic or other copies. Thank you.

Dear Sir/Madam

MetroCoal Limited – Off-market takeover bid for Cape Alumina Limited

We refer to MetroCoal Limited's ACN 117 763 443 (**Bidder**) off-market scrip takeover bid for all of that shares in Cape Alumina Limited ACN 107 817 694 (**Target**) that it does not already hold (**Offer**), pursuant to its Bidder's Statement dated 19 August 2014 (**Bidder's Statement**) as supplemented by MetroCoal's supplementary bidder's statement dated 26 August 2014 (**Supplementary Bidder's Statement**).

In accordance with section 633(1) (Item 8) of the *Corporations Act 2001* (Cth) (**Act**) the Bidder provides notice that an updated Bidder's Statement and the Supplementary Bidder's Statement (**Offer Documents**) have today been despatched to all Target shareholders in accordance with section 633(1) (Item 6) of the Act.

In accordance with ASIC Class Order 13/521, **attached** is a copy of the Offer Documents despatched to Target shareholders.

The Offer period commences on, and the date of the Offer is, 2 September 2014.

A copy of the Offer Documents have also been lodged with the Australian Securities and Investments Commission and served on the Target.

Yours faithfully

HopgoodGanim

Contact Katherine Hammond
Associate
T 07 3024 0343
F 07 3024 0043
E k.hammond@hopgoodganim.com.au

BRISBANE

T +61 7 3024 0000
F +61 7 3024 0300

Partner responsible: Michael Hansel

PERTH

T +61 8 9211 8111
F +61 8 9226 1696

www.hopgoodganim.com.au



ACCEPT THE OFFER

**BY METROCOAL LIMITED
ACN 117 763 443**

**TO ACQUIRE ALL OF YOUR ORDINARY
FULLY PAID SHARES IN**

CAPE ALUMINA LIMITED

If you have any questions about the Offer or this document or about how to accept the Offer, please call Link Market Services Limited on 1300 138 914 (within Australia) or +61 2 8767 1054 (from outside Australia). This document contains important information and requires your immediate attention. If you are in any doubt as to how to deal with this document, you should consult your legal, financial or other professional adviser as soon as possible.



HopgoodGanim

**Legal Advisor to
MetroCoal Limited**

IMPORTANT DATES

ANNOUNCEMENT DATE:	4 AUGUST 2014
LODGEMENT DATE OF THIS BIDDER'S STATEMENT:	19 AUGUST 2014
REGISTER DATE FOR CAPE SHAREHOLDERS:	7.00PM (AEST) 21 AUGUST 2014
OFFER PERIOD ENDS, UNLESS EXTENDED (CLOSING DATE):	3 OCTOBER 2014

IMPORTANT NOTICES

Bidder's Statement relating to the Offer from MetroCoal Limited ACN 117 763 443 (MetroCoal) to acquire all of the ordinary shares in Cape Alumina Limited ACN 107 817 694 (Cape).

This document is a Bidder's Statement dated 19 August 2014 given by MetroCoal to Cape under Part 6.5 of Chapter 6 of the *Corporations Act* and in compliance with the requirements of sections 636 and 637 of the *Corporations Act*, in relation to an off-market bid for all of Cape's Shares that are not already owned by MetroCoal (**Offer**). Sections 11 and 12 of this Bidder's Statement contain the formal terms of MetroCoal's Offer and other information relevant to your decision whether to accept the Offer. The terms used in this Bidder's Statement are defined in Section 14.1.

A copy of this Bidder's Statement was lodged with the Australian Securities and Investments Commission (**ASIC**) on 19 August 2014. Neither ASIC nor any of its officers takes any responsibility for the content of this Bidder's Statement.

Privacy

MetroCoal has obtained your information from the register of Cape Shareholders for the purpose of making the Offer and, if accepted, administering your holding of MetroCoal Shares. The *Corporations Act* requires the names and addresses of MetroCoal Shareholders to be held in a public register. Your information may be disclosed to MetroCoal's related bodies corporate and external service providers. It may also be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by MetroCoal, please contact MetroCoal at the address set out in the Corporate Directory.

MetroCoal Details

The registered address of MetroCoal is Corner of Lytton Road and Stafford Street, East Brisbane, Queensland.

Forward Looking Statements

This Bidder's Statement includes certain forward looking statements. If such statements relate to future matters, they are subject to inherent risks and uncertainties. These risks and uncertainties include factors and risks specific to the industry in which MetroCoal operates as well as matters such as general economic conditions, many of which are outside the control of MetroCoal and its directors. These factors may cause the actual results, performance or achievements of MetroCoal, the merged entity of MetroCoal and Cape (if the Offer is successful) to differ, perhaps materially, from the results, performance or achievements expressed or implied by those forward looking statements. The past performance of MetroCoal is not a guarantee of future performance.

Investment Advice

In preparing this Bidder's Statement, MetroCoal has not taken into account the individual objectives, financial situation or needs of individual Cape Shareholders. Accordingly, before making a decision whether or not to accept the Offer you should consult with your financial or other adviser.

Notice to Cape Shareholders resident outside Australia

This Bidder's Statement and the Offer do not constitute an offer of securities in any jurisdiction in which it would be unlawful.

The distribution of this Bidder's Statement may, in some countries, be restricted by law or regulation. Accordingly, persons who come into possession of this Bidder's Statement should inform themselves of, and observe, those restrictions.

New Zealand

The Offer to New Zealand investors are a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings — Australia) Regulations 2008.

The Offer and the content of this Bidder's Statement are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 and Regulations (Australia) set out how the Offer must be made. There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Offer. If you need to make a complaint about the Offer, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

If the securities are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

Cyprus

This Bidder's Statement has not been nor will be submitted for clearance with the Cyprus Securities and Exchange Commission since it has not been prepared for the purpose of making an offer of securities to the public in the Republic of Cyprus (**Cyprus**) requiring such submission under the provisions of the Public Offers and Prospectus Law of 2005 (Law 114(I)/ 2005), as amended, (the **Prospectus Law**). Accordingly, the MetroCoal Shares may NOT be offered, advertised, distributed, marketed or sold, whether directly or indirectly, to the public in Cyprus and this Bidder's Statement (or any other offering material relating to the Securities) has not been and will not be released, issued, published, communicated, advertised or disseminated to the public in Cyprus. In accordance with the exceptions set out in section 4 (3) of the Prospectus Law the MetroCoal Shares may only be offered or sold in Cyprus (i) to qualified investors, (ii) if such offer is subject to a minimum investment per investor of €100,000 and/or (ii) if such MetroCoal Shares are offered to less than 150 legal entities or persons who are not qualified investors.

This document is confidential to the person to whom it is addressed, as part of the exemptions referred to herein above, and no person to whom a copy of this document is issued may issue, circulate, distribute, publish, reproduce or disclose (in whole or in part) this document to any other person in Cyprus.

United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the Shares. This document is issued on a confidential basis to fewer than 150 persons (other than "qualified investors" (within the meaning of section 86(7) of FSMA)) in the United Kingdom, and the MetroCoal Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not

be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received in connection with the issue or sale of the MetroCoal Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who fall within Article 43 (members of certain bodies corporate) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005, or (ii) to whom it may otherwise be lawfully communicated (together **Relevant Persons**). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a Relevant Person should not act or rely on this document or any of its contents.

BIDDERS STATEMENT – TABLE OF CONTENTS

Letter to Cape Shareholders	6
1. How to accept the Offer	7
2. Why You Should Accept MetroCoal's Offer	9
3. Frequently Asked Questions	12
4. Summary of the Offer	15
5. MetroCoal Limited	16
6. Cape Alumina Limited	22
7. The intentions of MetroCoal relating to the Offer	28
8. Profile of Merged Group	30
9. Risk Factors	32
10. Tax Considerations	41
11. Terms of the Offer	44
12. Terms applicable to the Offer	48
13. Additional Information	57
14. Definitions and Interpretation	65

Letter to Cape Shareholders

19 August 2014

Dear Cape Alumina Shareholders,

On behalf of the directors of MetroCoal Limited (**MetroCoal**), I am pleased to enclose MetroCoal's offer to acquire all of your ordinary shares in Cape Alumina Limited (**Cape**).

MetroCoal is offering 1 MetroCoal Share for every 1.3 of your Cape Shares. Based on the 20 day VWAP of MetroCoal Shares to and including 1 August 2014 (being 4.09 cents) the Offer price represents a premium of 35% to \$0.03 being the 20 day VWAP of Cape's shares to and including 1 August 2014, the last trading day before the Offer was announced, adjusted to reflect the ratio of 1 MetroCoal share for every 1.3 Cape shares being offered¹.

Through the Previous Offer which closed on 5 May 2014, MetroCoal acquired a 57.2% holding in Cape. Since then MetroCoal has been actively assisting Cape in progressing its Bauxite Hills Project and to reduce costs through restructuring and amalgamating corporate functions.

Cape requires funds to take advantage of the favourable outcomes from the Government's Cape York Regional Plan and Cape's review of the Bauxite Hills Project and the continuing firm bauxite market by accelerating the development of the Bauxite Hills Project. According to Cape's Quarterly Cashflow Report released to the ASX on 7 July 2014, Cape's cash position as at 30 June 2014 is \$1.4M, which is insufficient to take the Bauxite Hills Project forward.

The Offer provides Cape Shareholders with the opportunity (through their resulting equity position in MetroCoal) the opportunity to participate in the accelerated progress of Cape's Bauxite Hills Project using MetroCoal's cash (being \$6.5M as at 30 June 2014).

In addition, if Cape becomes a wholly owned subsidiary of MetroCoal, the management of MetroCoal will be better placed to drive growth and value from Cape's assets for the benefit of Cape and MetroCoal shareholders. Furthermore, it is expected that the Merged Group will benefit from participation in a diversified bulk commodities entity with significant bauxite and thermal coal resource projects, as well as from the reduction in corporate and administrative costs through the further sharing of administrative, technical and commercial functions, and a single board of directors.

Although Cape has a number of options by which it may raise funds the MetroCoal board believes it is unlikely to raise the necessary funds without MetroCoal's support and, if it were to be successful, existing Cape shareholders will have to contribute additional funds in any offering or otherwise risk further dilution of their equity position. Accordingly, the MetroCoal Board strongly believes that the proposed Offer presents Cape with the best opportunity to gain access to the funds necessary to accelerate the Bauxite Hills Project and is in the best interests of both Cape's and MetroCoal's shareholders.

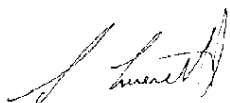
Full acceptance of the Offer would result in the existing 42.8% of Cape shareholders other than MetroCoal owning approximately 27.6% of the Merged Entity.

The Offer is currently schedule to close at 7pm AEST on 3 October 2014, unless extended or withdrawn.

I urge you to read the entirety of this Bidder's Statement carefully and ACCEPT the Offer. To ACCEPT the Offer, you should follow the instructions in the enclosed Acceptance Form. If you have any questions in relation to the Offer, please contact Link Market Services Limited between 9:00am and 4:00pm (Brisbane time) Monday to Friday on 1300 138 914 (within Australia) or +61 2 8767 1054 (from outside Australia).

I look forward to welcoming you as a MetroCoal Shareholder.

Yours sincerely,



Stephen Everett, Chairman

¹ Cape's 20 day VWAP to and including 1 August 2014 is \$0.023.

1. How to accept the Offer

ACCEPT NOW

MetroCoal's Offer of 1 MetroCoal Share for every 1.3 of your Cape Shares (**Offer**) is in the best interests of Cape Shareholders for the reasons that follow in this Bidder's Statement.

The Offer represents an attractive premium of 35% to the VWAP of Cape Shares for the 20 days to and including 1 August 2014, the last trading day before the Offer was announced (based on the 20 day VWAP of MetroCoal Shares being 4.09 cents).

HOW TO ACCEPT THE OFFER

Acceptance must be in respect of all your Cape Shares

You may accept the Offer in respect of all (but not less than all) of your Cape Shares.

Time for acceptance

You may accept the Offer at any time during the Offer Period and prior to the Closing Date.

Manner of acceptance

In order to accept the Offer in respect of your Cape Shares you must:

- (a) complete and sign the Acceptance Form attached to the Offer in accordance with the Instructions (which must be observed in accepting the Offer in respect of any Cape Shares; and
- (b) ensure that the Acceptance Form and any documents required by the terms of the Offer and the Instructions on the Acceptance Form are received **NOT LATER THAN 7.00PM AUSTRALIAN EASTERN STANDARD TIME (AEST)** on 3 October 2014 at the following address:

Street Address:

Link Market Services Limited
Cape Alumina Limited Takeover
1A Homebush Bay Drive
Rhodes NSW 2138

Postal Address:

Link Market Services Limited
Cape Alumina Limited Takeover
Locked Bag A14
Sydney South NSW 1235

Telephone:

1300 138 914 (within Australia)
+61 2 8767 1054 (from outside Australia)

Foreign Security Holders and Australian shareholders sending their Acceptance Form from overseas should return their Acceptance Form by airmail.

The method chosen to deliver the Acceptance Form and other documents is at the risk of each accepting security holder.

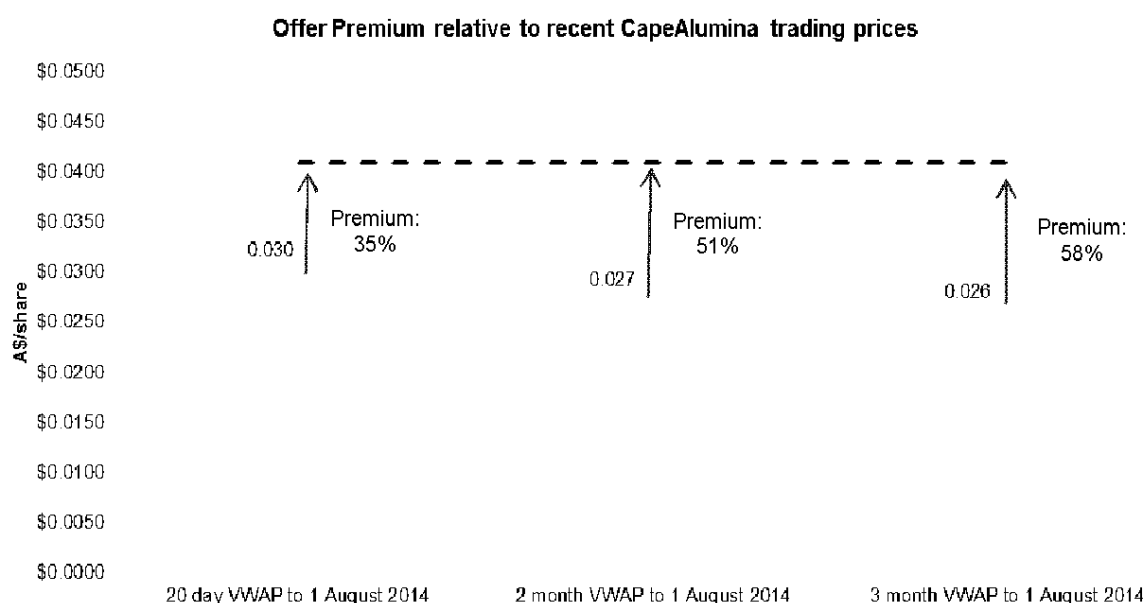
Acceptance of the Offer in respect of your Cape Shares shall not be complete until the properly completed Acceptance Form (including any documents required by the terms of the Offer and the Instructions on the Acceptance Form) has been received at the address specified above. MetroCoal may, however, in its sole discretion waive at any time, prior to the end of the Offer Period, all or any of those requirements.

If you have any questions about how to accept the Offer or need a replacement Acceptance Form, please contact Link Market Services Limited on 1300 138 914 (within Australia) or +61 2 8767 1054 (from outside Australia). Alternatively, you may consult your broker or other financial or professional adviser.

Further details in relation to accepting the Offer is located in section 12.7.

2. Why You Should Accept MetroCoal's Offer

2.1	MetroCoal's Offer represents an attractive premium to the recent Cape share price
	<p>The Offer represents an attractive premium to the trading price of Cape over the last three months. In particular, the implied value of the Offer price² represents on an adjusted basis³:</p> <ul style="list-style-type: none"> (a) a premium of 35% to the 20 day VWAP of Cape's shares to and including 1 August 2014; (b) a premium of 51% to the 2 month VWAP of Cape Shares in the two month period to 1 August 2014; and (c) a premium of 58% to the 3 month VWAP of Cape Shares in the three month period to 1 August 2014.



2.2	No Competing or Superior Offer has emerged
	<p>From the Announcement Date up to the date of this Bidder's Statement, MetroCoal's Offer is the only Offer that has been announced for Cape's Shares. Given MetroCoal currently holds 57.2% of Cape, MetroCoal considers that it is unlikely that a competing bidder will emerge.</p>
2.3	The Merged Group will have a significantly stronger balance sheet
	<p>The Merged Group will have a materially stronger balance sheet with a pro-forma cash equivalent and marketable securities position of \$7.9 million (versus \$1.4 million for Cape standalone) as at 30 June 2014.</p>
2.4	Access to funding for the Bauxite Hills Project
	<p>If MetroCoal achieves 100% ownership of Cape its cash reserves will be available to accelerate the pre-feasibility studies and environmental approvals for the Bauxite Hills Project. MetroCoal's cash position (\$6.5M as at 30 June 2014) removes uncertainty and</p>

² Based on the 20 day VWAP to and including 1 August 2014 of MetroCoal Shares of 4.09 cents

³ Adjusted to reflect the ratio of 1 MetroCoal for 1.3 Cape shares that shareholders are being offered.

avoids the risks over Cape's capacity to develop and fund its operations going forward, given its significant impending working capital requirements.

The proclamation by the Queensland Government on 13 June 2014 of the *Regional Planning Interests Act 2014* and subsequent the *Regional Planning Interests Regulation 2014* establishes the approval process for resource activities in areas of regional interest and confirms that there is no impact to the Bauxite Hills Project tenements or the proposed mine and port project area. This removes the major uncertainty regarding future land conflicts and allows Cape to focus on the development of the Bauxite Hills project.

Cape also recently completed an internal review of possible development scenarios for Bauxite Hills and has concluded, subject to further work being completed, that a low capital cost economically viable project may be able to be developed. Cape management have announced their intention to push ahead with the preliminary stages of environmental approvals and to complete additional technical studies. Cape also recently announced an inferred resource for direct shipped ore (**DSO**) in the Bauxite Hills project (ASX announcement 11 August 2014).

A number of factors including the Indonesian government's ban on bauxite exports and India's recent announcement of their intention to increase their bauxite export tax from 10% to 20% have resulted in positive fundamentals and an attractive outlook for the bauxite sector, borne out by the upward trend in the bauxite price, making bauxite one of the few bulk commodities with increasing prices and a positive outlook.

Cape requires funds to take advantage of these favourable outcomes by accelerating the development of the Bauxite Hills Project.

Although Cape has a number of options by which it may raise funds the MetroCoal board believes it is unlikely to raise the necessary funds without MetroCoal's support and, if it were to be successful, existing Cape shareholders will have to contribute additional funds in any offering or otherwise risk further significant dilution of their equity position.

Otherwise, there is a risk that Cape will not be able to raise sufficient funds to progress their projects without MetroCoal's support.

2.5 Diversified and broader portfolio, enhanced growth profile and cost savings

The Merger of MetroCoal and Cape will combine the assets, resources and operations of two capable and quality companies that should enable the Merged Group to grow and consolidate its position as a diversified bulk commodities entity with extensive bauxite tenements in Cape York, including the Bauxite Hills Project, as well as an interest in thermal coal in the Surat Basin and over \$7.9 million in cash (based on the respective cash position of MetroCoal and Cape as at 30 June 2014).

The Merger will provide an opportunity for Cape Shareholders to participate in the benefits expected from a larger and more diversified portfolio of assets and a substantial exploration program and development profile, while retaining exposure to Cape's existing asset base. The Merger will also provide an opportunity for Cape Shareholders to participate in the benefits expected from a broader platform for growth that will enable the pursuit of business development opportunities not currently available to Cape alone.

The Merger provides an opportunity to realise cost saving benefits through a reduction in corporate overhead and administrative costs. If Cape becomes a wholly owned subsidiary of MetroCoal then approximately \$500,000 p.a. will be saved from not having to maintain Cape as an ASX public company.

2.6	If you are an Australia resident for taxation purposes and receive MetroCoal Shares, you may be able to obtain CGT scrip-for-scrip roll-over relief on any capital gains
	If you are an Australia resident for taxation purposes and you would otherwise realise a capital gain on the disposal of your Cape Shares in return for MetroCoal Shares under the Offer, you may be able to obtain CGT scrip-for-scrip roll-over relief. Further details in relation to tax considerations can be found in section 10 of the document.
2.7	Cape Share price may fall if Offer does not proceed
	Although there are many factors that may influence the price of Cape's Shares on the ASX, due to the absence of any other offer for 100% of Cape at the date of this Bidder's Statement and the possibility that another offer is unlikely to arise given MetroCoal's existing 57.2% holding in Cape, if the Offer does not succeed in delivering a 90% or greater shareholding in Cape to MetroCoal, there is a risk that the price of Cape Shares may fall.
2.8	Implications for Cape and Cape Shareholders if MetroCoal fails to reach 90%
	The offer is not subject to a minimum acceptance condition. This means that if MetroCoal falls short of the 90% minimum shareholding to enable the compulsory acquisition powers then shareholders who do not accept the offer may end up as a very small minority in a company that will be required to raise funds to progress its projects. Possible outcomes, in addition to the risk of a fall in Cape share price noted in section 2.7 above, include the potential delisting of Cape if MetroCoal acquires an interest of at least 75% in Cape (which would result in the loss of share trading liquidity) and the dilution of the interests of shareholders who do not participate in future fundraising.
2.9	Acceptance of the Offer means you will receive your Offer Consideration sooner than through compulsory acquisition
	If MetroCoal acquires 90% of Cape Shares, MetroCoal intends to rely on the compulsory acquisition powers in the <i>Corporations Act</i> to seek to acquire the remaining Cape Shares. If this occurs and you did not accept the Offer you will receive the Offer Consideration for your Cape Shares at the conclusion of the compulsory acquisition process, which is likely to be longer than one month from the end of the Offer Period. In these circumstances, it is likely that you will receive the MetroCoal Shares as consideration for your Cape Shares later than if you had accepted the Offer.

3. Frequently Asked Questions

Question	Answer	Further information
Who is making the Offer?	MetroCoal Limited ACN 117 763 443. MetroCoal currently holds a 57.2% interest in Cape.	
What is MetroCoal's Offer?	MetroCoal is offering 1 MetroCoal Share for every 1.3 of your Cape Shares (Offer).	
Are there any Defeating Conditions to the Offer?	Yes, the Offer is subject to various Defeating Conditions. There is no minimum acceptance defeating condition.	Section 11.2
What happens if the Defeating Conditions are not waived or satisfied?	If the Defeating Conditions to the Offer are not satisfied or waived by the Closing Date, including any extensions of the Closing Date, the Offer will lapse and you will retain your Cape Shares.	
What is this Bidder's Statement?	This Bidder's Statement sets out the terms of the Offer for all of your Cape Shares and information relevant to your decision on whether or not to accept the Offer or the Offer relevant to your circumstances. The Bidder's Statement has been issued under Part 6.5 of the <i>Corporations Act</i> for distribution to Cape Shareholders. The Bidder's Statement is an important document. If you are in any doubt as to how to deal with this Bidder's Statement, you should consult your Broker or legal, financial or other professional adviser as soon as possible.	
What happens if I accept the Offer for my Cape Shares?	If you accept the Offer and the Defeating Conditions are satisfied or waived, and you are not a Prescribed Foreign Security Holder, MetroCoal will acquire all of your Cape Shares in return for the Offer Consideration.	Section 12.10; Section 12.11
Are Foreign Security holders entitled to accept the Offer?	Foreign Security holders are entitled to accept the Offer, however as described in section 12.11, may receive cash instead of MetroCoal Shares as consideration in certain circumstances.	Section 12.11
When will I receive the Offer Consideration?	If you accept an Offer you will receive the relevant Offer Consideration on the earlier of: <ul style="list-style-type: none"> (a) one month after the date the relevant Offer is validly accepted by you, or if the relevant Offer is still conditional when you accept, within one month after the relevant Offer or the contract resulting from your acceptance of the relevant Offer becomes unconditional; and (b) 21 days after the end of the relevant Offer Period provided that the relevant Offer has become unconditional. If you are a Prescribed Foreign Security Holder, you will receive the cash Offer Consideration after the Shareholder Nominee has sold the MetroCoal Shares in accordance with Section 12.11(e).	Section 12.11

Question	Answer	Further information
What happens if I accept an Offer and MetroCoal then increases the Offer Consideration with respect to that accepted Offer?	You will receive the increased Offer Consideration even though you had already accepted the relevant Offer.	Section 12.11
Do I have to pay stamp duty or brokerage charges if I accept either Offer?	<p>There are no stamp duty charges or brokerage payable in relation to either of the Offer, unless your Cape Shares are registered in a CHESS Holding, or if you are a beneficial owner whose Cape Shares are registered in the name of a broker, bank, custodian or other nominee.</p> <p>If your Cape Shares are registered in a CHESS Holding or if you are a beneficial owner whose Cape Shares are registered in the name of a broker, bank, custodian or other nominee, you should ask your Controlling Participant (usually your stockbroker) or the relevant nominee whether it will charge any transaction fees or service charges in connection with the acceptance of the Offer.</p> <p>The Company is offering to pay brokers of accepting Cape Shareholders a brokers handling fee which will be 0.75% of the Offer consideration for the Shares covered by the acceptance. The minimum fee per accepting Cape shareholder will be \$50 and the maximum fee per accepting Cape shareholder will be capped at \$750. Further details are set out in sections 11.3 and 12.15.</p>	Section 13.2 and Sections 11.3 and 12.15
When does the Offer close?	The Offer closes at 7pm (AEST) on 3 October 2014 unless extended in accordance with the <i>Corporations Act</i> . You will receive written notification of any extension.	
Can I accept the Offer in respect of part of my holding?	No, you may only accept the Offer in respect of all of the Cape Shares held by you.	Section 12.7
Are there any risks in accepting the Offer?	Yes, there are a number of risks that may have a material impact upon the implementation of the Offer, the future performance of the Merged Group and the value of MetroCoal Shares.	Section 9
As a Cape Shareholder, what choices do I have?	<p>As a Cape Shareholder, you have the following choices in respect of your Cape Shares:</p> <ul style="list-style-type: none"> (a) accept the Offer; (b) sell your Cape Shares on ASX (only if you have not already accepted the Offer); or (c) do nothing. 	Section 10
What are the tax implications if I accept the Offer?	You are advised to seek your own advice specific to your individual circumstances. Section 0 contains a general summary of the major likely Australian tax consequences for Cape Shareholders who accept the Offer.	Section 10
How do I accept the Offer?	To accept the Offer you should follow the instructions set out in section 12.7.	Section 12.7
Once accepted, can I withdraw my acceptance?	No, under the terms of the Offer you cannot withdraw your acceptance unless a withdrawal right arises under the <i>Corporations Act</i> .	Section 12.10

Question	Answer	Further information
What happens if I do not accept the Offer?	If you do not accept the relevant Offer, you will remain a Cape Shareholder. If MetroCoal acquires more than 90% of Cape Shares and the other conditions of the Offer are either satisfied or waived, MetroCoal intends to proceed to compulsorily acquire your Cape Shares which MetroCoal is entitled to compulsorily acquire in accordance with the <i>Corporations Act</i> . In that case, you will not be paid the relevant Consideration for your Cape Shares until the end of the compulsory acquisition process.	Section 7.4
Where do I go for further information?	If you are in doubt as to how to deal with this document, you should consult your legal, financial or other professional adviser as soon as possible.	

4. Summary of the Offer

This summary of the Offer provides a general overview only and should be read together with the detailed information set out in the remainder of this Bidder's Statement.

The Bidder	MetroCoal Limited ACN 117 763 443 (MetroCoal) is the Company making the Offer to acquire all of the ordinary shares (Offer) in Cape Alumina Limited ACN 091 009 559 (Cape).								
The Offer	MetroCoal Offer to acquire ALL of your Cape Shares. You may only accept the Offer in respect of 100% of the Cape Shares that you hold.								
The Offer Consideration	MetroCoal is offering 1 MetroCoal Share for every 1.3 of your Cape Shares. Entitlements to fractions shall be disregarded. Prescribed Foreign Security Holders will receive cash rather than MetroCoal Shares as set out in section 12.11.								
Key dates	<table> <tr> <td>Announcement Date</td><td>4 August 2014</td></tr> <tr> <td>Bidder's Statement lodged with ASIC</td><td>19 August 2014</td></tr> <tr> <td>Date of Offer</td><td>2 September 2014</td></tr> <tr> <td>Close of Offer (unless extended or withdrawn)</td><td>3 October 2014</td></tr> </table>	Announcement Date	4 August 2014	Bidder's Statement lodged with ASIC	19 August 2014	Date of Offer	2 September 2014	Close of Offer (unless extended or withdrawn)	3 October 2014
Announcement Date	4 August 2014								
Bidder's Statement lodged with ASIC	19 August 2014								
Date of Offer	2 September 2014								
Close of Offer (unless extended or withdrawn)	3 October 2014								
Issue of MetroCoal Shares	<p>You will be issued your MetroCoal Shares, following acceptance of the relevant Offer by you (unless you are a Prescribed Foreign Security Holder), by the end of whichever of the following periods ends earlier:</p> <ul style="list-style-type: none"> (a) 1 month after the later of your acceptance and the date the relevant Offer becomes unconditional; or (b) 21 days after the expiry of the Offer period. <p>Full details of when MetroCoal Shares will be issued are set out in section 12.11.</p>								
Defeating Conditions of the Offer	The Offer is subject to a number of Defeating Conditions which are set out in full in section 11.2 of this Bidder's Statement.								
How to accept the Offer	You must complete, sign and return the enclosed Acceptance Form in accordance with the Instructions so that it is received before the end of the Offer Period. Foreign Security Holders and Australian shareholders sending their Acceptance Form from overseas should return their Acceptance Form by airmail.								
Close of Offer	The Offer is scheduled to close at 7pm (AEST) time on 3 October 2014, unless extended or withdrawn in accordance with the <i>Corporations Act</i> .								
Enquiries about the Offer	If you have any questions about the Offer or how to accept the Offer, please call Link Market Services Limited on 1300 138 914 (within Australia) or +61 2 8767 1054 (from outside Australia) or consult your legal or other financial or professional adviser. For questions regarding your holding of shares in Cape, please call Cape on +61 7 3009 8000 (not toll free).								

5. MetroCoal Limited

5.1 Overview of MetroCoal

The Bidder is MetroCoal Limited ACN 117 763 443 (ASX Code: MTE). MetroCoal has been listed on the ASX since 4 December 2009.

MetroCoal currently holds 57.2% of Cape.

MetroCoal is currently an Australian coal company and has, since listing, been focused on thermal coal projects in South East Queensland. MetroCoal holds extensive coal exploration permits (EPCs) in the Surat Basin.

Over the past 12 months, in response to the depressed coal market, low coal prices and the delay in the provision of rail infrastructure into the Surat Basin, MetroCoal has implemented strategies to preserve cash and seek new opportunities, these are:

- Reduce expenditure on coal exploration but maintain the Company's coal assets so that MetroCoal can benefit when the coal market improves. This includes working with all other stakeholders in the Surat Basin via the Surat Basin Alliance to develop a plan to meet the infrastructure requirements necessary to enable mine development to occur in the future;
- Continue to reduce the administration, corporate and tenement costs of the Company; and
- Investigate other opportunities in the resources industry that could give the shareholders some return of value in the short to medium term.

In 2013 MetroCoal identified bauxite as a commodity with attractive prices and a positive outlook and it has been successful in gaining an entry into the bauxite industry by acquiring its current majority interest in Cape. MetroCoal believes that Cape's bauxite resources provide opportunities for development in the near to medium term while retaining the coal assets to provide opportunities in the longer term.

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 currently on bauxite and Cape Alumina, the Company will continue to seek avenues to diversify its risk base through participation and acquisition of other projects in Australia and possibly overseas.

Detailed information about MetroCoal is available on its website www.metrocoal.com.au and on ASX's website www.asx.com.au (ASX: MTE).

5.2 Summary of MetroCoal's Coal Assets

MetroCoal's coal exploration permits (EPCs) in the Surat Basin cover over 3,000 square kilometres and contain over 4.4 billion tonnes of thermal coal (see Table 1 below) one of the largest thermal coal resources in Australia (see Figure 1 below).

Table 1: MetroCoal's Thermal Coal Resources & Reserves

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

MTE ASX Announcement 24 October 2013 – Bundi Project Update

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 in Inferred Resource

MTE ASX Announcement 19 December 2012 – Goombi Maiden Reserve Announced

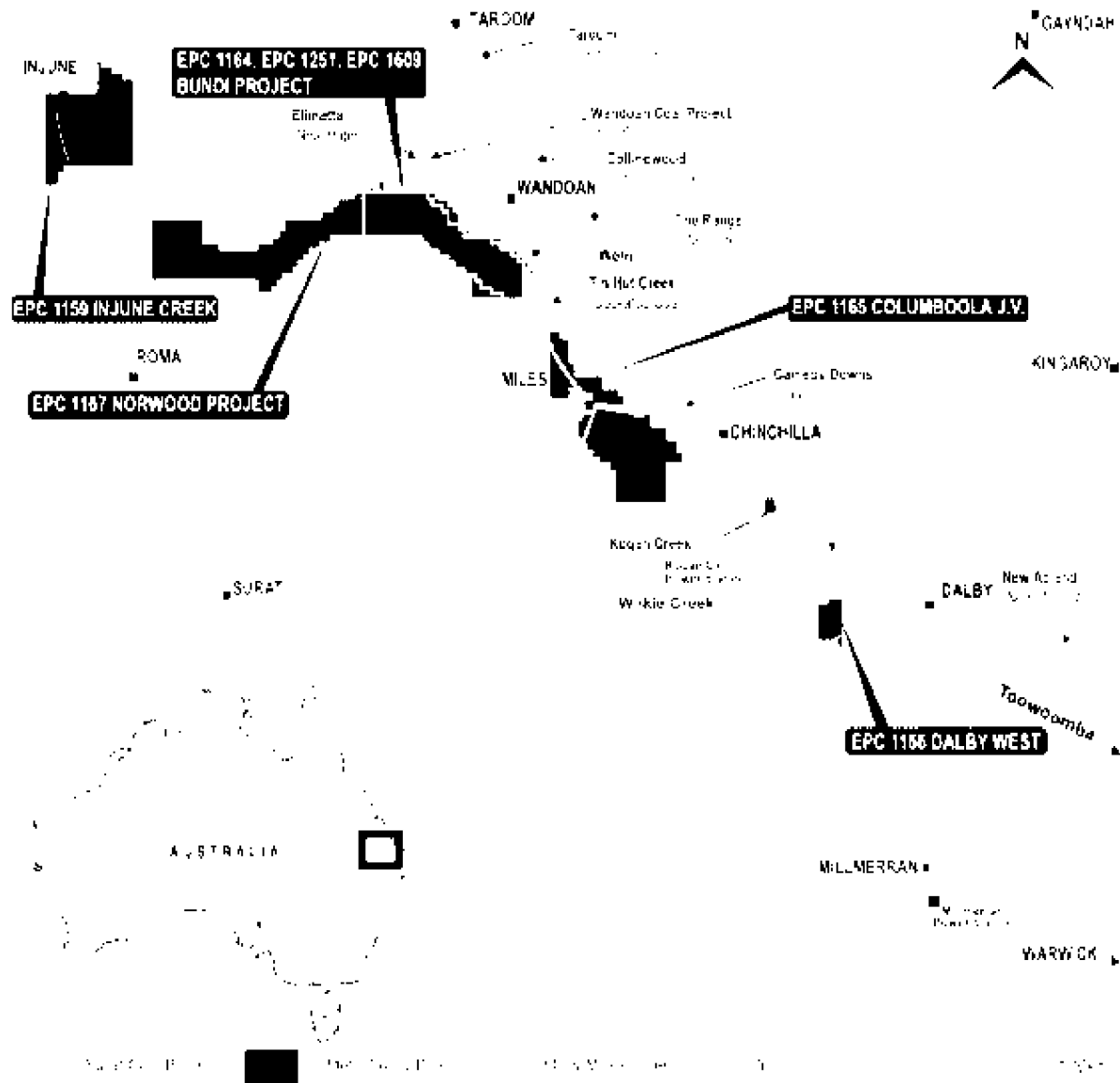
Over the past three years MetroCoal has completed significant exploration programs, drilling over 220 boreholes in its own and the Joint Venture tenements. Geological modelling, based on this exploration, confirms that the area contains continuous coal seams extending over very large areas that are suited to underground mining using modern, high productivity longwalls.

Within this huge resource MetroCoal has identified two project areas both capable of supporting mines producing over 5 million tonnes per year, including:

- The Bundi Project, owned 100% by MetroCoal, situated south west of the town of Wandoan, adjoining Xstrata's Wandoan Project; and
- The Columboola Joint Venture owned by MetroCoal (49%) and SinoCoal Pty Ltd, the Australian subsidiary of China Coal (one of China's largest coal companies). The Columboola project is situated near Chinchilla adjoining Yancoal's Cameby Downs Mine.

In February 2014, MetroCoal was also granted a tenement comprising 310 sq km at Pentland South, 110km southwest of Charters Towers in North Queensland. This tenement gives MetroCoal thermal coal opportunities outside of the Surat Basin which are prospective for opencut mining. The tenement is surrounded by Mineral Development Licences held by Linc Energy and Glencore. An exploration program is being prepared and farm-in opportunities are being discussed with third parties.

Figure 1: MetroCoal's Surat Basin Coal Tenements



5.3 Directors of MetroCoal

As at the date of this Bidder's Statement, the directors of MetroCoal are:

- Mr Stephen Everett (Chairman);
- Mr Andrew Gillies (Non-Executive Director);
- Mr Dongping Wang (Non-Executive Director);
- Mr Lindsay Ward (Non-Executive Director);
- Mr Robert Finch (Alternate Director); and
- Mr John Haley (Alternate Director).

The Company Secretary is Mr Scott Waddell.

The details of the Directors and Company Secretary at the date of this Bidder's Statement are as follows:

Mr Stephen Everett - Non-Executive Chairman
Bachelor of Engineering (Chem Eng. Honours)

Mr Everett has forty years management and board experience in the resources and construction industries and has held Chairman and non-executive director positions in Government Development Boards, Private, ASX listed and TSX listed companies.

Mr Everett has also held senior executive positions included Managing Director and Chief Executive Officer of private and publicly listed companies.

Mr Everett is also the Non-Executive Chairman of MetroCoal and was appointed as Non-Executive Chairman of Cape on 8 May following the completion of the Previous Offer.

Mr Everett is also a director of Global Resources Corporation Limited (appointed April 2009) and in the last three years has also been a director of IronRidge Resources Limited (appointed May 2011, resigned October 2012).

Mr Andrew Gillies - Non-Executive Director
Bachelor of Science (Geology), MAusIMM

Mr Gillies is a founding director of MetroCoal Limited. He has been instrumental in the selection and acquisition of all the mineral assets now held by the Metallica Minerals Limited, Cape Alumina Limited and MetroCoal Limited. Mr Gillies' key strength is mineral resource management and strategic planning specialising in project generation, selection and acquisition. He has acquired a considerable database and significant knowledge of mineral deposits in Queensland.

Since 1985 he has worked continuously as a geologist in the mining and exploration industry, accruing over 27 years experience across a range of commodities. Over the last 27 years he gained valuable experience in the exploration, feasibility, development, open pit and underground mining of mineral deposits.

Mr Gillies has previously served as director of Cape between 2 February 2004 and 30 November 2011.

Mr Gillies is also the managing director of Metallica Minerals Limited (appointed 15 January 1997) and in the last three years has been a director of Orion Metals Limited (appointed 27 November 2009, retired 3 August 2012) and Planet Metals Limited (appointed 9 June 2009, retired 31 July 2012).

Mr Dongping Wang - Non-Executive Director
Major in Coal Processing Technology

Mr Wang Dongping graduated from the China Mining University in 1981, with a Major in Coal Processing Technology. Mr Wang was Process Plant Manager, and later Director of Operations at PingshuoAntaibao coal mine for many years; a World Bank funder USA – China joint venture project. Mr Wang then worked for a time in the China Coal Ministry. He later became General Manager of Long-Airdox (Tianjin), where from 1997 he was instrumental in introducing modern coal process technology from Australia to China. Mr Wang became General Manager of Schenck (Tianjin) and worked there until 2007.

He then helped establish the Dadi Engineering Group, now China's largest coal industry engineering group. Mr Wang is now Chairman of Dadi Engineering Development Group. Mr Wang Dongping has worked at the highest level within the Chinese coal industry for 30 years and is a highly renowned coal processing expert, and a prominent figure in the Chinese coal industry. Mr Wang brings extensive Management experience and an intimate knowledge of modern coal process technology to MetroCoal.

Mr Wang is also a director of Dadi Engineering Development Group, appointed 27 January 2010.

Mr Lindsay Ward - Non-Executive Director
Bachelor of Applied Science (Geology), Graduate Diploma Business Management GAICD

Mr Lindsay Ward is an experienced senior executive having worked in a broad range of industries including ports, mining, mineral processing, rail haulage, electricity generation, gas transmission, alternative waste treatment, transport and logistics at general manager, CEO, managing director, non-executive director and chairman level.

Mr Ward is currently CEO of the Tasmanian Gas Pipeline (**TGP**) and has a broader role with Palisade Investment Partners (the owners of TGP) managing their various infrastructure assets including a port, power station and alternative waste treatment facilities either as CEO, general manager, chairman or director.

Prior to this, Mr Ward was Managing Director of Dart Mining NL (ASX-DTM), a Victorian based molybdenum-copper-silver explorer. Prior to joining Dart Mining, Mr Ward was General Manager – Patrick Ports and Pacific National Bulk Rail, a business unit of Asciano Ltd.

Mr Ward started his career in the Mining Industry, spending 15 years working with various mining companies in WA, Queensland, NSW and Victoria in various roles including mine geologist, mining engineer and mine manager.

Mr Ward is also a Non-Executive Director of Cape having been appointed to that position on 8 May following the completion of the Previous Offer.

Mr Robert Finch - Alternate Director

Mr Robert Finch brings more than 24 years of Management experience to MetroCoal, including over 18 years in the Australian and Chinese coal industries. He has worked in Australia and throughout Asia for over 23 years. Robert has a strong association and sound knowledge of Chinese business culture, and both the Australian and Chinese Coal industries. Robert was instrumental in pioneering modern coal process technology into China and he worked in China for 4 years up to mid 2006 as Managing Director of Schenck Tianjin, a major process equipment manufacturing company.

In 2008 he established and is Managing Director of Aury Australia, a coal process equipment manufacturing company based in Queensland, which supplies process equipment to the Australian and overseas coal and minerals industries. Robert offers both Australian and Chinese coal industry experience and Management skills to MetroCoal.

Mr John Haley - Alternate Director
Bachelor of Commerce, MBA, GradCert (Marketing), Grad Dip CSP, FCA, FTIA

Mr Haley brings over thirty years of senior corporate experience from positions in Canada and Australia to the board of MetroCoal. He has a diverse career in a range of industries including mineral exploration and has participated as a seed capitalist in a number of mineral exploration companies.

With extensive experience in the preparation of prospectuses, he has had significant involvement in the listing of companies in Australia and Canada. He has previously worked with Coopers & Lybrand and Arthur Andersen & Co and in Australia in general management, financial reporting and company secretarial positions.

Mr Haley has previously served as director of Cape between 1 February 2011 and 30 November 2011 as the alternate director for Andrew Gillies.

In the last three years Mr Haley is also been a director of Metallica Minerals Limited (appointed 22 December 2003, retired 26 November 2013).

Mr Scott Waddell – Company Secretary / CFO
Bachelor of Business, QUT, Fellow of the CPA

Mr Scott Waddell's resource experience has been gained over 9 years with Anglo Coal and 8 years with Rio Tinto Alcan (RTA) in a wide variety of senior roles across multiple sites. He has a deep

understanding of the global bauxite, alumina and resource sectors. Mr Waddell has also served as Head of Finance for the Monash Energy project in Victoria's Latrobe Valley.

Mr Waddell has completed numerous post graduate courses including Graduate Diploma in Applied Corporate Governance, Company Directors Course with the Australian Institute of Company Directors (AICD) and Post Graduate Diploma in Purchasing and Materials Management at RMIT. Mr Waddell is an associate member of Chartered Secretaries Australia.

Mr Scott Waddell is also the Company Secretary and Chief Financial Officer for Cape. Mr Waddell was appointed as Company Secretary of MetroCoal on 19 May 2014 under the implementation of MetroCoal's plan under the Previous Offer to achieve operational savings by amalgamating the functions of MetroCoal and Cape.

5.4 **Financial profile of MetroCoal**

As reported in MetroCoal's June 2014 Quarterly Report (released to the ASX on 24 July 2014), for the quarter ended 30 June 2014, MetroCoal had total cash of \$6.5M.

As reported in MetroCoal's Annual Report for the period ended 30 June 2013 (released to the ASX on 12 September 2013), as at 30 June 2013, MetroCoal had total cash of \$11.5M.

As reported in MetroCoal's Half-Yearly Interim Financial Report for the period ended 31 December 2013, MetroCoal had a total asset position of \$32.5M and a net assets position of \$32.2M. The carrying value of MetroCoal's coal exploration assets contribute significantly to this asset position. As at 31 December 2013, the carrying value of MetroCoal's exploration assets was approximately \$23.9M. MetroCoal is in the process of completing its financial statements to 30 June 2014, which are being prepared in accordance with AIFRS.

The Board of MetroCoal will consider the issue of impairment of the assets when finalising the financial statements of MetroCoal to 30 June 2014 and it is highly likely that there will be a significant write down of the value of MetroCoal's exploration assets in those financial statements as a consequence of relevant AIFRS and the prevailing market for thermal coal. Further details regarding the MetroCoal's proposed write-down of its explorations assets and the corresponding risks associated with such a write-down are contained in section 8.4 and in section 9.4(j) respectively.

Copies of MetroCoal's 2013 Annual Report are available at www.asx.com.au (ASX: MTE).

5.5 **Stock Market Trading**

The consideration to be offered in exchange for shares in Cape consists of fully paid ordinary shares in MetroCoal.

MetroCoal Shares of the same class as being offered under the Offer are traded on the ASX.

5.6 **Rights of MetroCoal's Shares**

The rights attaching to MetroCoal Shares are governed by the Constitution of MetroCoal, a copy of which may be inspected at MetroCoal's registered office being the corner of Lytton Road and Stafford Street, East Brisbane, Queensland. Set out in Section 13.1 of this document is a summary of the principal rights attaching to the MetroCoal Shares offered as consideration.

5.7 **MetroCoal ASX Announcements**

A list of announcements made between 12 September 2013 and the date of this Bidder's Statement are set out in Annexure B. This information may be relevant to your assessment of the Offer. Copies of the announcements are also available from ASX www.asx.com.au (ASX: MTE).

5.8 **Further information on MetroCoal**

Further information about MetroCoal can be found on the ASX website (www.asx.com.au, ASX: MTE), or alternatively MetroCoal's website (www.metrocoal.com.au).

6. Cape Alumina Limited

6.1 Disclaimer

All information included in this Bidder's Statement about Cape and its business has been prepared by MetroCoal derived solely from publicly available sources of information published by Cape unless otherwise indicated below and has not been independently verified.

MetroCoal, its Directors and the Competent Persons listed at section 13.9 make no representation about the accuracy or otherwise of information published by Cape (including but not limited to JORC statements and resource and reserve statements) and do not accept any liability to the extent that the statements in this Bidder's Statement are based on information published by Cape which is not true, accurate or complete.

The information regarding Cape in this Bidder's Statement should not be considered comprehensive. Further information about Cape may be included in the Target's Statement.

6.2 Overview of Cape

Cape was established in February 2004 and was listed on the ASX in January 2009.

Cape has focussed on the development of two bauxite projects, namely Pisolite Hills and Bauxite Hills. A summary of the status of each of these projects is set out at Section 6.3 below. In addition, Cape holds exploration rights over a number of other areas in western Cape York which are prospective for bauxite.

Cape is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, Cape is subject to the Listing Rules, which require continuous disclosure of any information Cape has concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

The ASX website lists all announcements issued by Cape. These documents are available in electronic form from www.asx.com.au.

In addition, Cape is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Cape may be obtained from or inspected at, an ASIC office.

6.3 Summary of the Cape projects

(a) Pisolite Hills

On 20 November 2013, the Queensland Government announced that it would enact legislation to effectively ban mining over the Bertiehaugh Cattle Station and Steve Irwin Wildlife Reserve (**SIWR**) in "perpetuity".

The SIWR overlies a significant part of Cape's proposed Pisolite Hills project resource and, consequently, the Government's decision has effectively sterilised this part of the resource, resulting in Cape suspending all substantive works on the Pisolite Hills mine and port project.

In addition, on 13 June 2014 the Queensland Government proclaimed commencement of the *Regional Planning Interests Act 2014 (Qld)* (**RPIA**) (and accompanying *Regional Planning Interests Regulations 2014 (Qld)*) which incorporates the Cape York Regional Interests map (**CYRI Map**) ahead of the release of the Cape York Regional Plan later this year.

On 16 June 2014, Cape announced that the CYRI Map confirms the significant impact of the RPIA on the Pisolite Hills Project and confirmed that Cape would continue to focus on the development of the Bauxite Hills mine and port project.

(b) Bauxite Hills

An ASX announcement by Cape on 11 August 2014 and 14 August 2014 contained the following details on the Bauxite Hills Project:

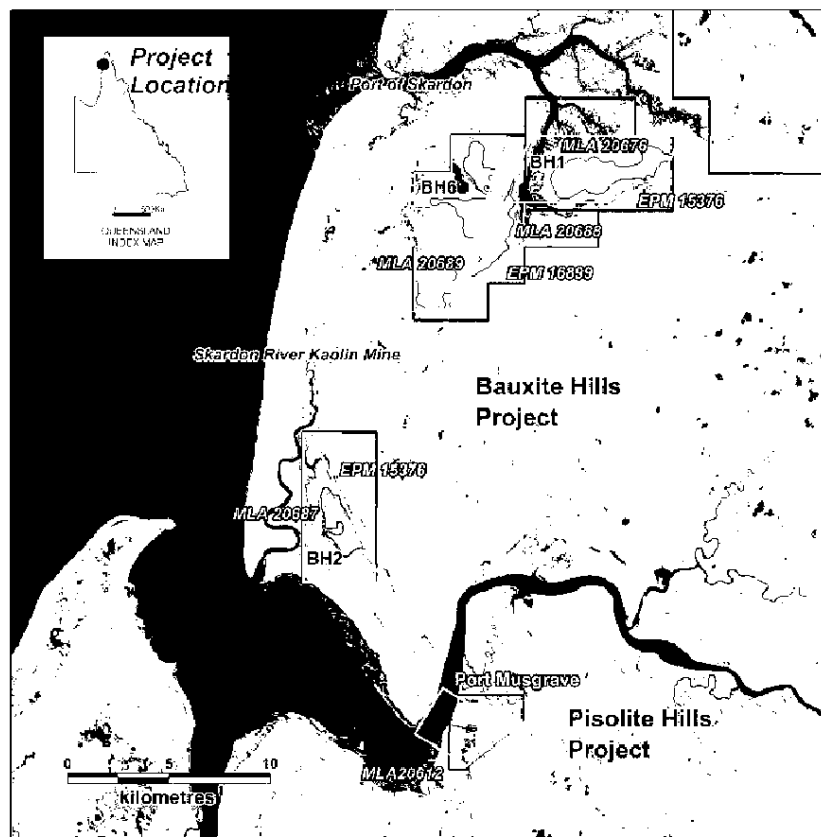
"The Bauxite Hills mine and port project is situated 95 kilometres north of Weipa on Queensland Cape York Peninsula and 5 kilometres east of the Skardon River. Western Cape York is world renowned for its deposits of high quality, export grade bauxite.

A recently completed internal review for Bauxite Hills concluded that if a Direct Shipping Ore (DSO) product can be produced and transhipped via the Shardon or Ducie rivers then a low capital low operation cost would have the potential to increase the economic viability of the project.

This internal review has given management sufficient confidence to push ahead with the preliminary stages of environmental approvals and to complete additional technical studies to firm up the existence of economically mineable DSO product prior to committing to a feasibility study."

In that ASX release, Cape also advised that they are reviewing fund raising options as additional funds will be required to enable the environmental approvals and technical studies to proceed.

The CYRI Map shows that there is no impact to any of the Bauxite Hills Project tenements or the proposed mine and port project areas.



(Source: Cape ASX release dated 11 and 14 August 2014 "Direct Shipping ore Inferred Resource Declared for Bauxite Hills BH6 Tenement")

6.4 The Directors and senior management

DIRECTORS

The current directors of Cape are:

- Mr Stephen Everett (Non-Executive Chairman)
- Mr Lindsay Ward (Non-Executive Director);
- Mr George Lloyd (Non-Executive Director);
- Mr Jijun Liu (Non-Executive Director);
- Mr Ken Xiao (Alternate Director).

The Company Secretary is Mr Scott Waddell.

Mr Stephen Everett and Mr Lindsay Ward are the MetroCoal Board nominees to the Cape Board.

The details of the Directors and Company Secretary at the date of this Bidder's Statement are as follows:

Mr Stephen Everett - Non-Executive Chairman Bachelor of Engineering (Chem Eng. Honours)

Mr Everett has forty years management and board experience in the resources and construction industries and has held Chairman and non-executive director positions in Government Development Boards, Private, ASX listed and TSX listed companies.

Mr Everett has also held senior executive positions included Managing Director and Chief Executive Officer of private and publicly listed companies.

Mr Everett is also the Non-Executive Chairman of MetroCoal and was appointed as Non-Executive Chairman of Cape on 8 May following the completion of the Previous Offer.

Mr Everett is also a director of Global Resources Corporation Limited (appointed April 2009) and in the last three years has also been a director of IronRidge Resources Limited (appointed May 2011, resigned October 2012).

Mr Lindsay Ward - Non-Executive Director Bachelor of Applied Science (Geology), Graduate Diploma Business Management GAICD

Mr Lindsay Ward is an experienced senior executive having worked in a broad range of industries including ports, mining, mineral processing, rail haulage, electricity generation, gas transmission, alternative waste treatment, transport and logistics at general manager, CEO, managing director, non-executive director and chairman level.

He started his career in the mining industry, spending 15 years working with various mining companies in WA, Queensland, NSW and Victoria in various roles including mine geologist, mining engineer and mine manager.

Mr Ward is currently CEO of the Tasmanian Gas Pipeline (**TGP**) and has a broader role with Palisade Investment Partners (the owners of TGP) managing their various infrastructure assets including a port, power station and alternative waste treatment facilities either as CEO, general manager, chairman or director.

Prior to this, Mr Ward was Managing Director of Dart Mining NL (ASX-DTM), a Victorian based molybdenum-copper-silver explorer. Prior to joining Dart Mining, Mr Ward was General Manager – Patrick Ports and Pacific National Bulk Rail, a business unit of Asciano Ltd.

Mr Ward is also a Non-Executive Director of MetroCoal and was appointed as Non-Executive Director of Cape on 8 May following the completion of the Previous Offer.

Mr George Lloyd - Non-Executive Director
Master of Business Administration, BEngSc (Industrial Engineering), FAICD; FAusIMM,
Stanford Executive Program

Mr George Lloyd holds a Bachelor of Engineering Science (Industrial Engineering) degree and a Master of Business Administration degree, both from the University of NSW. He is also a graduate of the Stanford Executive Program. Mr Lloyd is a Fellow of the Australian Institute of Company Directors (AICD) and a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM). He has over 30 years of resource industry experience including time as a senior executive and board member of listed and unlisted Australian resource companies with interests in minerals, energy and industry services.

Mr Lloyd is Chairman of global resources industry engineering services group Ausenco Limited, as well as Chairman of Pryme Energy Limited, an ASX-listed oil and gas explorer and producer operating in the United States. Mr Lloyd is also a non-executive Chairman of AWR Lloyd, a private Asian-based firm providing mergers and acquisitions, corporate strategy, industrial research, and investor relations advisory services to the mining and energy industries in Asia and Australia.

Mr Jijun Liu - Non-Executive Director

Mr Jijun Liu studied thermal power plant engineering at Shandong Power Junior College.

Jijun Liu is an employee of China Xinfu Group Corporation Limited.

Mr Ken Xiao - Alternate Director
Bachelor of Science (Computer) / Bachelor of Engineering
(Computer) University of Newcastle and a Master of Information Technology QUT

Ken Xiao is a consultant to China Xinfu Group Corporation Limited.

Mr Scott Waddell – Company Secretary/CFO/Acting CEO
Bachelor of Business, QUT, Fellow of the CPA

Mr Scott Waddell's resource experience has been gained over 9 years with Anglo Coal and 8 years with Rio Tinto Alcan (RTA) in a wide variety of senior roles across multiple sites. He has a deep understanding of the global bauxite, alumina and resource sectors. Prior to joining Cape as chief financial officer, Mr Waddell served as Head of Finance for the Monash Energy project in Victoria's Latrobe Valley.

Mr Waddell has completed numerous post graduate courses including Graduate Diploma in Applied Corporate Governance, Company Directors Course with the Australian Institute of Company Directors (AICD) and Post Graduate Diploma in Purchasing and Materials Management at RMIT. Mr Waddell is an associate member of Chartered Secretaries Australia.

Mr Scott Waddell is also the Company Secretary and Chief Financial Officer for MetroCoal, having been appointed to that position on 19 May 2014 under the implementation of MetroCoal's plan under the Previous Offer to achieve operational savings by amalgamating the functions of MetroCoal and Cape.

6.5 **Cape Financial Information**

MetroCoal has relied on the information in Cape's Half-year financial report to 31 December 2013 (released to the ASX on 14 February 2014) and quarterly reports of Cape as at 30 June 2014 (released to the ASX on 7 July 2014). As at 30 June 2014, Cape had total cash of \$1.4M.

As reported in Cape's Annual Report for the period ended 30 June 2013 (released to the ASX on 21 October 2013), as at 30 June 2013, Cape had total cash of \$2.7M.

Copies of Cape's 2013 Annual Report are available at www.asx.com.au (ASX:CBX)

6.6 Publicly available information on Cape

Cape is an ASX listed public company (ASX:CBX). Further publicly available information about Cape can be found on the Cape website at www.capealumina.com.au.

6.7 Cape Shares on issue

Based on documents lodged by Cape with ASIC, and other information made available to MetroCoal by Cape, the total number of securities in each class in Cape at the Announcement Date was as follows:

Class of Security	Number on Issue
Cape Shares	
Ordinary Shares	242,648,398
Other securities	
Unlisted Options	14,706,000

6.8 Relevant interests of MetroCoal in Cape Shares

As at the date of the Bidder's Statement and immediately before the Offer Date, MetroCoal's relevant interest in Cape Shares of 57.2%.

6.9 Voting power in Cape

As at the date of the Bidder's Statement and immediately before the Offer Date, MetroCoal's voting power in Cape is 57.2%.

6.10 Consideration provided for Cape Shares during previous four months

(a) Four months before the date of the Bidder's Statement

During the four months before the date of this Bidder's Statement, MetroCoal acquired 27,136,354 Cape Shares by on-market acquisition pursuant to the Previous Offer at a share price of \$0.006 (for total consideration of \$162,818.20). These Cape Shares were acquired on 17 April 2014.

MetroCoal had also previously acquired 95,059,489 Cape Shares by on-market acquisition pursuant to the Previous Offer at a share price of \$0.006 (for total consideration of \$570,356.93) on 26 March 2014.

(b) Period between the date of this Bidder's Statement and the date immediately before the Offer Date.

Neither MetroCoal nor any Associate of MetroCoal has provided, or agreed to provide, consideration for Cape Shares under any purchase or agreement during the period starting on the date of this Bidder's Statement and ending on the date immediately before the Offer Date.

6.11 Escalation Agreements

Neither MetroCoal nor any Associate of MetroCoal has entered into any escalation agreement that is prohibited by section 622 Corporations Act.

6.12 Collateral Benefits

Other than as set out in this Bidder's Statement, neither MetroCoal nor any Associate of MetroCoal during the four months before the Offer Date gave, or offered to give, or agreed to give, a benefit to another person which was likely to induce the other person, or an associate of the other person, to:

(a) accept the Offer; or

(b) dispose of Cape Shares,

and which was not offered to all Cape Shareholders under the Offer.

6.13 Offer extends to new Cape Shares

In accordance with section 617(2) of the Corporations Act, the Offer extends to any other securities that come to be in the Bid Class during the Offer Period due to the conversion of or exercise of rights attached to other securities that exist or will exist at the Register Date that:

(a) will convert, or maybe converted, to securities in the Bid Class; or

(b) confer rights to be issued securities in the Bid Class.

The above includes, without limitation, Shares that are issued upon vesting and exercise of any of the options currently on issue in Cape.

7. The intentions of MetroCoal relating to the Offer

7.1 Introduction

This section sets out the Bidder's intentions in relation to the following:

- (a) the continuation of the business of Cape;
- (b) any major changes to the business of Cape and any redeployment of the fixed assets of Cape; and
- (c) the future employment of the present employees of Cape.

These intentions are based on the information concerning Cape, its business and the general business environment, which is known to the Bidder at the time of the preparation of this Bidder's Statement.

Final decisions will only be reached by the Bidder in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this Section 7 are statements of current intention only, which may change as new information becomes available or circumstances change.

There are a range of potential outcomes arising from the Offer. This section outlines these impacts on the basis that MetroCoal is successful in increasing its interest in Cape from 57.2% to 90% of Cape (and so can proceed to compulsorily acquire all remaining Cape Shares) and also for the situation where MetroCoal's shareholding in Cape were to remain less than 90%.

7.2 Review

MetroCoal and its advisors have reviewed information that has been publicly available about Cape, its current activities and its plans for the future and, in its capacity as majority shareholder of Cape and with 2 nominees to the Board of Cape, its discussions with Cape in relation to its operations.

Following the close of the Offer, MetroCoal will, to the extent that information is available to it, conduct a review of the operations, assets, structure and employees of Cape in light of that information. Final decisions will only be reached after that review. As such, statements set out in this section are statements of current intention only which may change as new information becomes available to MetroCoal or circumstances change. The statements in this section should be read in this context.

7.3 Intentions if MetroCoal's interest remains less than 90%

The Offer is subject to a number of conditions and this section outlines MetroCoal's current intentions in the event that it increases its shareholding in Cape from 57.2%, but still holds less than 90% of Cape Shares or is otherwise unable to compulsorily acquire additional shares. If MetroCoal is not able to proceed to compulsory acquisition, it will increase its capacity to influence the action, operations and management of Cape, subject to its obligations at law.

In this circumstance and in the absence of any Defeating Conditions, MetroCoal would, the extent to which it is able to do so, look to:

- (a) subject to the Corporations Act and the constitution of Cape, increase its board representation to a level reflective of its shareholding;
- (b) consider various options available to Cape to raise the funds necessary to deliver Cape's strategy;
- (c) subject to MetroCoal acquiring at least 75% of the Cape Shares and otherwise satisfying the requirements of ASX and the Listing Rules, remove Cape from the official list of ASX;
- (d) if MetroCoal becomes entitled at some later time to exercising general compulsory acquisition rights under the Corporations Act, exercise those rights; and

- (e) seek to implement such of the intentions as are detailed below in Section 7.4 as are consistent with Cape being a controlled entity of MetroCoal but not a wholly-owned subsidiary.

7.4 Intentions upon acquisition of 90% or more of Cape Shares

This section 7.4 sets out the Bidder's intentions if it acquires 90% or more of the Cape Shares and it is entitled to proceed to compulsory acquisition of the outstanding Cape Shares.

(a) Corporate matters

The Bidder intends to:

- (1) proceed with compulsory acquisition of the outstanding Cape Shares in accordance with the provisions of Chapter 6A of the Corporations Act;
- (2) negotiate with holders of existing options in Cape for the acquisition or cancellation of those options;
- (3) replace the non-Bidder nominees on the Board of Cape; and
- (4) change the name of the Merged Group to more appropriately reflect the commodity diversification of the Merged Entity.

Subsequent to completion of the Previous Offer, MetroCoal has undertaken a review of the employees of Cape and instigated changes to the executive of Cape. It is unlikely that MetroCoal will be required to instigate further employment changes as a result of the outcome of this Offer.

In addition to this, MetroCoal will arrange for Cape to be removed from the official list of ASX. Under the ASX Listing Rules, a listed company must maintain a spread of share holdings, which, in ASX's opinion, is sufficient to ensure there is an orderly and liquid market in securities. ASX may suspend and de-list a company that does not meet its spread requirements. It is possible that, whether or not MetroCoal intends for Cape to be de-listed, ASX may de-list Cape if MetroCoal acquires 90% or more of the Cape Shares.

(b) Head office and administration functions

MetroCoal intends to continue to amalgamate the corporate head office and administrative functions of MetroCoal and Cape, such as finance and accounting, company secretarial, risk management, as well as those functions involved in setting overall planning and control of the combined operations of MetroCoal and Cape, with a view to eliminating duplication of tasks and reduce or eliminate costs where possible.

MetroCoal expects that in this way it will enable a reduction in corporate overhead for the combined entity.

(c) Exploration focus

MetroCoal believes that the combination of MetroCoal and Cape is a logical move for both companies as the Merged Group provides access to an increased portfolio of projects.

7.5 Limitations on intentions

MetroCoal would only make a decision on the above matters following receipt of appropriate legal and financial advice.

8. Profile of Merged Group

8.1 Merged Group Disclaimer

The information on the Merged Group contained in this Bidder's Statement to the extent that it incorporates or reflects information on Cape has also been prepared using publicly available information. Accordingly information in relation to the Merged Group is subject to the foregoing disclaimer to that extent.

8.2 Introduction

The profile of the Merged Group will vary depending on the outcome of the Offer. Unless otherwise indicated, the description of the Merged Group in this section 8 assumes that Cape is a wholly-owned subsidiary of MetroCoal. If MetroCoal is not entitled to compulsorily acquire Cape Shares during the Offer Period, some of the benefits that would otherwise accrue to MetroCoal if Cape were to become a wholly owned subsidiary of MetroCoal may not be fully realised.

8.3 Merged Group

If MetroCoal is successful in acquiring 100% of Cape then MetroCoal will focus on the progression and development of Cape's bauxite projects in the short and medium term while maintaining it's existing coal tenements in good standing for development in the longer term when the coal price recovers.

Although MetroCoal remains confident that exposure to the bauxite sector will provide positive returns for MetroCoal shareholders while awaiting the recovery of the thermal coal market the Company will continue to review new opportunities both in Australia and overseas in parallel with the progression and development of Cape's projects .

8.4 Pro-forma balance sheets

Summary Information

Using the 31 December 2013 half-year reviewed financial statements of MetroCoal and Cape (released to the ASX in February 2014) and the total value of the Offer, on a pro-forma basis the Merged Group is estimated to hold total assets of \$32.4M, total liabilities of \$395,671 and net assets of \$32M. The Merged Group will hold a cash balance of approximately \$7.7M. The balance sheet of the Merged Group will depend on the outcome of the Offer and the fair value of MetroCoal's shares as at the date the Cape shares are acquired.

The pro-forma summary of the balance sheet of the Merged Group is contained in Annexure A to this Bidder's Statement.

MetroCoal is in the process of completing its financial statements to 30 June 2014, which are being prepared in accordance with the required accounting standards, including the impairment of assets. An asset becomes impaired when the carrying amount of the asset exceeds the recoverable amount of an asset through the use or sale of that asset and that impairment must be recognised as such in the financial statements of the company. The applicable accounting standards specify circumstances in which exploration and evaluation assets should be assessed for impairment to determine whether the carrying amount of the asset may exceed its recoverable amount. The Board of MetroCoal will consider the issue of impairment of the assets of the company when finalising the financial statements of MetroCoal to 30 June 2014 and it is highly likely that there will be a significant write down of the value of MetroCoal's assets in those financial statements.

The financial statements to 30 June 2014 for Cape have not yet been released. The Board of MetroCoal is also of the view that due to the impact of the *Regional Planning Interests Act 2014 (Qld)* it is highly likely that the Board of Cape will be required to write down the value of its assets on account of impairment with respect to the Pisolite Hills project.

In the event that financial reports to 30 June 2014 are released by MetroCoal or Cape prior to the Closing Date and are materially different to the financial information contained in Annexure A, MetroCoal will issue a supplementary bidder's statement with respect to the pro-forma summary.

8.5 Effect on MetroCoal Capital Structure

Assuming that MetroCoal acquires 100% of the Cape Shares, the following table shows the issued and fully paid share capital and options of MetroCoal as at the date of this Bidder's Statement and as it will be immediately following completion of the Offer.

Table A – Securities of MetroCoal and Cape at the date of this Bidder's Statement and Post-Merger

Capital Structure	# of shares / options
MetroCoal	
Shares on issue	208,883,663
Options (unlisted)	2,000,000
Cape	
Shares on issue	242,648,398
Options (unlisted)	14,706,000
MetroCoal (post-Merger) (assuming 100% acceptance and no Cape options or rights exercised*)	
Shares on issue	288,718,961
Options (unlisted)	2,000,000
Ownership Composition (post-Merger, excluding options)*	
MetroCoal Shareholders	72.35%
Cape Shareholders (other than MetroCoal)	27.65%

**Assumes that none of the options issued by Cape have been exercised and converted into Cape Shares which can participate in the Offer. This will result in 14,706,000 options remaining on issue for Cape.*

8.6 Prospective Financial Information of the Merged Group

MetroCoal has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information in relation to the Merged Group. The MetroCoal Board has concluded that forecast financial information would be misleading to provide, as a reasonable basis does not exist for producing forecasts that would be sufficiently meaningful and reliable, particularly considering the effect that variations in key variable inputs may have on future earnings performance.

9. Risk Factors

9.1 Introduction

In deciding whether or not to accept the Offer, you should read this entire Bidder's Statement carefully. You should also carefully consider the risk factors outlined in this Section 9. However the risks described below are not to be taken as exhaustive. The future performance of MetroCoal and the future investment performance of the MetroCoal Shares (and in particular the price at which the MetroCoal Shares trade on the ASX) may be influenced by a wide range of factors, many of which are outside the control of MetroCoal. The material risk factors summarised below are organised into three broad categories:

- (a) risk factors that pertain to the general economy and the stock market. These are clearly not risks that are peculiar to an investment in MetroCoal Shares, but rather are common to all investments in listed securities;
- (b) risk factors specific to MetroCoal. These are risks that are particular to an investment in MetroCoal Shares, and the securities of companies engaged in similar activities to MetroCoal and the Merged Group; and
- (c) risk factors that arise from the Offer. These are risks that arise primarily because of the issue of MetroCoal Shares as consideration for the acquisition of Cape Shares, and the subsequent risks associated with an investment in the Merged Group.

9.2 Risk Factors that pertain to the General Economy and Stock Market

The MetroCoal Shares which form the consideration under the Offer do not carry any guarantee with respect to market value of the MetroCoal Shares or with respect to payment of dividends or the return of capital. Because of the very nature of the business of MetroCoal, MetroCoal Shares are a speculative investment.

Changes in general global economic conditions (including changes in interest rates, inflation, foreign exchange rates and labour costs) as well as general trends in the Australian and overseas equity markets may affect the trading price of the MetroCoal Shares on the ASX. The future value of MetroCoal's Shares (including the MetroCoal Shares to be issued pursuant to the Offer) may fluctuate in accordance with movements in the foreign currency exchange rates and often unpredictable influences on the stock market generally.

Changes in relevant taxation laws, interest rates, other legal, legislative and administrative regimes, and government policies in Australia, may also have an adverse effect on the assets, operations and ultimately the financial performance of both MetroCoal and the Merged Group, and the entities in which MetroCoal invests. These factors may ultimately affect the financial performance of MetroCoal and the market price of the MetroCoal Shares.

These are just some of a number of factors (both national and international) that may affect the market price for MetroCoal Shares and neither MetroCoal nor its Directors have control of those factors. MetroCoal's Board emphasises that the risk factors set out in this Section 9 may not be the only risk factors that could affect the operations of MetroCoal, its financial position and the value of its securities.

As the holding of MetroCoal Shares involves certain risks, persons in doubt as to the course they should follow should consult their stockbroker, solicitor, accountant or other professional advisor without delay.

9.3 Risk Factors specific to MetroCoal

- (a) Changes in Commodity Price

MetroCoal's and the Merged Group's possible future revenues will probably be derived mainly from a range of bulk commodities (namely bauxite and thermal coal) and/or from royalties gained from potential joint ventures or from mineral projects sold. Consequently, MetroCoal's and the Merged Group's potential future earnings could be closely related to the price of these commodities.

The commodities that are being developed, explored and/or sold by MetroCoal and the Merged Group may be subject to price fluctuations. This could have a material impact on both the value of MetroCoal's assets and MetroCoal's Shares. Commodity prices react to a variety of forces that are outside of the control of MetroCoal and the Merged Group including demand for minerals, forward selling by producers, production cost levels in major producing regions and macroeconomic factors, e.g. inflation, interest rates, currency exchange rates and global and regional demand for, and supply of minerals. Accordingly the value of MetroCoal Shares can be influenced by price fluctuations.

If the market price of minerals explored for by MetroCoal and the Merged Group were to fall below the costs of production and remain at such a level for any sustained period, MetroCoal and the Merged Group may curtail or suspend some or all of its potential future exploration and/or mining activities.

(b) Foreign Exchange

The revenues, expenses, earnings, assets and liabilities of MetroCoal may be exposed adversely to exchange rate fluctuations. MetroCoal does not presently engage in currency hedging to offset any risk of currency fluctuations.

(c) Dependence upon Key Personnel

Whilst MetroCoal currently has a core team of executives and senior personnel, its progress in pursuing its growing exploration and productions programs within the time frames and within the costs structure as currently envisaged could be dramatically influenced by the loss of existing key personnel and/or a failure to secure and retain additional key personnel as MetroCoal's exploration and production programs develop. The resulting impact from such loss would be dependent upon the quality and timing of the employee's replacement.

Although the key personnel of MetroCoal have a considerable amount of experience and have previously been successful in their pursuits of acquiring, exploring, evaluating and developing mineral projects, there is no guarantee or assurance that they will be successful in their objectives.

(d) Contractual Risk

Development of the Merged Group's projects and subsequent sale of material from the projects will be dependent on a number of key contractual arrangements including relevant mining, haulage and other service agreements.

MetroCoal and Cape are parties to a number of material contracts and will enter into other contracts to develop their respective projects. Whilst MetroCoal will have various contractual rights in the event of non compliance by a contracting party, no assurance can be given that all contracts to which MetroCoal is a party will be fully performed by all contracting parties. Additionally, no assurance can be given that if a contracting party does not comply with any contractual provisions, that MetroCoal will be successful in securing compliance.

Failure by any other counterparty to comply with an obligation under a contract with MetroCoal or Cape could have a material adverse effect on MetroCoal and the Merged Group.

(e) Land Access Risk

Land access is critical for MetroCoal's and the Merged Group's exploration and production programs to succeed. In all cases the acquisition of prospective tenements is a competitive business, in which proprietary knowledge or information is critical and the ability to negotiate satisfactory commercial arrangements with other parties is often essential.

Access to land for exploration purposes can be affected by land ownership, including private (freehold) land, pastoral lease and native title land or claims under the Native Title Act 1993 (Cth) (**NTA**). NTA land ownership rights and obligations are set out immediately below.

In addition, rights to mineral tenements carry with them various obligations in regard to minimum expenditure levels and responsibilities in respect of the environment and safety. Failure to observe these requirements could prejudice the right to maintain title to a given area.

MetroCoal is also a party to co-development agreements with third parties which may impose terms and restrictions with respect to MetroCoal's access to and development of certain tenements. These terms may have the effect of delaying the development of projects by MetroCoal.

(f) Native Title

The NTA provides a regime that enables persons claiming to hold native title to lodge a claim to that effect for determination. The NTA also provides for the determination. The NTA also provides for the determination of native title rights, their extinguishment, and for processes to deal with those rights in accordance with specific categories of acts that have occurred including "past acts" (before 1 January 1994), "intermediate period acts" (occurring between 1 January 1994 and 23 December 1996), and "future acts". Under this regime, native title is extinguished by grants of private freehold title and exclusive possession tenures. The effect on each tenement will depend on the nature of the tenement, the date of its grant or proposed grant, and the nature of the underlying land tenures.

The effect of the NTA is that existing and new tenements held by MetroCoal and the Merged Group may be affected by native title claims and procedures. MetroCoal has not undertaken the historical, legal or anthropological research and investigations at the date of this Bidder's Statement that would be required to form an opinion as to whether any existing or future claim for native title could be upheld over a particular parcel of land covered by a tenement. There is a potential risk that a determination could be made that native title exists in relation to land the subject of a tenement held by MetroCoal or the Merged Group which may affect the operation of MetroCoal's business and development activities. In the event that it is determined that native title does exist or a native title claim has been registered, MetroCoal may need to comply with procedures under the NTA in order to carry out its operations or to be granted any additional rights required. Such procedures may take considerable time, involve the negotiation of significant agreements, may involve access rights, and require the payment of compensation to those persons holding or claiming native title in the land the subject of a tenement. The involvement in the administration and determination of native title issues may have a material adverse impact on the position of MetroCoal in terms of cash flows, financial performance, business development, ability to pay dividends and the share price.

The Directors believe that the impact of native title with respect to land access on the project for the purpose of exploration, other than causing delays, is likely to be minimal.

(g) Tenement Risk

All mining licences and exploration permits in which MetroCoal has an interest will require renewal from time to time. Given that the terms on which MetroCoal permits are granted or renewed (if at all) are generally at the discretion of the relevant governmental or administrative authority, there is a risk that any exploration permit held by MetroCoal may not be renewed in the future, or that any application for grant may be refused, and that MetroCoal may be unable to comply with legislative or regulatory requirements to retain title to its permits or applications. If for any reason a licence or permit is not renewed then MetroCoal may suffer damage and as a result may be denied the opportunity to develop certain mineral resources.

Tenements carry with them various obligations in regard to minimum expenditure levels and responsibilities in respect of the environment and safety. Failure to observe these requirements could prejudice the right to maintain a permit for a given tenement. As a means of managing its expenditure obligations on its Tenements, MetroCoal constantly reviews its exploration portfolio, ensuring that it keeps the most prospective areas having regard to its finances and plans. Part of this review may involve reducing its landholding over time.

The introduction of new legislation or amendments to existing legislation by governments or the application of developments in the common law of Australia could impact adversely on the assets, operations and ultimately the financial performance of MetroCoal and its shares.

(h) Legislation and regulations

Both MetroCoal's and Cape's activities in the bulk commodities industry are subject to various legislation, regulation and approvals. The introduction of any new legislation, be it amendments, the application of developments in existing common law or policies or the interpretation of those laws or policies could have a material adverse effect on both MetroCoal and the Merged Group. Changes in government regulations may adversely affect the financial performance or the current and proposed operations generally of MetroCoal. These changes may occur as a result of a change of government or otherwise.

In addition, MetroCoal's and Cape's projects may require from time to time various regulatory approvals by government for their operations and accordingly must comply with those approvals, applicable laws, regulations, guidelines and policies.

Specifically, MetroCoal and the Merged Group may require licenses and approvals in relation to environmental matters, exploration, development and production of minerals. There is a risk that MetroCoal or Cape may not obtain, or may be delayed in obtaining the necessary licenses and approvals in relation to their operations. This may affect the timing and scope of MetroCoal or Cape's operations. The loss of granted tenements or the delay in obtaining lease renewals may have a material adverse effect on MetroCoal and the Merged Group.

On 24 October 2013, the Federal Government announced its intention to repeal the Mineral Resources Rent Tax (**MRRT**). As at the date of this Bidder's Statement, the legislation to repeal the MRRT is before, but remains to be approved by, the Federal Parliament. The MRRT affects mining and resources companies involved in iron ore and coal exploration and development, therefore MetroCoal is potentially affected by the MRRT. To the extent that the MRRT is not repealed or is repealed with amendments, MetroCoal may be adversely affected by the future operation of the MRRT.

The *Regional Planning Interests Act 2014 (Qld)* (**RPIA**) and *Regional Planning Interests Regulation 2014 (Qld)* (**RPIR**) came into force on 13 June 2014, which designate Strategic Environmental Areas (**SEA's**) for the Cape York Peninsular (known as the **Stage 1 SEA's**). Proposed mining operations in the SEA's may be required to undertake additional approval processes under the RPIA and RPIR in addition to the existing Queensland and Commonwealth Government approval processes. No tenements held by MetroCoal or its subsidiaries are within the area of the current designated Stage 1 SEA's. To the best of MetroCoal's knowledge, the Pisolite Hills Project is within the area of the current designated Stage 1 SEA's, but the Bauxite Hills Project is not. The final Cape York Regional Plan (**CYRP**) to be implemented under the RPIR is expected to be released later this year and it is anticipated that Stage 2 SEA's will be declared under the CYRP, encompassing the existing Stage 1 SEA's and possibly additional areas. The CYRP is also expected to include an annual review process for any the inclusion of any additional SEA's (and any amendments to existing SEA's) – which process will require the approval of the Queensland Government, the traditional land owners and local Councils before the declaration of a new SEA or the amendment of an existing SEA. Accordingly, tenements held by MetroCoal or Cape could possibly be in the area of an SEA in the future. Areas under granted mining leases are not subject to this review process.

(i) Government Policy

The availability and rights to explore and mine, as well as industry profitability generally, can be affected by changes in government policy, including as a result of a change of government, that are beyond the control of MetroCoal.

MetroCoal is aware that State Governments conduct reviews from time to time of policies in connection with the granting and administration of mining tenements. At present MetroCoal is not aware of any proposed changes to policy that would affect its tenements.

In Queensland, the Aboriginal Cultural Heritage Act 2003 and the Torres Strait Islander Cultural Heritage Act 2003 (which commenced on 16 April 2004) impose duties of care which require persons, including MetroCoal, to take all reasonable and practical measures to avoid damaging or destroying Aboriginal cultural heritage. This obligation applies across the State and requires MetroCoal to develop suitable internal procedures to discharge its duty of care in order to avoid exposure to substantial financial penalties if its activities damage items of cultural significance. Under this legislation, indigenous people can exercise control over land with respect to cultural heritage without necessarily having established the connection element (as required under native title law). This creates a potential risk that the tenement holder may have to deal with several indigenous individuals or corporations, where no native title has been established, to identify and manage cultural heritage issues. This could result in tenement holders requiring lengthy lead times to manage cultural heritage for their projects.

Changing attitudes to environmental, land care, cultural heritage and indigenous land rights issues, together with the nature of the political process, provide the possibility for future policy changes. There is a risk that such changes may affect MetroCoal's exploration plans or, indeed, its rights and/or obligations with respect to the tenements.

(j) Environmental Risk

MetroCoal's operations and projects are subject to State and Federal laws and regulation regarding environmental hazards. These laws and regulations set various standards regulating certain aspects of health and environmental quality and provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to remediate current and former facilities and locations where operations are or were conducted. Significant liability could be imposed on MetroCoal for damages, clean-up costs, or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of property acquired by MetroCoal or its Subsidiaries, or non-compliance with environmental laws or regulations. MetroCoal proposes to minimise these risks by conducting its activities in an environmentally responsible manner, in accordance with applicable laws and regulations and where possible, by carrying appropriate insurance coverage.

(k) Industrial Risk

Industrial disruptions, work stoppages and accidents in the course of MetroCoal's and the Merged Group's operations could result in losses and delays, which may adversely affect programmes for exploration.

(l) Insurance Arrangements

MetroCoal intends to ensure that insurance is maintained within ranges of coverage that MetroCoal believes to be consistent with industry practice and having regard to the nature of activities being conducted. No assurance however, can be given that MetroCoal will be able to obtain such insurance coverage at reasonable rates or that any coverage it arranges will be adequate and available to cover any such claims.

(m) Exploration Expenditure Risk

The terms of MetroCoal's granted tenements include minimum expenditure requirements. Whilst MetroCoal has raised and allocated funds for its exploration program to, in part, meet these expenditure requirements the actual expenditure MetroCoal undertakes following the completion of the Offer may be insufficient to meet those requirements. Whilst there is a risk that the terms of the tenements may not be able to be complied with, MetroCoal intends to mitigate this risk by re-evaluating their exploration program and budget, or considering other options including, where appropriate in accordance with normal industry practice, surrendering parts of its tenements in order to manage its minimum expenditure obligations.

(n) Exploration and Evaluation Risk

Mineral exploration and development are high-risk undertakings. While MetroCoal has attempted to reduce this risk by selecting some projects that have identified mineral targets,

there is still no guarantee of success. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

Even if MetroCoal recovers potentially commercial minerals, there is no guarantee that MetroCoal will be able to successfully transport the minerals to commercially viable markets or sell the minerals to customers to achieve a commercial return.

(o) Access to Infrastructure

Access to infrastructure to transport the end product to market, or to service an on-site processing facility, or to service an on-site processing facility, may be an issue that MetroCoal needs to address to ensure the viability of any project. This may add significantly to the costs of any project impacting on profitability.

(p) Operational Risk

The operations of MetroCoal including mining and processing may be affected by a range of factors. These include failure to achieve predicted grade in exploration, mining and processing, technical difficulties encountered in commissioning and operating plant and equipment, mechanical failure, metallurgical problems which affect extraction rates and costs, adverse weather conditions, industrial and environmental accidents, industrial disputes, unexpected shortages or increase in the costs of consumables, spare parts, plant and equipment.

(q) Sustainability of Growth and Margins

The sustainability of growth and the level of profit margins from operations are dependent on a number of factors outside of MetroCoal's control. Industry margins in all sectors of MetroCoal's activities are likely to be subject to continuing but varying pressures, including competition from other current or potential suppliers.

(r) Application Risk

From time to time, MetroCoal may make a number of applications for exploration permits or licences. Whilst MetroCoal is not aware of any reason why any such applications will not be granted (enabling MetroCoal to undertake activities on those tenements), the grant involves the exercise of administrative functions (including discretion), which are beyond the control of MetroCoal. Any failure of these applications to be granted may have a material adverse effect on the ability of MetroCoal to explore for minerals on the areas comprised in those applications.

(s) Unforeseen Expenses

While MetroCoal is not aware of any expenses that may need to be incurred that have not been taken into account, if such expenses were subsequently incurred, the expenditure proposals of MetroCoal may be adversely affected.

9.4 Risk Factors that arise from the Offer

(a) MetroCoal's interest in Cape

A risk exists that the final level of ownership acquired by MetroCoal may be less than 90%. This would mean, in the event that Cape is a partially owned entity, that MetroCoal would not be in a position to give effect to its intentions set out in section 7.4

(b) Less than 100% ownership in Cape

There is a risk that the final level of ownership acquired by MetroCoal may be less than 100% which could have an impact on MetroCoal's intentions regarding Cape (refer to Section 7). This impact could have a material adverse effect on the Merged Group.

(c) Issue of MetroCoal Shares as consideration

Under the Offer, MetroCoal will offer a significant number of its shares to Cape Shareholders. If current Cape Shareholders or current MetroCoal Shareholders do not wish to hold shares in the Merged Group and seek to sell their shares, this may have a material adverse effect on the Merged Group and the market price of MetroCoal Shares.

(d) Fluctuation in the market value of MetroCoal Shares

Cape Shareholders are being offered consideration under the Offer that consists of a specified number of MetroCoal Shares (rather than a number of MetroCoal Shares with a specified market value). The market value of MetroCoal Shares at the time at which they are received by Cape Shareholders may vary from their market value on the date that Cape Shareholders accept the Offer.

Accordingly, market fluctuations could affect the value of the consideration paid (in the form of MetroCoal Shares) under the Offer and the value of an accepting shareholder's investment in MetroCoal. MetroCoal is not obliged to make any adjustment in the consideration payable under the Offer if the value of MetroCoal Shares changes during the Offer Period.

(e) Liquidity of MetroCoal Shares

The trading in MetroCoal Shares may not be liquid. This risk is particularly high in this case as MetroCoal as it stands, has two significant Shareholders, Metallica Minerals Limited and DADI Engineering Development Group, which own (prior to the Offer), approximately 30.78% and 22.62% respectively of MetroCoal Shares. Accordingly, there is a risk that, a lack of liquidity in the market for MetroCoal Shares may mean that MetroCoal Shareholders may be unable to realise their investment in MetroCoal. Further, MetroCoal cannot forecast or guarantee the value of MetroCoal Shares.

(f) Financing

In order to proceed with development or exploration, MetroCoal may be required to raise additional equity and/or debt capital in the future. There is no assurance that it will be able to raise such capital when it is required or that the terms associated with providing such capital will be satisfactory to MetroCoal, which may prejudice its ongoing ability to participate in these projects. In the event that MetroCoal fails to obtain sufficient financing when required, MetroCoal may be forced to delay or eliminate its future development activities, sell existing assets or reduce its operations, and will not be able to take advantage of opportunities or otherwise respond to competitive pressures.

(g) Merger Integration Risks

Integrating two companies such as MetroCoal and Cape may produce some risks, including integrating management, information systems and work practices. MetroCoal intends to continue current business strategy and operations after completion of the Offer.

Greater than expected integration costs could have a material adverse effect on MetroCoal and ultimately upon the Merged Group.

(h) Synergy Risks

Whilst the Directors of MetroCoal expect to realise certain synergy benefits from the Merger, achievement of these synergies is not certain. The synergies may not be realised to their full extent or may be realised over a longer period of time than the Directors of MetroCoal expect. This could have a material adverse impact on the financial performance of MetroCoal and ultimately upon the Merged Group.

(i) Taxation Risks

The tax consequences and risks of the Offer depend upon the specific circumstances of each Cape Shareholder. Cape Shareholders should obtain their own professional taxation

advice regarding the applicable law in respect of the Offer. A summary of the taxation implications are set out in section 10.

(j) Impairment of Exploration Assets

The financial statements of MetroCoal will be prepared in conformity with Australian International Financial Reporting Standards (AIFRS) and consistent with the current accounting policies of MetroCoal. Under AIFRS, exploration assets are reviewed semi-annually for impairment. Changes to the carrying amounts of exploration assets of MetroCoal or Cape could have a material adverse impact on the financial performance of MetroCoal and ultimately upon the Merged Group.

MetroCoal is in the process of completing its financial statements to 30 June 2014, which are being prepared in accordance with AIFRS. The Board of MetroCoal will consider the issue of impairment of the assets when finalising the financial statements of MetroCoal to 30 June 2014 and it is highly likely that there will be a significant write down of the value of MetroCoal's exploration assets in those financial statements as a consequence of relevant AIFRS. Further details regarding the relevant AIFRS and MetroCoal's corresponding write-down of its explorations assets is contained in section 8.4.

(k) Cape Shareholders will have limited withdrawal rights with respect to the Offer, which means that a decision to accept the Offer may be irrevocable

Once you have accepted the Offer, you have the right to withdraw your acceptance of the Offer only in limited circumstances. Under Australian law, if after you have accepted the Offer and while they remain subject to conditions, the Offer is varied (such as by an extension of the Offer Period) so as to postpone for more than one month the time when the Bidder must meet its obligations under the Offer, you will be able to withdraw your acceptance. Otherwise, you will be unable to withdraw your acceptance of the Offer even if the market value of MetroCoal Shares varies significantly from their value on the date of your acceptance of the Offer.

(l) MetroCoal has not verified the reliability of the Cape information included in, or which may have been omitted from, this Bidder's Statement

In respect of information relating to Cape presented in, or omitted from, this Bidder's Statement, including all Cape financial information, MetroCoal has relied upon publicly available information and information provided to it by Cape. MetroCoal has not independently verified this information. Any inaccuracy in the Cape information could adversely affect the anticipated results of operations of the Merged Group.

9.5 Change of control provisions in Cape's agreements triggered upon the acquisition of control of Cape may lead to adverse consequences

MetroCoal is not aware of any pre emptive rights or change of control provisions affecting Cape's assets or agreements which would be triggered by MetroCoal obtaining control of Cape.

However, Cape may be a party to agreements that contain pre emptive rights or change of control provisions that may be triggered if MetroCoal acquires Cape Shares representing a majority of the voting rights of Cape, of which MetroCoal is not aware. The operation of these change of control provisions, if triggered, could have negative consequences including requiring Cape to renegotiate its financings, or sell joint venture interests. These provisions may be waived with the consent of the other party and MetroCoal would consider seeking such waivers if it discovered that pre emptive rights or change of control provisions affecting Cape's assets or agreements would be triggered upon MetroCoal obtaining control of Cape. In the absence of these waivers, the operation of any of these changes of control provisions could adversely affect the operations of the Merged Group.

9.6 **Caution on Maps and Diagrams**

MetroCoal has commissioned and produced diagrams and maps in this Bidder's Statement to help identify and describe the tenements it holds and Cape's tenements sought by MetroCoal .

Whilst MetroCoal has produced these diagrams and maps from available data to aid Cape Shareholders in their consideration of the merits of MetroCoal's Offer, Cape Shareholders should note that not all of the diagrams have been independently reviewed and therefore MetroCoal cannot guarantee the accuracy of the location of tenement boundaries or targets on maps. Maps and diagrams should only be considered an indication of the current intention of the directors in relation to targets and potential areas for exploration and drilling, which may change.

10. Tax Considerations

10.1 Introduction

This section 10 of this Bidder's Statement provides a summary of the Australian income tax implications for Cape Shareholders of acceptance of the Offer.

The following outline is not exhaustive of all possible Australian income tax considerations that could apply to resident Cape Shareholders. In particular, the Australian income tax consequences of the Offer will depend upon a number of factors, including:

- your tax residency status;
- whether you hold your Cape Shares on capital account, revenue account or as trading stock; and
- the extent to which capital gains tax (**CGT**) scrip for scrip rollover relief is available.

This outline does not address all tax considerations applicable to those Cape Shareholders who are non-residents (or temporary residents) for Australian income tax purposes, trade in shares or acquire them for profit making purposes, or who may be subject to special tax rules (such as banks, insurance companies, tax exempt organisations, superannuation funds or dealers in securities). Furthermore, this summary is not intended for Cape Shareholders who acquired their interest in respect of their (or an associate's) employment at Cape (or an associated company).

The description which follows is based upon the taxation law in effect at the date of this Bidder's Statement, but it is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of every Cape Shareholder. It is recommended that each Cape Shareholder consult their own tax adviser regarding the consequences of acquiring, holding or disposing of their Cape Shares in light of current tax laws and their particular circumstances.

Cape Shareholders who are **not** resident in Australia for tax purposes should take into account the tax consequences under the laws of their country of residence, as well as under Australian law, of acceptance of the Offer.

10.2 Transfer of Cape Shares

Acceptance of the Offer will involve the disposal of your Cape Shares by way of transfer to MetroCoal. This change in the ownership of the Cape Shares will constitute a CGT event for Australian income tax purposes.

(a) Capital Gains

Subject to the operation of the scrip for scrip rollover provisions (discussed in section 10.3 below), you will make a capital gain if the total of the market value of the MetroCoal Shares (the capital proceeds), exceeds the cost base of your Cape Shares.

For income tax purposes, the market value of the MetroCoal Shares received should be based on the closing share price on the date of issue (or if price volatility is greater than 5%, the one (1) day volume-weighted average price). The cost base of the Cape Shares generally includes the amount paid to acquire those Cape Shares plus any incidental costs of acquisition (for example, brokerage fees).

If you make a capital gain as a result of accepting the Offer and the other conditions of CGT scrip for scrip rollover are satisfied (refer 10.3 below), you may be eligible for tax deferral under the CGT scrip for scrip rollover relief provisions upon the disposal of your Cape Shares.

(b) Capital Losses

You will make a capital loss if the value of the capital proceeds received are less than the reduced cost base of the Cape Shares. A capital loss may only be applied by you to offset any capital gains realised by you during the same year of income or during a later year of

income. A capital loss cannot be offset against other income. There are specific rules in relation to losses for companies and trusts.

(c) **Discount Capital Gains**

If you are an individual, trust or complying superannuation fund that has held the Cape Shares for twelve (12) months or longer at the time of your acceptance of the Offer, the capital gain derived (after the application of any current year or prior year capital losses) may be a discount capital gain. The effect of deriving a discount capital gain is that only half of the gain for an individual or trust, or two-thirds of the gain for a complying superannuation fund, is included in assessable income.

If you are a company or have not held the Cape Shares for at least twelve (12) months at the date of acceptance of the Offer, then you will not be eligible to claim a discount on the capital gain.

10.3 **CGT scrip for scrip rollover relief**

Cape Shareholders who make a capital gain from the disposal of their Cape Shares may elect to obtain scrip for scrip rollover relief, to defer some or all of the capital gain. The availability of this tax concession is subject to the arrangement satisfying the conditions for that relief contained in Subdivision 124M of the Income Tax Assessment Act 1997 and your individual facts and circumstances. Rollover relief is not available if you realise a capital loss (as opposed to a capital gain) on acceptance of the Offer.

(a) **Requirements to choose scrip for scrip rollover**

Cape Shareholders may be entitled to rollover relief if each of the following is satisfied:

- the Offer result in MetroCoal becoming the owner of 80% or more of the Cape Shares;
- you would, apart from the application of CGT scrip for scrip rollover relief, make a capital gain on the disposal of your Cape Shares; and
- you elect to obtain rollover relief.

For scrip for scrip rollover relief to apply, Cape Shareholders will be required to make a choice on or before lodgment of their tax return for the income year in which the CGT event occurred. The way you prepare your income tax return should be sufficient evidence of making the choice. As the benefit of electing for rollover relief to apply will depend on your particular circumstances, you should consult your tax advisor for advice on whether or not to make this election.

Where a scrip for scrip rollover election is not made, or rollover relief is not available in relation to the disposal of your Cape Shares, you will make either a capital gain or capital loss as set out under section 10.2 above.

(b) **Effect of scrip for scrip rollover: Cape Shareholders**

Broadly, Cape Shareholders should be eligible for rollover relief in respect of the Offer. Rollover relief will be limited to that proportion of the Cape Shares that are exchanged for MetroCoal Shares.

Where Cape Shareholders choose for scrip for scrip rollover relief to apply, the effect should be as follows:

- the proportion of the capital gain which relates to the exchange of the Cape Shares for MetroCoal Shares is deferred until a CGT event (e.g. a sale) occurs in respect of the MetroCoal Shares;
- the cost base of the MetroCoal Shares acquired under the arrangement should equal the proportion of the cost base in the original Cape Shares attributable to the MetroCoal Shares exchanged; and

- the MetroCoal Shares acquired under the arrangement should be treated as having been acquired at the time that the Cape Shares were originally acquired by the shareholder (which is relevant for determining whether the twelve (12) month holding requirement is satisfied in order to obtain the discount capital gain referred to above).

10.4 **Prescribed Foreign Security Holders**

If you are a Prescribed Foreign Security Holder and accept the Offer you will not be entitled to receive MetroCoal Shares in exchange for your Cape Shares. As set out in section 12.11 of this Bidder's Statement, and subject to the ASIC Application (as outlined at section 13.3(b)), the Nominee will arrange for the MetroCoal Shares that are exchanged for your Cape Shares to be sold.

Cape Shareholders who are non-residents of Australia for tax purposes should seek their own tax advice based on their particular circumstances.

10.5 **Goods and services tax (GST)**

Holders of Cape Shares should not be liable to GST in respect of a disposal of those shares and options.

11. Terms of the Offer

This section contains the terms of the Offer (**Offer**) by MetroCoal to acquire all your Cape Shares. The Offer Date is 2 September 2014. This section should be read in conjunction with section 12, which contains terms applicable to the Offer.

11.1 The Offer

Persons to whom the Offer is made

The Offer is to all the holders of all of the ordinary shares of the capital of Cape.

Offer

MetroCoal hereby offers to acquire **ALL of your Cape Shares** together with all Rights attaching to them.

The consideration offered is 1 MetroCoal Share for every 1.3 of your Cape Shares, on the terms and conditions set out in this Offer.

If you become entitled to a fraction of a MetroCoal Share the fraction will be disregarded and your entitlement will be rounded down to the next whole number of MetroCoal Shares.

Bid Class

The Cape securities forming the Bid Class securities for the purpose of this Offer are the Cape Shares on issue on the Register Date, which are the ordinary shares issued by Cape.

Acceptance must be in respect of all your Cape Shares

You may only accept the Offer in respect of **ALL** your Cape Shares.

Offer to all holders of Cape Shares

Offer on terms and conditions identical to those contained in this Offer have been dispatched or will be dispatched to all holders of Shares, registered as such in the register of members of Cape at the Register Date.

Improving the consideration

If MetroCoal improves the consideration offered, the *Corporations Act* contains provisions to ensure that any Cape Shareholder who has already accepted the Offer receives the benefit of the improved consideration.

11.2 Defeating Conditions of the Offer

Offer subject to conditions

Subject to MetroCoal being able to free the Offer from conditions (as described below in this Section 11.2), any contract arising from acceptance of this Offer is subject to fulfilment of the following conditions.

(a) No regulatory action

Between the Announcement Date and the end of the Offer Period:

- (1) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority;
- (2) no action or investigation is commenced by any Public Authority; and
- (3) no application is made to any Public Authority (other than by the Bidder or any of its Related Bodies Corporate),

(other than an application to, or a decision or order of, ASIC or the Takeovers Panel under, or relating to a breach of Chapter 6A, 6B or 6C of the Corporations Act or relating to unacceptable circumstances within the meaning of section 657A of the Corporations Act in consequence of, or in connection with, the Offer) which restrains, impedes or prohibits (or if granted could restrain, impede or prohibit), or otherwise materially adversely impacts upon, the making of the Offer, the acquisition of Target Shares under the Offer or any transaction contemplated by the Bidder's Statement, the Offer or the rights of the Bidder in respect of the Target, or requires the divestiture by any entity within the Bidder Group of any Target Shares, or requires the divestiture of any assets of the Bidder Group or Target Group.

(b) **No material adverse change**

Between the Announcement Date and the end of the Offer Period (each inclusive), no event, change or condition occurs, is announced or becomes known to the Bidder (whether or not it becomes public) where that event, change or condition has or has resulted in, or could reasonably be expected to have or result in:

- (1) without limiting the generality of sub-paragraph (b) below, liabilities, or an adverse effect on the financial or trading position, or profitability of the Target Group, taken as a whole, of an amount which (when aggregated with any other event, change or condition) would or could reasonably be expected to result in a diminution of the Target Group's Net Assets by more than A\$200,000;
- (2) a material adverse effect on:
 - (A) the prospects of the Target Group, taken as a whole; or
 - (B) the status or terms of any material approvals, licences, tenements or permits issued by any Public Authority to any entity within the Target Group.

(c) **No material acquisitions, disposals or new commitments**

Between the Announcement Date and the end of the Offer Period (each inclusive), neither the Target nor any Subsidiary of the Target, other than with the prior written consent of the Bidder:

- (1) acquires, offers to acquire or agrees to acquire one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) for an amount in aggregate greater than the Specified Amount;
- (2) disposes of, offers to dispose of or agrees to dispose of one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) for an amount, or in respect of which the book value is, in aggregate, greater than the Specified Amount;
- (3) enters into, agrees to enter into or announces any agreement to enter into any contract, commitment or arrangement, joint venture or partnership that:
 - (A) requires payments, expenditure or the foregoing of revenue by the Target and/or any of its Subsidiaries of an amount in excess of A\$200,000 on any individual basis or which is, in aggregate, greater than the Specified Amount; or
 - (B) is material in the context of the Target Group and is not in the ordinary course of business;
- (4) enters into or agrees to enter into, terminates or agrees to terminate a contract, commitment or arrangement for the provision of services or a licence to a third party that is a new or existing customer that results in the Target and/or any of its Subsidiaries incurring costs greater than A\$25,000 on an individual basis or is, in aggregate, greater than the Specified Amount for the entire term of such contract, commitment or arrangement;

- (5) provides or agrees to provide financial accommodation or a guarantee, other than to entities within the Target Group for any amount, or receives financial accommodation other than from entities within the Target Group for any amount;
- (6) enters into, amends, or agrees to enter into or amend any material contract, commitment or other arrangement with a related party (as defined in section 228 of the Corporations Act) of the Target;
- (7) incurs, agrees to incur or bring forward the time for incurring, or granting to a third party a right the exercise of which would involve the Target or a Subsidiary incurring or agreeing to incur an amount of capital expenditure in excess of the Specified Amount, other than capital expenditure that has been announced by the Target to ASX prior to the Announcement Date;
- (8) gives or agrees to give any Encumbrance over any of its assets (or an interest in any of its assets), other than liens in the ordinary and usual course of business;
- (9) does any of the following in respect of the Tenements:
 - (A) enters into, agrees to enter into or announces any agreement to enter into any contract, commitment or arrangement (including without limitation any ore sale, ore processing, joint venture, partnership, farm-in, royalty, marketing, or off-take agreement) in relation to any of the Tenements;
 - (B) relinquishes, sells or disposes of any interest or creates any Encumbrance over any of the Tenements;
 - (C) takes any action or omits to take any action that results in or may reasonably be expected to result in a breach of the terms any of the Tenements or any environmental authority relating to any of the Tenements; or
 - (D) takes any action or omits to take any action that results in or may reasonably be expected to result in the surrender of any of the Tenements or any environmental authority relating to any of the Tenements; or
- (10) without limiting sub-paragraphs (1) to (9) above:
 - (A) enters into, offers to enter into, agrees to enter into or announces any agreement for any transaction; or
 - (B) is otherwise affected by any transaction or proposal,

under which any third party would acquire any legal or economic interest in, or there would be any material diminution in, the rights granted under any mineral tenement held by any entity within the Target Group,

- (11) announces an intention to do any of the matters referred to in sub-paragraphs (1) to (10) above.

(d) **No dividends**

Between the Announcement Date and the end of the Offer Period (each inclusive), the Target does not make, determine as payable, announce or declare any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie).

(e) **No prescribed occurrences**

Between the Announcement Date and the end of the Offer Period (each inclusive), none of the following events occur:

- (1) the Target converts all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Act;

- (2) the Target or a Subsidiary of the Target resolves to reduce its share capital in any way;
- (3) the Target or a Subsidiary of the Target enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (4) the Target or a Subsidiary of the Target issues shares (other than as a result of the exercise of Target options) or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (5) the Target or a Subsidiary of the Target issues, or agrees to issue, convertible notes;
- (6) the Target or a Subsidiary of the Target disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (7) the Target or a Subsidiary of the Target charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (8) the Target or a Subsidiary of the Target resolves to be wound up;
- (9) a liquidator or provisional liquidator of the Target or of a Subsidiary of the Target is appointed;
- (10) a court makes an order for the winding up of the Target or of a Subsidiary of the Target;
- (11) an administrator of the Target or of a Subsidiary of the Target is appointed under section 436A, 436B or 436C of the Corporations Act;
- (12) the Target or a Subsidiary of the Target executes a deed of company arrangement; or
- (13) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of the Target or a Subsidiary of the Target.

11.3 **Broker handling fees**

MetroCoal will pay a broker handling fee of 0.75% of the Offer consideration to brokers in respect of valid retail acceptances of the Offer which bear the broker's official stamp (in respect of Issuer Sponsored Holdings) or are initiated by the broker via CHESS and where the broker submits a valid fee claim form. The minimum fee payable per accepting Cape Shareholder will be \$50 and the maximum fee per accepting Cape Shareholder will be capped at \$750. Payment will be subject to conditions contained in section 12.15 of this Bidder's Statement. (All amounts stated are inclusive of any GST.) Brokers with any queries should call Link Market Services Limited on 1300 138 914 (within Australia) or +61 2 8767 1054 (from outside Australia) between 8.00am and 5.00pm Monday to Friday (Brisbane time).

12. Terms applicable to the Offer

12.1 Conditions are separate

Each of the conditions contained in Section 11.2 is a distinct and separate condition, and shall not merge on completion of any contract arising from acceptance of either of the Offer.

12.2 Conditions Subsequent

Each of the conditions contained in Section 11.2 is a condition subsequent. The breach or non-fulfilment of such a condition shall not prevent a contract to purchase your Cape Shares arising from your acceptance of the Offer. However, if MetroCoal has not:

- (a) declared an Offer to be free from the conditions in Section 11.2 before the date applicable under Section 650F (1) of the *Corporations Act*; and
- (b) the conditions Section 11.2 have not been fulfilled at the end of the Offer Period,

all contracts resulting from the acceptance of the relevant Offer and all acceptances that have not resulted in binding contracts are void. In such case, MetroCoal will return the Acceptance Form (if any) together with all documents forwarded by you to you at the address provided by Cape in accordance with Section 641(1) of the *Corporations Act*.

12.3 Benefit of conditions

Subject to the provisions of the *Corporations Act*, MetroCoal alone shall be entitled to the benefit of the conditions contained in Section 11.2 and any breach or non-fulfilment of any of those conditions may be relied upon only by MetroCoal which may waive (generally or in respect of a particular event) the breach or non-fulfilment of that condition.

12.4 Freeing Offer from conditions

Subject to Section 650F of the *Corporations Act*, MetroCoal may, at any time at its sole discretion, declare the Offer (or any of them) free from all or any of the conditions referred to in Section 11.2 by giving notice in writing to Cape. The notice may be given in relation to the conditions in:

- (a) Section 11.2(e) not later than three (3) Business Days after the end of the Offer Period; and
- (b) each other condition in Section 11.2 (other than the condition in paragraph 11.2(e)) not later than seven (7) days before the end of the Offer Period.

12.5 Status notice

The date for giving the notice required by Section 630(3) of the *Corporations Act* on the status of the conditions to the Offer is 26 September 2014, subject to variation in accordance with Section 630(2) of the *Corporations Act* if the period during which the Offer remains open for acceptance is extended.

12.6 Offer Period

Unless withdrawn or extended the Offer will remain open for acceptance by you during the period commencing on the Offer Date and ending at 7.00pm (AEST) on 3 October 2014.

12.7 How to Accept the Offer**Acceptance must be in respect of all your Cape Shares**

You may accept the Offer in respect of all (but not less than all) of your Cape Shares.

Time for acceptance

You may accept the Offer at any time during the Offer Period.

Manner of acceptance

In order to accept the Offer in respect of your Cape Shares you must:

- (a) complete and sign the Acceptance Form attached to the Offer in accordance with the Instructions (which must be observed in accepting the Offer in respect of any Cape Shares); and
- (b) ensure that the Acceptance Form and any documents required by the terms of the Offer and the Instructions on the Acceptance Form are received **NOT LATER THAN 7.00PM (AEST)** on 3 October 2014 at the following address:

Street Address:

Link Market Services Limited
Cape Alumina Limited Takeover
1A Homebush Bay Drive
Rhodes NSW 2138

Postal Address:

Link Market Services Limited
Cape Alumina Limited Takeover
Locked Bag A14
Sydney South NSW 1235

Telephone:

1300 138 914 (within Australia)
+61 2 8767 1054 (from outside Australia)

Foreign Security Holders and Australian shareholders sending their Acceptance Form from overseas should return their Acceptance Form by airmail.

The method chosen to deliver the Acceptance Form and other documents is at the risk of each accepting shareholder.

Acceptance of the Offer in respect of your Cape Shares shall not be complete until the properly completed Acceptance Form (including any documents required by the terms of the Offer and the Instructions on the Acceptance Form) has been received at the address specified above. MetroCoal may, however, in its sole discretion waive at any time, prior to the end of the Offer Period, all or any of those requirements.

If you have any questions about how to accept the Offer or need a replacement Acceptance Form, please contact Link Market Services Limited on 1300 138 914 (within Australia) or +61 2 8767 1054 (from outside Australia). Alternatively, you may consult your broker or other financial or professional adviser.

Authority to accept Offer

When accepting the Offer, you should also ensure that if the accepting shareholder:

- (a) is a corporation, the Acceptance Form is signed by two directors, a director and company secretary, or by the sole director in the case of an Australian company with a sole director who is also the sole company secretary;
- (b) is deceased, the Acceptance Form is signed by the person or persons authorised to administer the estate of the deceased shareholder;
- (c) is one or two or more joint holders, all such holders sign the Acceptance Form; or
- (d) is accepting through an attorney under power:
 - (1) the power of attorney has not been revoked;
 - (2) the donor of the power of attorney has not died;

- (3) the power of attorney has been validly executed;
- (4) the power of attorney duly empowers the attorney to sign such a form; and
- (5) the attorney duly signs the Acceptance Form.

12.8 MetroCoal Shares

MetroCoal Shares to be allotted pursuant to the terms of the Offer will be fully paid ordinary shares ranking equally in all respects from the date of their issue with the existing ordinary shares in MetroCoal.

MetroCoal has been admitted to the official list of the ASX and shares of the same class as those to be issued as consideration under the Offer have been granted official quotation by the ASX.

MetroCoal will apply to the ASX for official quotation of the MetroCoal Shares to be issued pursuant to the Offer within seven (7) days after the date on which the Bidder's Statement is given to Cape.

In accordance with Section 625(3) of the *Corporations Act*, the Offer is subject to a condition that application for admission to quotation of the MetroCoal Shares issued under the Offer is made within seven (7) days after the date on which the Bidder's Statement is given to Cape and permission for admission to quotation will be granted no later than seven (7) days after the end of the Offer Period. This condition may not be waived.

12.9 Entitlement to Offer

Offer made to holders of Cape Shares

The Offer is made to you as the holder of the Cape Shares which are registered in your name in the register of members of Cape on the Register Date. If at any time during the Offer Period another person is or is entitled to be registered as the holder of some or all of those Cape Shares, then in accordance with section 653B(1)(a) of the *Corporations Act*:

- (a) an offer corresponding to the Offer shall be deemed to have been made to that person in respect of the Cape Shares of which that person is, or is entitled to be, so registered as holder; and
- (b) the Offer shall be deemed to have been made to you in respect of the remainder (if any) of the Cape Shares that were registered in your name on the Register Date.

The Cape Shares in respect of which the Offer is made or deemed to be made to you, in accordance with this paragraph, are referred to in this document as "your Cape Shares".

Shares held in separate parcels

If at any time during the Offer Period and before you accept the Offer, your Cape Shares to which the Offer relate consist of two or more separate and distinct parcels for the purposes of Section 653B of the *Corporations Act* (for example because you are a trustee or nominee for several distinct beneficial owners), then in accordance with Section 653B of the *Corporations Act*:

- (a) the Offer shall be deemed at that time to consist of separate and distinct corresponding Offer made to you in relation to the respective separate and distinct parcels of Cape Shares; and
- (b) an acceptance by you of any of those separate and distinct corresponding Offer is ineffective unless:
 - (1) you have given to MetroCoal notice indicating that your Cape Shares consist of separate and distinct parcels; and
 - (2) the acceptance indicates the number of Cape Shares in the separate and distinct parcels to which acceptance relates,

provided that you may at the one time, accept two or more such separate corresponding Offer as if they were a single offer in relation to separate parcels of shares or options.

For the purposes of paragraph (b) above, the notice required must be in writing.

If this applies to you, please contact Link Market Services Limited on 1300 138 914 (within Australia) or +61 2 8767 1054 (from outside Australia) for such additional copies of this Bidder's Statement and Acceptance Form as are necessary.

Shares registered to broker or other nominee

Beneficial owners whose Cape Shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee should contact that nominee for assistance and the service costs involved in accepting this Offer.

12.10 Effect of Acceptance

By signing and returning an Acceptance Form in respect of an Offer in accordance with the procedures set forth in section 12.7 and the Instructions on the Acceptance Form, you will be deemed to have:

- (a) irrevocably accepted the Offer (and any variation of it) in accordance with its terms in respect of all of your Cape Shares;
- (b) subject to the Offer being declared free of the conditions set out in Section 11.2 or such conditions being fulfilled or waived, authorised the transfer of your Cape Shares to MetroCoal for the consideration specified in the Offer;
- (c) represented and warranted to MetroCoal that on the date of registration of the transfer of your Cape Shares to MetroCoal, your Cape Shares shall be fully paid up and free from all mortgages, charges, liens and other encumbrances (whether legal or equitable) of any kind and that you have full power and authority to sell your Cape Shares to MetroCoal;
- (d) authorised MetroCoal (by its directors, officers, servants or agents) to complete on the Acceptance Form correct details of your Cape Shares, fill in any blanks remaining on the Acceptance Form and rectify any error in or omission from the Acceptance Form as may be necessary to make the Acceptance Form an effective acceptance of the Offer and enable registration of the transfer of your Cape Shares to MetroCoal;
- (e) authorised MetroCoal (by its directors, officers, servants or agents) to alter the number of Cape Shares said to be held by you if it is otherwise than as set out in the enclosed Acceptance Form;
- (f) represented and warranted to MetroCoal, and agreed with MetroCoal that your Cape Shares will be purchased by MetroCoal with all Rights and that you will execute all such instruments as may be required for the purpose of vesting in it any such Rights;
- (g) irrevocably authorised and directed Cape to pay to MetroCoal or to account to MetroCoal for all Rights, subject however to any such Rights received by MetroCoal being accounted for by MetroCoal to you in the event that the Offer is withdrawn or the contract resulting from your acceptance of the Offer is rendered void pursuant to Section 12.12 (effect of withdrawal);
- (h) except where Rights have been paid or accounted for under paragraph 12.10(g) irrevocably appointed MetroCoal and its directors from time to time jointly and severally as your attorney in your name and on your behalf, with effect from the Offer Date, or any contract resulting from your acceptance of the Offer, becomes unconditional, to execute all such instruments as MetroCoal may require for the purpose of vesting in it any such Rights;
- (i) represented and warranted to MetroCoal that, unless you have notified in accordance with Section 12.9 (Shares held in separate parcels), your Cape Shares do not consist of separate parcels of Cape Shares;

- (j) upon the Offer or any contract resulting from your acceptance of the Offer becoming unconditional, have irrevocably appointed each of MetroCoal and each of the directors of MetroCoal from time to time jointly and each of them severally as your attorney to:
- (1) attend and vote (and otherwise participate) in respect of your Cape Shares at any and all general meetings of Cape, to receive notices of all such meetings and to requisition or join with other holders of Cape Shares in requisitioning or to convene or to join with other holders of Cape Shares in convening a general meeting or general meetings of Cape;
 - (2) demand a poll for any vote to be taken at any meeting of Cape Shareholders;
 - (3) propose or second any resolutions to be considered at any and all meetings of Cape Shareholders;
 - (4) complete and execute all forms, notices, instruments (including instruments appointing MetroCoal or a director of MetroCoal as a proxy or representative in respect of any of those Cape Shares), transfers (including further transfers of any of those Cape Shares to any person) and resolutions relating to those Cape Shares and generally to exercise all powers and rights which you may have as the registered holder or beneficial owner thereof;
 - (5) to request Cape to register the name of MetroCoal or its nominee any of your Cape Shares which you hold on any register of Cape; and
 - (6) generally to exercise all your powers and rights in relation to your Cape Shares; and
- (k) have agreed that in exercising the powers conferred by that power of attorney MetroCoal and any such director shall be entitled to act in the interests of MetroCoal as the beneficial owner and intended registered holder of your Cape Shares.

Effect if Rights not received by Bidder

If, for any reason, MetroCoal does not receive any Rights referred to in paragraph 12.10(g) MetroCoal will be entitled to reduce the amount of consideration payable in accordance with the Offer by the amount of value (as reasonably assessed by MetroCoal) of such Rights.

Invalid acceptance

If you comply with some but not all, of the requirements for acceptance, MetroCoal may in its absolute discretion treat the Acceptance Form as valid notwithstanding your failure to comply with all requirements.

Partially valid acceptance

Where the requirements for acceptance have been complied with in respect of some but not all of the Cape Shares, MetroCoal may in its sole discretion deem your acceptance of the Offer complete in respect of those Cape Shares for which the requirements have been complied with (**Relevant Shares**) but not in respect of the remainder notwithstanding any other terms of the Offer. In that event, MetroCoal must provide the consideration in respect of the Relevant Shares but not any of the other Cape Shares you may hold, notwithstanding any other terms of the Offer.

Indemnity, undertakings and authorisations

MetroCoal will indemnify you and keep you indemnified in respect of all costs, expenses and obligations which might otherwise be incurred or undertaken as a result of the exercise by an attorney of any powers under this Section 12.10. This appointment, being given for valuable consideration to secure the interest acquired in your Cape Shares, is irrevocable and terminates upon registration of a transfer to MetroCoal or its nominee of your Cape Shares and you will be deemed to have:

- (1) agreed not to attend or vote in person at any general meeting of Cape or to purport to exercise any of the powers conferred on MetroCoal or its nominee in paragraph 12.10(j) ; and
- (2) authorised MetroCoal to notify Cape on your behalf that your place of address for the purpose of serving notices upon you in respect of your Cape Shares in respect of which you have accepted the Offer is at the address of MetroCoal as specified by MetroCoal in the notification, and that all such notices are to be marked care of MetroCoal and to have directed Cape to serve all correspondence, payments or notifications in respect of any Rights and other communications and documents whatsoever in respect of those Cape Shares to MetroCoal at that address.

Duration of authorisations and undertakings

The undertakings and authorities referred to in this Section 12.10 will (unless otherwise this document) remain in force after you receive the consideration for your Cape Shares acquired by MetroCoal and after MetroCoal becomes registered holder of them.

12.11 Provision of Consideration

(a) Form of consideration

The consideration for the acquisition of your Cape Shares under the Offer is to be satisfied wholly by the issue of MetroCoal Shares.

(b) Increase of Offer Consideration

In the event that MetroCoal increases the Offer Consideration, in accordance with section 650B of the *Corporations Act*, all Cape Shareholders (including those who have already accepted the Offer) will be entitled to receive the additional increased consideration.

(c) Form and timing of payment

Subject to this Section 12.11, MetroCoal shall provide the consideration for your Cape Shares on or before the earlier of:

- (1) twenty-one (21) days after the expiry of the Offer Period; or
- (2) one (1) month after the later of your acceptance and the date the relevant Offer becomes unconditional.

The obligation of MetroCoal to issue and allot any MetroCoal Shares to you to which you are entitled under the Offer will be satisfied by MetroCoal:

- (1) entering your name on the register of members of MetroCoal; and
- (2) by despatching or procuring the despatch to you of an uncertificated holding statement as set forth in the paragraph headed "Dispatch of MetroCoal Shares" below.

(d) Dispatch of MetroCoal Shares

Subject to this Section 12.11, a Holding Statement in respect of the MetroCoal Shares to which you will become entitled by accepting the Offer will be posted to you at your risk by ordinary mail addressed to you at your address as shown in the Acceptance Form, or such other address as you may notify in writing to MetroCoal.

(e) Foreign Security holders

If you are a resident of a jurisdiction other than Australia and its external territories (**Foreign Jurisdictions**) or your address shown in Cape's register of members is a place outside Australia and its external territories or you are acting on behalf of such a person then you are a "**Foreign Security Holder**".

The distribution of this Bidder's Statement in Foreign Jurisdictions may be restricted by law and persons who come into possession of it should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Bidder's Statement does not constitute an offer securities in any jurisdiction in which, or to any person to whom it would not be lawful to make such an offer. No action has been taken to register or qualify MetroCoal or otherwise permit a public offering of MetroCoal Shares outside Australia.

- (1) MetroCoal has determined that it is lawful for MetroCoal to make the Offer to Foreign Security holders in New Zealand.
- (2) MetroCoal has determined that it is lawful for MetroCoal to make the Offer to the persons who are Cape shareholders as at the date of this Bidder's Statement in the following jurisdictions:
 - (A) Cyprus; and
 - (B) United Kingdom,
 (the **Prescribed Jurisdictions**).
- (3) MetroCoal may otherwise determine that:
 - (A) it is lawful and not unduly onerous or not unduly impractical to make the Offer to you and to issue you with MetroCoal Shares on acceptance of the Offer; and
 - (B) it is not unlawful for you to accept the Offer by the law of the relevant place outside Australia and its external territories.
- (4) If you are a Foreign Security Holder outside New Zealand and 12.11(e)(2) or 12.11(e)(3) does not apply to you (**Prescribed Foreign Security Holders**), then you will not be entitled to receive MetroCoal Shares as consideration for your Cape Shares by reason of your acceptance of the Offer and if you accept the Offer, MetroCoal will:
 - (A) arrange for the allotment to a nominee for all accepting Prescribed Foreign Security Holders approved by ASIC (**Shareholder Nominee**) of the MetroCoal Shares (subject to the discussion in section 12.11(d)) to be issued in accordance with the Offer to which you and all other Prescribed Foreign Security Holders would have been entitled but for this Section 12.11;
 - (B) cause those MetroCoal Shares so allotted to be offered for sale on ASX within 30 days after the end of the Offer Period; and
 - (C) pay the amount ascertained in accordance with the following formula:

$$\text{Proceeds of sale} \times \frac{A}{B}$$

Where:

- Proceeds of sale is the amount which is received by the nominee upon the sale of all MetroCoal Shares under this Section less brokerage and other sale expenses;
- A is the number of MetroCoal Shares which MetroCoal would otherwise be required to procure to be issued to you as a result of your acceptance of the Offer; and
- B is the total number of MetroCoal Shares issued to the nominee under this Section 12.11.

(A) Payment will be made by cheque in Australian currency. The cheque will be sent to you at your risk by pre-paid air-mail to your address as shown on the copy of the Cape register maintained by MetroCoal. Under no circumstances will interest be paid on the proceeds of this sale, regardless of any delay in remitting these proceeds to you.

(5) Notwithstanding anything else contained in this Bidder's Statement, MetroCoal is not under any obligation to spend any money, or undertake any action, in order to satisfy itself of the illegibility of Foreign Security Holders to receive MetroCoal Shares.

12.12 Withdrawal

Power to withdraw

Subject to compliance with Section 652B of the *Corporations Act*, MetroCoal may only withdraw its Offer with the written consent of ASIC which consent may be given subject to such conditions (if any) as are specified in the consent of ASIC. If this happens, MetroCoal will comply with any conditions imposed by ASIC and send a notice of withdrawal to ASX and Cape and to each person to whom the Offer have been made at their address as set out in the register of members of Cape.

Effect of withdrawal

- (a) If, at the time the Offer is withdrawn, all conditions in Section 11.2 have been freed; all contracts arising from acceptance of the Offer before it was withdrawn will remain enforceable.
- (b) If the Offer is withdrawn, and the Offer remain subject to one or more conditions in Section 11.2, all contracts arising from its acceptance become void.

12.13 Extension of Offer Period

MetroCoal may at any time, and from time to time, vary the Offer by extending the Offer Period, in accordance with Section 650C of the *Corporations Act*.

12.14 Variation

MetroCoal reserves the right to vary the Offer in accordance with the provisions of Section 650D of the *Corporations Act*.

12.15 Broker handling fees – conditions

Subject to the conditions set out below, MetroCoal will pay a broker handling fee to brokers in respect of valid acceptances received until the end of the Offer Period from retail Cape shareholders in connection with the Offer. A retail shareholder of Cape is a Cape shareholder who is not a broker or an associate of a broker and who as at the date of the acceptance holds less than \$500,000 worth of Shares (as measured by the Offer consideration, which is to be calculated on the basis of the implied value of MetroCoal Shares under the Offer of 4.09 cents, being the 20 day VWAP of MetroCoal Shares to 1 August 2014, the last trading day before the Offer was announced (**Offer Consideration**)). A broker handling fee on the terms and subject to the conditions set out below will be payable to a broker in respect of all valid retail acceptances received by MetroCoal for Shares which bear the broker's official stamp (for Issuer Sponsored Holdings) or are initiated by the broker via CHESS and where the broker submits a valid broker fee claim form.

The broker handling fee will be 0.75% of the Offer Consideration paid for the Shares covered by the acceptance. The minimum fee per accepting Cape shareholder will be \$50 and the maximum fee per accepting Cape shareholder will be capped at \$750. (All amounts stated are inclusive of any GST.) Brokers are not entitled to payment of any broker handling fee in respect of Shares in which they or their associates have a relevant interest. To qualify for the broker handling fee, a broker fee claim form must be received by Link Market Services Limited within 5 Business Days following the end of the Offer Period. Brokers with any queries should call Link Market Services Limited on 1300 138 914 (within Australia) or +61 2 8767 1054 (from outside Australia).

Set out below are further conditions attaching to the offer of a broker handling fee:

- (a) the submission of any broker fee claim form and acceptance bearing a broker's official stamp will constitute an acknowledgement by the relevant broker that it has represented to MetroCoal that:
 - (1) neither it nor an associate of it is the accepting Cape shareholder;
 - (2) the broker handling fee will not be share directly or indirectly with the accepting Cape shareholder; and
 - (3) it and the accepting Cape shareholder are not associates for any other reason under the Corporations Act;
- (b) for Cape shareholders on the CHESS subregister, where the Cape shareholder directly requests MetroCoal (and not the relevant CHESS participant) to initiate acceptance of the Offer on their behalf, that broker will not be entitled the broker handling fee;
- (c) subject to the terms set out above, payment of the broker handling fee will be made by cheque or electronic transfer within 10 Business Days of the end of the Offer Period; and
- (d) the broker handling fee is for acceptances from retail Cape shareholder only.

MetroCoal may, in its absolute discretion, refuse to pay broker handling fees on any acceptances it deems to be from a Cape shareholder in respect of which a handling fee has already been claimed, a non-retail Cape shareholder or acceptances that appear to have been split.

13. Additional Information

13.1 Rights and liabilities attaching to MetroCoal Shares

From their date of issue, the MetroCoal Shares to be issued pursuant to the Offer will rank equally with the existing MetroCoal Shares.

The rights and restrictions attaching to MetroCoal Shares are set out in MetroCoal's Constitution and, in certain circumstances, are regulated by the *Corporations Act*, ASX Listing Rules and general law. Under Section 140(1) of the *Corporations Act*, the constitution of MetroCoal has effect as a contract between MetroCoal and each member and between a member of MetroCoal and each other member. Accordingly, if Cape Shareholders accept the Offer and are allotted MetroCoal Shares as consideration, they will become contractually bound to comply with the Constitution of MetroCoal.

A summary of the principal rights attaching to MetroCoal Shares based is set out below. It does not purport to be exhaustive or to constitute a definitive statement of the rights attaching to MetroCoal Shares. Such rights involve complex questions of law arising from interaction of the constitution and statutory and common law requirements. Shareholders should seek their own advice when trying to establish their rights in specific circumstances.

(a) **Shares**

Shares in MetroCoal may be issued with preferred, deferred or other special rights, obligations or restrictions in relation to dividends, voting, return of share capital, payment of calls or other matters, as determined by MetroCoal's Board from time to time. All unissued shares are under the control of MetroCoal's Board, which may grant options on the shares, issue option certificates and allot or dispose of the shares on the terms and conditions and for consideration it thinks fit. This power is subject to contract or any contrary rules in the constitution.

(b) **Variation of rights**

The rights and restrictions attaching to any class of shares (other than redeemable preference shares), can only be varied with the consent in writing of members with at least three-quarters of the votes in that class, or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class (unless otherwise provided by the terms of issue of shares of that class).

(c) **Calls**

The Board of MetroCoal may from time to time call upon shareholders for unpaid monies on their shares except where the conditions of allotment in respect of the shares made payments payable at fixed times. If such a call is made, shareholders are liable to pay the amount of the call in the manner and at the time and place specified by MetroCoal's Board. Such calls may be payable by instalments. When a resolution of MetroCoal's Board authorising the call is passed, the call will be deemed to have been made. It may be revoked by notice in writing, at any time before the date nominated for the payment of the call, at the discretion of MetroCoal's Board.

(d) **Lien**

MetroCoal has a first lien or charge for unpaid calls and unpaid instalments, amounts owed for acquiring shares under an employee incentive scheme and any amount it is legally required to pay in relation to a shareholder's shares (as well as reasonable interest and expenses in relation to any of the above). The lien or charge extends to all dividends declared in respect of the shares.

(e) **Share transfers**

Shares may be transferred in any manner required or permitted by the *Corporations Act*, ASX Listing Rules or the ASX Settlement Operating Rules and by any instrument in writing in any usual or common form or in any other form that MetroCoal's Board approves.

MetroCoal's Board may only refuse to register a transfer of securities of MetroCoal as permitted by the ASX Listing Rules or the ASX Settlement Operating Rules.

(f) **Voting rights**

Each shareholder has the right to receive notices of, and to attend, general meetings of MetroCoal.

Subject to restrictions on voting from time to time affecting any class of shares in MetroCoal, and any restrictions imposed by the Corporations Act, the shares in MetroCoal carry the right to cast one vote on a show of hands and, on a poll, one vote for each fully paid share held, and for each partly paid share held, a vote having the same proportionate value as the proportion to which the shares have been paid up. Voting may be in person or by proxy, attorney or representative.

(g) **Remuneration of directors**

Directors are to be remunerated out of company funds for their services. Such remuneration is determined by the Company in general meeting.

Director's fees are by a fixed sum and not a commission on a percentage of profits or operating revenue. It may not be increased except at a general meeting in which particulars of the proposed increase have been provided in the notice convening the meeting to shareholders.

(h) **Election of Directors**

The constitution states that there must be a minimum of three directors and a maximum of nine directors and MetroCoal may from time to time, by resolution passed at general meeting, increase or reduce the number of Directors.

13.2 **Brokerage, Stamp duty and fees**

You may not incur brokerage if you accept the Offer.

There are no stamp duty charges or brokerage payable in relation to either of the Offer, unless your Cape Shares are registered in a CHESS Holding, or if you are a beneficial owner whose Cape Shares are registered in the name of a broker, bank, custodian or other nominee.

If your Cape Shares are registered in a CHESS Holding or if you are a beneficial owner whose Cape Shares are registered in the name of a broker, bank, custodian or other nominee, you should ask your Controlling Participant (usually your stockbroker) or the relevant nominee whether it will charge any transaction fees or service charges in connection with the acceptance of the Offer. You may be required to pay brokerage if Cape Shares are sold on the market.

13.3 **ASIC Relief**

(a) **Class Orders**

ASIC has published various "Class Order" instruments providing for modifications and exemptions that apply generally to all persons, including MetroCoal, in relation to the operation of Chapter 6 of the Corporations Act. MetroCoal may rely on this class order relief.

This Bidder's Statement includes or is accompanied by statements that are made in, or based on, statements made in documents lodged with ASIC or ASX. Under the terms of ASIC Class Order 13/521, the parties making those statements are not required to consent to, and have not consented to, the inclusion of those statements in this Bidder's Statement.

A list of all such documents is set out below:

Cape's announcements lodged with the ASX:

Date lodged	Announcement
11/08/2014	Revised DSO Inferred Resource for Bauxite Hills
16/06/2014	Direct Shipping Ore Inferred Resource for Bauxite Hills
25/06/2014	Quarterly Activities Report
25/06/2014	Quarterly Cashflow Report
14/02/2014	Half Year Accounts to 31 December 2013
6/12/2014	Cape to focus on development of Bauxite Hills project
22/11/2013	Cape Alumina suspends works on Pisolite Hills Project
21/10/2103	Annual Report to Shareholders

MetroCoal's announcements lodged with the ASX:

Date lodged	Announcement
30/07/2014	Quarterly Cash Flow Report
30/07/2014	Quarterly Activities Report
22/04/2014	Change in substantial shareholding for CBX
18/03/2014	Change in substantial shareholding for CBX
18/02/2014	Half Year Accounts
30/10/2013	MetroCoal Limited 2013 Annual Report to Shareholders
12/09/2013	Annual Financial Report June 2013

In accordance with your right to obtain a copy of the above documents free of charge pursuant to ASIC class order 13/521, please contact Link Market Services on 1300 138 914 (within Australia) or +61 2 8767 1054 (from outside Australia).

MetroCoal has also relied on the modification to Section 619(3) and Section 619(4) of the Corporations Act as set out in paragraph 4(c) of ASIC Class Order 13/521 "Takeover Bids" in relation to the Foreign Security Holders.

(b) **Approval of Nominee**

Pursuant to section 619(3) of the Corporations Act (as modified by ASIC Class Order 13/521 MetroCoal will appoint a nominee, subject to ASIC's prior consent, to act as the nominee appointed by MetroCoal in relation to the Offer (**Shareholder Nominee**) on the conditions that the Shareholder Nominee remains the holder of an appropriate financial services licence during the period of time necessary to complete the relevant procedure under section 619(3) of the Corporations Act and the Shareholder Nominee only acts in its capacity as nominee under section 619(3) of the Corporations Act on behalf of Prescribed Foreign Security Holders to act as nominee for the sales referred to in Section 12.11.

13.4 **MetroCoal is a Disclosing Entity**

Due to the fact that MetroCoal is offering MetroCoal Shares as consideration for the acquisition of Cape Shares, the Corporations Act requires that this Bidder's Statement must include all information that would be required for a prospectus for an offer of MetroCoal Shares under sections 710 to 713 of the Corporations Act. MetroCoal does not need to issue a prospectus for the Offer of the MetroCoal Shares as the Offer is occurring under a takeover bid.

MetroCoal is a disclosing entity (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, MetroCoal is required to continuously disclose to the market any information it has which a reasonable person would expect to have a material effect on the price or the value of MetroCoal Shares.

MetroCoal Shares have been quoted on the ASX during the 12 months prior to the date of this Bidder's Statement. For this reason, MetroCoal is only required to disclose information in this Bidder's Statement that would usually be required where its shares have been continuously quoted securities.

In general terms, where MetroCoal Shares are continuously quoted securities the Bidder's Statement is only required to contain information in relation to the effect of the Offer on MetroCoal and the rights and liabilities attaching to the MetroCoal Shares. It is not necessary to include general information in relation to all of the assets and liabilities, financial position and performance, profits and losses or prospects of MetroCoal unless such information has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules and it is information:

- (a) that investors and their professional advisors would reasonably require for the purposes of making an informed assessment of such matters; and
- (b) relating to the rights and liabilities attaching to the MetroCoal Shares.

Information that is already in the public domain has not been reported in this Bidder's Statement other than that information which is considered necessary to make this Bidder's Statement complete.

MetroCoal, as a disclosing entity under the Corporations Act, states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to MetroCoal (not being documents referred to in section 1274(2) (a) of the Corporations Act) may be obtained from, or inspected at, an ASIC office; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request during the Offer Period:
 - (1) the financial statements of MetroCoal for the 12 months ended 30 June 2013 (being the annual financial report most recently lodged by MetroCoal with ASIC);
 - (2) the half-year financial report for the half-year ended 31 December 2013; and
 - (3) all continuous disclosure notices given by MetroCoal after the lodgement of that annual financial report with ASIC and before the lodgement of this Bidder's Statement with ASIC.

Requests for free copies of these documents may be made by calling Link Market Services Limited on 1300 138 914 (within Australia) or +61 2 8767 1054 (from outside Australia).

Copies of all documents lodged with ASIC in relation to MetroCoal can be inspected at the registered office of MetroCoal during normal office hours. MetroCoal also has a website, www.metrocoal.com.au which includes a wide range of information on MetroCoal (including copies of the above documents) and its activities. A list of announcements made by MetroCoal on ASX between 12 September 2013 and the date of this Bidder's Statement appears in Annexure B.

13.5 Corporate Governance

MetroCoal has adopted a corporate governance charter (**Corporate Governance Charter**) in order to implement and maintain a culture of good corporate governance both internally and in its external dealings. The Corporate Governance Charter can be found on MetroCoal's website at: www.metrocoal.com.au or alternatively in the Company's 2013 Annual Report. The statement outlines the key corporate governance practices that are in place for MetroCoal and its Subsidiaries

(the Group) and to which both the Board of MetroCoal collectively and the Directors individually are committed.

13.6 Interests of MetroCoal Directors in MetroCoal Shares

Set out below are details of the interest of the Directors of MetroCoal in the securities of MetroCoal immediately prior to lodgement of the Bidder's Statement. Interest includes those securities held directly and indirectly.

Director	Number of Shares	Number of Options	Exercise Price	Expiry Date	Number of Options Vested
Stephen Everett	101,045	500,000	\$0.235	11 July 2015	500,000
		500,000	\$0.50	11 July 2015	500,000
Andrew Gillies	470,000	Nil	-	-	-
Lindsay Ward	Nil	Nil	-	-	-
			-	-	-
Dongping Wang	Nil	250,000	\$0.235	11 July 2015	250,000
		250,000	\$0.50	11 July 2015	250,000
Robert Finch	299,000	250,000	\$0.235	11 July 2015	250,000
		250,000	\$0.50	11 July 2015	250,000
John Haley	120,000	Nil	-	-	-

13.7 Remuneration of MetroCoal Directors

In respect of the financial years ended 30 June 2013 and 30 June 2014 and for the current financial year up to and including 18 August 2014, the remuneration paid (including any contingent or deferred compensation) and benefits granted to the directors of MetroCoal by any member of the MetroCoal Group were as follows:

Current financial year to 18 August 2014

Directors	Short term benefits			Post-employment		Share based payments Equity settled \$	Total \$
	Cash Salary and Fees \$	Bonus \$	Non-monetary \$	Super-annuation \$	Long Service Leave \$		
Mr S Everett	13,500	-	-	-	-	-	13,500
Mr A Gillies	4,623	-	-	439	-	-	5,062
Mr L Ward	7,656	-	-	727	-	-	8,383
Mr D Wang	3,375	-	-	-	-	-	3,375
Mr R Finch	3,375	-	-	-	-	-	3,375
Mr J Haley	1,541	-	-	146	-	-	1,687
TOTAL	34,070			1,312			35,382

Year ended 30 June 2014

Directors	Short term benefits				Post-employment			Share based payments settled \$	Total \$
	Cash Salary and Fees \$	Bonus \$	Non-monetary \$	Super-annuation \$	Long Service Leave \$	Equity settled \$			
Mr S Everett	90,400	-	-	-	-	-	-	-	90,400
Mr A Gillies	24,971	-	-	2,309	-	-	-	-	27,280
Mr L Ward	50,669	-	-	4,705	-	-	-	-	55,574
Mr D Wang	22,500	-	-	-	-	-	-	-	22,500
Mr R Finch	20,080	-	-	1,857	-	-	-	-	21,937
Mr J Haley	27,638	-	-	1,405	-	-	-	-	29,043
Mr M Hansel	51,216	-	-	-	-	-	-	-	51,216
TOTAL	287,674				10,276			-	297,950

Year ended 30 June 2013

Directors	Short term benefits				Post-employment			Share based payments settled \$	Total \$
	Cash Salary and Fees \$	Bonus \$	Non-monetary \$	Super-annuation \$	Long Service Leave \$	Equity settled \$			
Mr S Everett	90,000	-	-	-	-	-	-	44,296	134,296
Mr A Gillies	41,284	-	-	3,716	-	-	-	-	45,000
Mr J Haley ⁽ⁱ⁾	46,564	-	-	3,716	-	-	-	-	50,280
Mr M Hansel	79,000	-	-	-	-	-	-	-	79,000
Mr L Ward	50,459	-	-	4,541	-	-	-	-	55,000
Mr D Wang	22,500	-	-	-	-	-	-	22,148	44,648
Mr R Finch	20,642	-	-	1,858	-	-	-	22,148	44,648
TOTAL	313,449			13,831			-	88,592	452,872

(i) Mr J Haley resigned as a director and was appointed alternate director to Mr A Gillies on 30 June 2013.

13.8 Disclosure of Fees or Benefits Received by Certain Persons

Except as set out in this Bidder's Statement, no person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement holds, or held at any time during the last two years, any interest in:

- (a) the formation or promotion of MetroCoal;
- (b) property acquired or proposed to be acquired by MetroCoal in connection with its formation or promotion or the Offer; or
- (c) the Offer of MetroCoal Shares.

Except as set out in this Bidder's Statement, no person has paid or agreed to pay an amount and no person has given or agreed to give any benefit to any person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement for services provided in connection with the formation or promotion of MetroCoal or the Offer.

HopgoodGanim has acted as legal advisor to MetroCoal in relation to the Offer. HopgoodGanim is entitled to professional fees in accordance with its time-based charges.

13.9 Competent Person statement

The information in this Bidder's Statement in relation to MetroCoal that relates to the Compilation of existing data and Exploration Results in the MetroCoal Resource and Reserve table, excluding Bundi and Juandah, 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 Radley is an independent geological resource consultant retained by MetroCoal Limited.

Mr 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 consents to the inclusion in this Bidder's Statement of matters based on their information in the form and context in which it appears.

The information in this Bidder's Statement in relation to MetroCoal that relates to the Compilation of existing data and Exploration Results in the MetroCoal Resource and Reserve table, with reference to Bundi and Juandah 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 Radley is an independent geological resource consultant retained by MetroCoal Limited.

Mr 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 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Ed Radley consents to the inclusion in this Bidder's Statement of matters based on their information in the form and context in which it appears.

13.10 Consents

- (a) Link Market Services Limited (**Link**) has given and has not withdrawn its consent to be named in this Bidder's Statement as the Share Registry of MetroCoal and for statements in this Bidder's Statement to be attributed to Link in the form and context in which it is named or in which such statements are included in this Bidder's Statement. Link takes no responsibility for any part of the Bidder's Statement other than the references to its name and statements expressly attributed to it.
- (b) HopgoodGanim are acting as solicitors to the Offer and have performed work in relation to the Bidder's Statement. In doing so, HopgoodGanim have placed reasonable reliance upon information provided to them by MetroCoal. HopgoodGanim does not make any statement in this Bidder's Statement. HopgoodGanim has given and has not withdrawn its consent to be named in this Bidder's Statement as solicitors to the Offer in the form and context in which it is named. It takes no responsibility for any part of the Bidder's Statement other than references to its name.

13.11 ASX Announcements

A list of announcements made by MetroCoal to the ASX between 12 September 2013 (the date MetroCoal's Annual Report was released to ASX) and the date of this Bidder's Statement is set out in Annexure B. This information may be relevant to your assessment of the Offer. Copies of the announcements are available from the ASX website (www.asx.com.au ASX: MTE).

13.12 Further Information

Further information about MetroCoal can be found on MetroCoal's website – (www.metrocoal.com.au).

13.13 Other material information

Except as disclosed in this Bidder's Statement, there is no other material information known to MetroCoal which is material to the making of the decision by a Cape Shareholder as to whether to accept the Offer.

The *Corporations Act* only requires that MetroCoal disclose information which is as up to date as is reasonable in the circumstances. Further, MetroCoal is not required to disclose information in this Bidder's Statement if it would be unreasonable to require MetroCoal to do so because the information had previously been disclosed to Cape Shareholders.

13.14 Costs and expenses

All costs and expenses of the preparation and circulation of this Bidder's Statement and the Offer, will be paid by MetroCoal.

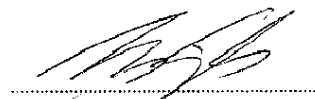
13.15 Governing Law

This Bidder's Statement and Offer and any contract that results from your acceptance of the Offer is governed by the laws in force in Queensland.

13.16 Approval of Bidder's Statement

This Bidder's Statement has been approved by a unanimous resolution passed by the Directors of MetroCoal.

Dated 19 August 2014

A handwritten signature in black ink, appearing to read 'AG', is written over a horizontal dotted line.

Andrew Gillies
Director

14. Definitions and Interpretation

14.1 *Defined Terms*

In this Bidder's Statement, the following words have these meanings unless the contrary intention or the context otherwise requires:

Acceptance Form means the form of acceptance and transfer enclosed with this Bidder's Statement and forms part of the Offer (the Instructions on which are for guidance only and do not form part of the Offer);

Adviser means, in relation to an entity, a person who in the ordinary course of its business provides services as a financier, financial adviser, corporate adviser, legal adviser, or technical or other expert adviser or consultant and who has been engaged in that capacity in connection with the Offer;

AIFRS means Australian International Financial Reporting Standards;

Announcement Date means the date on which the Offer was announced to ASX by MetroCoal, namely 4 August 2014;

ASIC means Australian Securities & Investments Commission;

Associate has the meaning given to that term in the Corporations Act;

ASX means ASX Limited;

ASX Listing Rules means the Official Listing Rules of ASX;

ASX Settlement Operating Rules means the operating rules of the settlement facility provided by ASX Settlement;

A\$ or \$ means Australian dollars;

Bid Class has the meaning given to that term in the Corporations Act;

Bid Period has the meaning given to that term in the Corporations Act;

Bidder, MetroCoal or the **Company** means MetroCoal Limited ACN 117 763 443;

Bidder Group means the Bidder and its Subsidiaries;

Bidder's Statement or **Statement** means this document, being the replacement statement of Bidder (including any supplementary or replacement bidder's statements) under Part 6.5 Division 2 of the *Corporations Act* relating to the Offer;

Board of MetroCoal or **MetroCoal's Board** means the board of directors of MetroCoal;

Board of Cape or **Cape's Board** means the board of directors of Cape;

Broker means a member organisation admitted to participate in the CHESS under the ASX Settlement Operating Rules;

Business Day means a day on which banks are open for business in Brisbane excluding a Saturday, Sunday or public holiday;

Cape or **Target** means Cape Alumina Limited ACN 107 817 694;

Cape Group or **Target Group** means Cape and its Subsidiaries;

Cape Shareholder or **Target Shareholder** means a holder of Cape Shares;

Cape Shares, Target Shares or Shares means the issued fully paid ordinary shares in the capital of Cape and includes all Rights attaching to them and the term **Cape Share, Target Share or Share** shall have a corresponding meaning;

Cape's Statement means the Target's Statement to be issued by Cape in response to this Bidder's Statement as required under the *Corporations Act*;

CGT means Capital Gains Tax;

CHESS means Clearing House Electronic Subregister System, which provides for the electronic transfer of securities in Australia;

CHESS Holding means a holding of Cape Shares on the CHESS Subregister of Cape;

CHESS Subregister has the meaning set out in the ASX Settlement Operating Rules;

Closing Date means the last date on which the Offer is open to Cape Shareholders to accept, namely 3 October 2014;

Constitution means the Constitution of MetroCoal;

Control has the meaning given to it in section 50AA of the Corporations Act;

Controlling Participant shall have the meaning set out in the ASX Settlement Operating Rules;

Corporations Act means the *Corporations Act 2001 (Cth)*;

Defeating Conditions means the conditions as set out in sections 11.2 and 12.2 of this Bidder's Statement;

Directors mean the directors of MetroCoal and Cape (depending on its context) from time to time;

Encumbrance means a mortgage, lien, charge, pledge, assignment by way of security, security interest, title retention, preferential right or trust arrangement, claim, covenant, profit a prendre, easement or any other security arrangement or any other arrangement having a similar effect;

Foreign Shareholder or Foreign Security Holder has the meaning set out in Section 12.11;

Government Agency means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state;

Instructions mean those instructions on how to accept the Offer set out more particularly on the Acceptance Form;

Issuer Sponsored Holding means a holding of Cape Shares on Cape's issuer sponsored sub-register;

Listing Rules means the Official Listing Rules of the ASX;

Merger means the merger of the Target and the Bidder by way of a Takeover Bid by the Bidder for all of the Target Shares in accordance with the Offer;

Merged Group or Merged Entity means MetroCoal and its Subsidiaries (including Cape and Cape's Subsidiaries) which will exist as a result of the takeover bid as constituted by the Offer, should the Offer be successful;

MetroCoal Group or Group or Bidder Group means MetroCoal and its Subsidiaries;

MetroCoal Shareholder means a holder of a MetroCoal Share;

MetroCoal Shareholders or Bidder Shareholder means holders of MetroCoal Shares;

MetroCoal Shares or Bidder Shares means ordinary fully paid shares in MetroCoal;

M means millions;

Mt means million tonnes;

mtpa means million tonnes per annum;

Net Assets means an amount equal to the net assets (being total assets less total liabilities) of the Target Group (on a consolidated basis), determined in accordance with Australian Accounting Standards as applied in the most recent financial statements of the Target prior to the Announcement Date;

Offer means the offer by MetroCoal of to acquire all of the Cape Shares for the Offer Consideration;

Offer Consideration means the consideration offered by MetroCoal of 1 MetroCoal Share and for every 1.3 Cape Shares;

Offer Date means the date on which the Offer was first made to security holders of Cape, 2 September 2014;

Offer Period means the period during which the Offer will remain open for acceptance as set out at section 12.6 of this Bidder's Statement;

Officer means, in relation to an entity, its directors, officers and employees;

pa means per annum;

Participant has the same meaning given to that term in the ASX Settlement Operating Rules;

Prescribed Foreign Security Holder has the meaning given to that term in section 12.11(e);

Previous Offer means the "on market" bid by MetroCoal to acquire all of the issued shares in Cape which was announced on 18 March 2014 and closed on 5 May 2014;

Public Authority means any government or any governmental, semi-governmental, statutory or judicial entity or authority, or any minister, department, office or delegate of any government, whether in Australia or elsewhere. It also includes any self-regulatory organisation established under statute and any stock exchange;

Register Date means 7pm (AEST) on 21 August 2014;

Related Bodies Corporate has the meaning given to that term in the Corporations Act;

Relevant Interest has the meaning given to that term in the Corporations Act;

Representative means, in relation to a person:

- (a) a Related Body Corporate of the person;
- (b) a Subsidiary of the person;
- (c) an Officer of the person or any of the person's Subsidiaries; or
- (d) an Adviser to the person or any of the person's Subsidiaries;

Rights means all accretions, rights or benefits of whatever kind attaching to or arising from Cape Shares directly or indirectly after the date of this Bidder's Statement, including, without limitation, all dividends or other distributions and all rights to receive any dividends or other distributions, or to receive or subscribe for shares, stock units, notes, bonds, options or other securities, declared or paid by Cape or any of its Subsidiaries;

Shareholder Nominee means a nominee appointed in accordance with section 12.11 (e);

Specified Amount means \$100,000;

Subsidiary has the meaning given to that term in the Corporations Act;

Takeover Bid has the meaning given to that term in section 9 of Corporations Act;

Takeover Transferee Holding has the meaning given in the ASX Settlement Operating Rules;

Takeovers Panel means the takeovers panel having powers under Part 6.10 of the *Corporations Act*;

Target's Statement shall have the meaning given to it in the *Corporations Act*;

Tenements means all tenements that a member of the Target Group holds any right, title or interest and any extension, renewal, conversion or substitution of such tenements;

Third Party means a person or entity other than:

- (a) the Target;
- (b) any Related Bodies Corporate of the Target;
- (c) the Bidder; or
- (d) any Related Bodies Corporate of the Bidder; and

VWAP means volume weighted average price.

14.2 Interpretation

- (a) Terms used in this Bidder's Statement and Offer have the meaning (if any) given to them in Chapter 6 of the *Corporations Act* unless that meaning is inconsistent with the context in which the term is used.
- (b) In the Offer unless the context otherwise requires:
 - (1) headings are for convenience of reference only and do not affect the meaning of the sections they introduce;
 - (2) the singular includes the plural and vice versa;
 - (3) words importing any gender include all other genders;
 - (4) references to persons include corporations;
 - (5) appendices and annexures to the Offer form part of the Offer;
 - (6) references to paragraphs are to paragraphs in the Offer; and
 - (7) references to "dollar" or "\$" are references to Australian currency

Annexure A

	MetroCoal 31 December 2013 Reviewed (Refer Note 1) \$	Proforma Adjustments Change of Control Unaudited (Refer Note 3) \$	Proforma Adjustments Other Unaudited (Refer Note 4) \$	Proforma MetroCoal (Refer Note 2) \$	Proforma Non- Controlling Interest Acquisition Adjustments (Refer Note 5) \$	Proforma MetroCoal at 100% Ownership of Cape Alumina \$
Current assets						
Cash and cash equivalents	7,478,266	934,070	(619,000)	7,793,336	(100,000)	7,693,336
Trade and other receivables	105,541	30,300	-	135,841		135,841
Financial assets	376,441	-	-	376,441		376,441
Other assets	78,296	52,158	-	130,454		130,454
Total current assets	<u>8,038,544</u>			<u>8,436,072</u>		<u>8,336,072</u>
Non-current assets						
Available-for-sale financial assets	450,000	(100,000)	(350,000)	-		-
Plant and equipment	95,039	-	-	95,039		95,039
Exploration and evaluation assets	23,903,030	-	-	23,903,030		23,903,030
Other assets	-	88,695	-	88,695		88,695
Total non-current assets	<u>24,448,069</u>			<u>24,086,764</u>		<u>24,086,764</u>
TOTAL ASSETS	<u>32,486,613</u>			<u>32,522,836</u>		<u>32,422,836</u>
Current liabilities						
Trade and other payables	196,559	142,264	-	338,823		338,823
Employee benefits	56,848	-	-	56,848		56,848
Total current liabilities	<u>253,407</u>			<u>395,671</u>		<u>395,671</u>
TOTAL LIABILITIES	<u>253,407</u>			<u>395,671</u>		<u>395,671</u>
TOTAL NET ASSETS	<u>32,233,206</u>			<u>32,127,165</u>		<u>32,027,165</u>
Equity						
Contributed equity	45,149,187	-	-	45,149,187	3,194,000	48,343,187
Reserves	5,586,507	-	-	5,586,507	(2,701,393)	2,885,114
Accumulated losses	(18,502,488)	137,353	(836,000)	(19,201,135)		(19,201,135)
Non Controlling Interest	-	725,606	(133,000)	592,606	(592,606)	-
TOTAL EQUITY	<u>32,233,206</u>			<u>32,127,165</u>		<u>32,027,165</u>

Note 1

The MetroCoal Statement of Financial Position at 31 December 2013 Reviewed has been extracted from the reviewed financial statements of MetroCoal for the half year ended 31 December 2013.

Note 2

The proforma MetroCoal Statement of Financial Position is based on the MetroCoal Statement of Financial Position at 31 December 2013 adjusted for material transactions subsequent to that date, including the acquisition of a controlling interest in Cape Alumina on 27 March 2014.

Note 3

The proforma adjustments for change of control result from MetroCoal obtaining a controlling interest in Cape Alumina of 27 March 2014. MetroCoal has accounted for this as an acquisition of assets rather than a business combination as Cape Alumina did not meet the Australian Accounting Standard definition of a business as at the change of control date. The proforma adjustment comprises the following:

- a) Cash consideration paid \$733,175. The fair value of the Cape Alumina shares owned by MetroCoal just prior to obtaining control, being \$100,000, also forms part of the consideration paid.
- b) Taking up the Cape Alumina monetary assets and liabilities at acquisition date as recorded in the Cape Alumina Statement of Financial Position as at the date of change of control.
- c) Recognising the non-controlling interests share of the monetary assets and liabilities of \$725,606.
- d) Recognising a gain on acquisition of \$137,353 as a result of MetroCoal's share of the monetary assets and liabilities exceeding the consideration paid by this amount.

Note 4

The other proforma adjustments for material transactions subsequent to 31 December 2013 comprise:

- a) \$350,000 impairment of MetroCoal's investment in Cape Alumina up to the change of control date.
- b) Cash payments of \$619,000 for operating expenses.
- c) Recognising the non-controlling interests share of Cape Alumina's loss subsequent to the change of control date, being \$133,000.

Note 5

The Proforma Non-Controlling Interest Acquisition Adjustments comprise:

- a) Estimated transaction cost of \$100,000 to be paid in cash and offset against the reserve account recognised on the acquisition of the non-controlling interest.
- b) The issue of 79,849,988 shares to acquire the 42.78% interest in Cape Alumina not currently held by MetroCoal. It has been assumed that the fair value of the MetroCoal shares at acquisition date will be 4c, resulting in an increase in issued capital by \$3,194,000 and a reduction of the non-controlling interest in Cape Alumina to nil. The balance is taken to reserves in accordance with Australian Accounting Standards.

ANNEXURE B – METROCOAL ANNOUNCEMENTS TO THE ASX SINCE 12 SEPTEMBER 2013 TO THE DATE OF THE BIDDER'S STATEMENT

Document Date	Price Sensitive	Headline
12/08/14		Letter to shareholders
05/08/14		CBX: Response to MetroCoal Announcement
04/08/14	Yes	Intention to make a scrip offer for remaining shares in CBX
04/08/14	Yes	Trading Halt
30/07/14	Yes	Quarterly Activities Report
24/07/14	Yes	Quarterly Cash Flow Report
19/05/14		Company Secretary Resignation and Appointment
06/05/14		MetroCoal Bid for Cape Alumina closes
29/04/14	Yes	MTE – March 2014 Quarterly Activity Report
22/04/14		MetroCoal now in control of Cape Alumina
22/04/14		Change in Substantial Holding for CBX
11/04/14		Letter to Shareholders
04/04/14		Change of Directors Interest Notice – App 3Y
04/04/14	Yes	Appendix 5B – Quarterly Cashflow Report
02/04/14	Yes	CBX: Targets Statement in relation to MetroCoal offer
02/04/14		MetroCoal will not increase its bid price for Cape Alumina
31/03/14		Final Directors Interest Notice
31/03/14	Yes	MetroCoal continues to reduce costs
27/03/14		MetroCoal secures strategic stake in Cape Alumina
27/03/14	Yes	Supplementary Bidders Statement
27/03/14	Yes	CBX: MetroCoal acquires RCF Holding in Cape Alumina
19/03/14	Yes	MetroCoal corrects media error on Cape Alumina bid price
18/03/14		MetroCoal bids to take control of Cape Alumina
19/03/14		CBX: Directors consider on market bid by MetroCoal Limited
18/03/14		Change in substantial holding for CBX
18/03/14	Yes	Bidders Statement – Market Bid
18/03/14	Yes	On market Takeover Bid for CBX
26/02/14	Yes	New coal opportunity – Pentland South
18/02/14		Half year accounts
29/01/14	Yes	Quarterly Activities and Cashflow report
10/12/13		Becoming a substantial holder for CBX
09/12/13	Yes	MetroCoal and Cape Alumina Merger termination update
06/12/13	Yes	CBX: Scheme of Arrangement Proceeding dismissed
03/12/13		Company Secretary Resignation and Appointment
02/12/13		Results of 2013 Annual General Meeting
29/11/13		Chairman's Address to 2014 Annual General Meeting
25/11/13		Amendment to AGM Agenda

Document Date	Price Sensitive	Headline
22/11/13		Cape Alumina suspends work on Pisolite Hills Project
22/11/13	Yes	MetroCoal and Cape Alumina agree not to proceed with merger
20/11/13	Yes	Trading Halt
13/11/13	Yes	Disagreement with 3TL regarding vesting of options
06/11/13	Yes	CBX: Release of Scheme Booklet
30/10/13		MetroCoal Limited 2013 Annual Report to Shareholders
30/10/13		Notice of Annual General Meeting/Proxy Form
30/10/13	Yes	September 2013 Quarterly Activities Report
24/10/13	Yes	Bundi Project Update
08/10/13	Yes	Quarterly Cashflow Report
30/09/13		Appendix 3Y – Change of Directors Interest Notice
25/09/13	Yes	MTE – Cape Alumina Limited Merger with MetroCoal Limited
25/09/13	Yes	MetroCoal to merge with Cape Alumina
24/09/13	Yes	Trading Halt

Corporate Directory

Directors

Mr Stephen Everett (Chairman)
Mr Andrew Gillies (Non Executive Director)
Mr Dongping Wang (Non Executive Director)
Mr Lindsay Ward (Non Executive Director)
Mr Robert Finch (Alternate Director)
Mr John Haley (Alternate Director)

Company Secretary

Mr Scott Waddell

Chief Executive Officer

Mr Mike O'Brien

Registered Office and Principal Place of Business

Cnr Lytton Road, and Stafford Street
East Brisbane Qld 4169

Phone: (07) 3249 3045
Fax: (07) 3891 9199

Legal Advisers

HopgoodGanim
Level 8 Waterfront Place
1 Eagle Street
BRISBANE QLD 4000

Phone: +61 7 3024 0000
Fax: +61 7 3024 0300



MetroCoal Limited
ABN 45 117 763 443



Need help?

Contact MetroCoal Limited Offer Information Line
Phone 1300 136 914 (from within Australia)
Phone +61 2 8767 1054 (from outside Australia)

A Your name

SAMPLE NAME 1
SAMPLE NAME 2
<SAMPLE A/C>
SAMPLE ADDRESS 1
SAMPLE ADDRESS 2

Your holding

Securityholder Reference Number: 112345678910

Cape Alumina Shares held 99,999,9999

If your holding has changed between record date and time of acceptance, then write your current holding here. Your acceptance will be granted over your updated holding.

This is an important document. If you are in doubt as to how to complete this form, please consult your financial or other professional adviser immediately.

Transfer and Acceptance Form – Issuer Sponsored Subregister

This is a personalised form for the sole use of the holder and holding recorded above.

B You must give your instructions to accept the Offer

If you correctly sign and return this form you will be deemed to have accepted the Offer in respect of ALL of your Cape Alumina Shares. Your form must be received by the Closing Date.

Offer Consideration – 1 MetroCoal Limited Share for every 1.3 Cape Alumina Limited Shares

C Contact details

Please provide your contact name and telephone number in case we need to speak to you about this Acceptance Form.

Telephone Number where you can be contacted during business hours

Contact Name (PRINT)

D You must sign this form for your instructions in this Acceptance Form to be executed

I/We, the person(s) named above, accept the Offer in respect of all my/our Cape Alumina Shares and hereby agree to transfer to MetroCoal Limited all my/our Cape Alumina Shares for the consideration specified in the Offer, and on the terms and conditions of the Offer as set out in the Bidder's Statement.

Shareholder 1 (Individual)

Sole Director & Sole Company Secretary

Shareholder 2 (Individual)

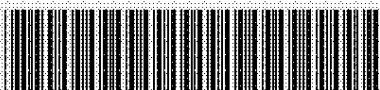
Secretary/Director (delete one)

Shareholder 3 (Individual)

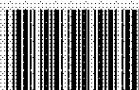
Director

Please refer overleaf for further important instructions

REGISTRY USE ONLY



SRN



Holding

CBXT TKO001



Further Important Instructions

Your Cape Alumina Shares are in an Issuer Sponsored Holding. To accept the Offer, you must complete and return this Acceptance Form in accordance with the instructions below.

Please refer to the Bidder's Statement dated 19 August 2014 which accompanies this Acceptance Form. Terms are defined in the Bidder's Statement and have the same meaning in this Acceptance Form.

Completion instructions

- A** • Please check the front page to ensure that your name and address are correct. If incorrect, please write your correct details and initial the amendments. Amendments to your name can only be processed by your Cape Alumina Registry.
- Please note your consideration will be issued in the names as they appear on the Cape Alumina register.
- D** • Please sign this Acceptance Form in the places for signature(s) out on the front page and in accordance with the following instructions:
 - **Joint Shareholders:** If your Cape Alumina Shares are held in the names of more than one person, all of those persons must sign this Acceptance Form.
 - **Corporations:** This Acceptance Form must be signed by either two directors or a director and a company secretary. Alternatively, where the company has a sole director and, pursuant to the Corporations Act, there is no company secretary, or where the sole director is also the sole company secretary, that director may sign alone. Alternatively, a duly appointed attorney may sign.
 - **Powers of attorney:** If this Acceptance Form is signed under a power of attorney, please attach a certified copy of the power of attorney to this Acceptance Form when you return it. If this Acceptance Form is signed under Power of Attorney, the attorney declares that he/she has no notice of revocation of the Power of Attorney.
 - **Deceased Estates:** All the executors and administrators must sign this Acceptance Form. When you return this Acceptance Form, please attach it to a certified copy of probate, letters of administration or certificate of grant accompanied (where required by law for the purpose of transfer) by a certificate of payment of death or succession duties and (if necessary) a statement in terms of Section 1071B(9)(b)(iii) of the Corporations Act.

Personal Information Collection Notification Statement: Personal information about you is held on the public register in accordance with Chapter 2C of the *Corporations Act 2001*. For details about Link Group's personal information handling practices including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit our website at www.linkmarketservices.com.au for a copy of the Link Group condensed privacy statement, or contact us by phone on +61 1800 502 355 (free call within Australia) 9am–5pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of our complete privacy policy.

Lodgement instructions

- Mail or deliver completed Acceptance Form(s) and any other documents required by the above instructions to:

Mailing Address

Link Market Services Limited
Cape Alumina Takeover
Locked Bag A14
SYDNEY SOUTH NSW 1235

or

Hand Delivery

Link Market Services Limited
Cape Alumina Takeover
1A Homebush Bay Drive
RHODES NSW 2138

- A reply paid envelope is enclosed for use within Australia.

Your acceptance must be received by no later than the end of the Offer Period, which is 7:00pm (AEST) on the last day of the Offer Period.

If you have any questions about the terms of the Offer or how to accept, please call the MetroCoal Limited Offer Information Line on the following numbers:

within Australia: 1300 138 914
outside Australia: +61 2 8767 1054



MetroCoal Limited
ABN 45 117 763 443



Need help?

Contact MetroCoal Limited Offer Information Line
Phone 1300 136 914 (from within Australia)
Phone +61 2 8767 1054 (from outside Australia)

A Your name

SAMPLE NAME 1
SAMPLE NAME 2
<SAMPLE A/C>
SAMPLE ADDRESS 1
SAMPLE ADDRESS 2

Your holding

Holder Identification Number: X12345678910

Cape Alumina Shares held 99,999,999

If your holding has changed between record date and time of acceptance, then write your current holding here.

This is an important document. If you are in doubt as to how to complete this form, please consult your financial or other professional adviser immediately.

Controlling Participant's Name *Broker's Name and telephone printed here*

Advisor Name:	Contact Number:
---------------	-----------------

Transfer and Acceptance Form – CHESS Subregister

This is a personalised form for the sole use of the holder and holding recorded above.

B You must give your instructions to your controlling participant to accept the Offer

If you correctly sign and return this form you will be deemed to have accepted the Offer in respect of **ALL** of your Cape Alumina Shares.

Offer Consideration – 1 MetroCoal Limited Share for every 1.3 Cape Alumina Limited Shares

To accept the Offer you may either:

- directly instruct your Controlling Participant to accept the Offer on your behalf; or
- sign and return this Acceptance Form to the address shown overleaf so the Bidder can contact your Controlling Participant on your behalf and relay your instructions.

If your Controlling Participant acts on your instruction CHESS will send you a confirmation notice.

C Contact details

Please provide your contact name and telephone number in case we need to speak to you about this Acceptance Form.

Telephone Number where you can be contacted during business hours

Contact Name (PRINT)

[Empty box for Telephone Number]

[Empty box for Contact Name]

D You must sign this form for your instructions in this Acceptance Form to be executed

I/We, the person(s) named above, accept the Offer in respect of all my/our Cape Alumina Shares and hereby agree to transfer to MetroCoal Limited all my/our Cape Alumina Shares for the consideration specified in the Offer, and on the terms and conditions of the Offer as set out in the Bidder's Statement.

Shareholder 1 (Individual)

[Empty box for Shareholder 1 signature]

Sole Director & Sole Company Secretary

Shareholder 2 (Individual)

[Empty box for Shareholder 2 signature]

Secretary/Director (delete one)

Shareholder 3 (Individual)

[Empty box for Shareholder 3 signature]

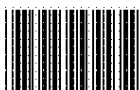
Director

Please refer overleaf for further important instructions

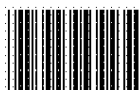
REGISTRY USE ONLY



HIN



Broker PID



Holding

CBXT TKO002



Further Important Instructions

Your Cape Alumina Shares are in a CHESS Holding, you do not need to complete and return this Acceptance Form to the registry to accept the Offer. You can instead contact your Controlling Participant and instruct them to accept the Offer on your behalf in sufficient time before the end of the Offer Period to enable your Controlling Participant to give effect to your acceptance of the Offer on CHESS during business hours. If you decide to use this Acceptance Form to authorise us to contact your Controlling Participant on your behalf, follow the instructions below. You should allow Link Market Services Limited ("Link") sufficient time for the delivery of the Acceptance Form to your Controlling Participant on your behalf. Neither MetroCoal Limited, nor Link will be responsible for any delays incurred by this process.

Please refer to the Bidder's Statement dated 19 August 2014 which accompanies this Acceptance Form. Terms are defined in the Bidder's Statement and have the same meaning in this Acceptance Form.

Completion instructions

- A** • **Please check the front page** to ensure that your name and address are correct. If incorrect, please write your correct details and initial the amendments. Amendments to your name or address can only be processed by your Controlling Participant.
- **Please note** your consideration will be issued in the names as they appear on the Cape Alumina register.
- D** • **Please sign this Acceptance Form** in the places for signature(s) out on the front page and in accordance with the following instructions:
 - **Joint Shareholders:** If your Cape Alumina Shares are held in the names of more than one person, all of those persons must sign this Acceptance Form.
 - **Corporations:** This Acceptance Form must be signed by either two directors or a director and a company secretary. Alternatively, where the company has a sole director and, pursuant to the Corporations Act, there is no company secretary, or where the sole director is also the sole company secretary, that director may sign alone. Alternatively, a duly appointed attorney may sign.
 - **Powers of attorney:** If this Acceptance Form is signed under a power of attorney, please attach a certified copy of the power of attorney to this Acceptance Form when you return it. If this Acceptance Form is signed under Power of Attorney, the attorney declares that he/she has no notice of revocation of the Power of Attorney.
 - **Deceased Estates:** All the executors and administrators must sign this Acceptance Form. When you return this Acceptance Form, please attach it to a certified copy of probate, letters of administration or certificate of grant accompanied (where required by law for the purpose of transfer) by a certificate of payment of death or succession duties and (if necessary) a statement in terms of Section 1071B(9)(b)(iii) of the Corporations Act.

Personal Information Collection Notification Statement: Personal information about you is held on the public register in accordance with Chapter 2C of the *Corporations Act 2001*. For details about Link Group's personal information handling practices including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit our website at www.linkmarketservices.com.au for a copy of the Link Group condensed privacy statement, or contact us by phone on +61 1800 502 355 (free call within Australia) 9am–5pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of our complete privacy policy.

Lodgement instructions

- Mail or deliver completed Acceptance Form(s) and any other documents required by the above instructions to:

Mailing Address

Link Market Services Limited
Cape Alumina Takeover
Locked Bag A14
SYDNEY SOUTH NSW 1235

or

Hand Delivery

Link Market Services Limited
Cape Alumina Takeover
1A Homebush Bay Drive
RHODES NSW 2138

- A reply paid envelope is enclosed for use within Australia.

Your acceptance must be received by no later than the end of the Offer Period, which is 7:00pm (AEST) on the last day of the Offer Period.

If you have any questions about the terms of the Offer or how to accept, please call the MetroCoal Limited Offer Information Line on the following numbers:

within Australia: 1300 138 914
outside Australia: +61 2 8767 1054



Supplementary Bidder's Statement

by MetroCoal Limited ACN 117 763 443
in relation to its Off-Market Takeover Offers for Cape Alumina Limited
ACN 107 817 694

1. Introduction

This document is a Supplementary Bidder's Statement under section 643 of the Corporations Act 2001 (Cth) dated 27 August 2014 (**Supplementary Bidder's Statement**). It is the first Supplementary Bidder's Statement issued by MetroCoal Limited ACN 117 763 443 (**MetroCoal** or **Bidder**), in relation to its off-market takeover offers (**Offer**) for all of the fully paid ordinary shares in Cape Alumina Limited ACN 107 817 694 (**Cape** or **Target**).

This document supplements, and should be read together with, the Bidder's Statement lodged with the Australian Securities and Investments Commission (**ASIC**) on 19 August 2014 (**Bidder's Statement**).

This is an important document and requires your immediate attention. If you are in any doubt as to how to deal with this document you should consult your financial or legal adviser as soon as possible.

Capitalised terms which are not defined in this Supplementary Bidder's Statement have the meaning given to those terms in the Bidder's Statement and the definitions and interpretation set out in Section 14 of the Bidder's Statement also applies to this document, unless the context otherwise requires.

2. MetroCoal loan to Cape

On 27 August 2014 MetroCoal and Cape entered into an agreement for a loan of funds from MetroCoal to Cape (**Loan Agreement**). The purpose of this Supplementary Bidder's Statement is to provide disclosure to Cape shareholders regarding the Loan Agreement.

2.1 Material terms of the Loan Agreement

Under the Loan Agreement, MetroCoal has agreed to loan Cape funds on the following terms:

Term	Details
1. Loan Amount	\$250,000.
2. Approved Purpose (for use of Loan Amount)	The development of Cape's Bauxite Hills project.
3. Interest	10% per annum, calculated daily and payable on repayment of the Loan Amount.
4. Repayment	The Loan Amount must be repaid by the earlier of: <ul style="list-style-type: none"> • 12 months after the close of the Offer; or • 21 days after Cape has raised \$1 million (or more) of capital through the issue of marketable securities by Cape; or • Immediately in certain of the prescribed circumstances

- 2 -

Term	Details
	where the Company enters into an agreement for further indebtedness with MetroCoal's consent.
5. Events of default	Any monies owing will be immediately due and payable if an event of default occurs, where such events are standard for an agreement of this kind.
6. Effect of Loan on Defeating Conditions of Offer	The parties have agreed that if the execution or operation of the Loan Agreement constitutes an occurrence or non-fulfilment of any Defeating Conditions by Cape, MetroCoal waives its rights with regards to the benefit of the relevant Defeating Condition only to the extent affected by the Loan Agreement.
7. No other indebtedness or encumbrance	Cape has agreed not to incur, without MetroCoal's consent (where MetroCoal has agreed that it will provide consent in prescribed circumstances), any other indebtedness or create or allow any encumbrance over any property owned by it.
8. Security	The Loan Amount is unsecured.

3. MetroCoal company secretary

A further purpose of this Supplementary Bidder's Statement is to correct an error in the Bidder's Statement regarding the identity of Company Secretary of MetroCoal.

Section 5.3 (Directors of MetroCoal) of the Bidder's Statement states that "the Company Secretary is Mr Scott Waddell". However, Mr John Haley (an alternate Director) is also a company secretary of MetroCoal.

Accordingly, the Bidder's Statement is corrected by deleting the existing text and inserting the new text as set out in the table below:

Section	Existing text	New text
5.3	The Company Secretary is Mr Scott Waddell.	Mr Scott Waddell and Mr John Haley are the co-Company Secretaries.
5.3	Mr John Haley - Alternate Director	Mr John Haley - Alternate Director and co-Company Secretary
5.3	Mr Scott Waddell – Company Secretary / CFO	Mr Scott Waddell – co-Company Secretary / CFO

4. Lodgement with ASIC

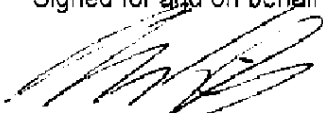
A copy of this document was lodged with ASIC on 27 August 2014. This document will prevail to the extent of any inconsistency with the Bidder's Statement. Neither ASIC nor any of its officers takes any responsibility for the contents of this document.

5. Authorisation

This document has been approved by a unanimous resolution passed by the directors of the Bidder.

Dated 27 August 2014

Signed for and on behalf of MetroCoal Limited ACN 117 763 443



Andrew Gillies
Director