MetroCoal Limited
and controlled entities
ABN 45 117 763 443

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

MetroCoal Limited
Corporate directory
30 June 2014

Directors	Mr Stephen Everett – Independent Chairman Mr Andrew L Gillies - Non-Executive Director Mr Michael K Hansel - Non-Executive Director (resigned 1 April 2014) Mr Lindsay Ward –Independent Non-Executive Director Mr Dongping Wang – Non-Executive Director Mr John K Haley - Alternate director for Mr Gillies Mr Robert Finch – Alternate Director for Mr Wang
Company secretary	Mr T Psaros (resigned 30 November 2013) Mr JK Haley (appointed 30 November 2013) Mr S Waddell (appointed 19 May 2014)
Notice of annual general meeting	The annual general meeting of MetroCoal Limited: will be held at Offices of BDO Level 10, 12 Creek Street Brisbane QLD 4000 time 11:00 AM date Wednesday 26 November 2014
Registered office	Level 8, 300 Adelaide Street Brisbane, Queensland 4000 T +61 7 3009 8000 F +61 7 3221 4811
Principal place of business	Level 8, 300 Adelaide Street Brisbane, Queensland 4000
Share register	Link Market Services Limited Level 15, 324 Queen Street Brisbane QLD 4000
Auditor	BDO Audit Pty Ltd Level 10, 12Creek Street Brisbane QLD 4000
Stock exchange listing	MetroCoal Limited shares are listed on the Australian Securities Exchange (ASX code: MTE)
Website address	www.metrocoal.com.au

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of MetroCoal Limited (referred to hereafter as "MetroCoal", the 'Company' or 'parent entity') and the entities it controlled for the year ended 30 June 2014.

Directors

The following persons were directors of MetroCoal Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr S Everett
Mr A Gillies
Mr M Hansel (resigned 1 April 2014)
Mr J Haley (Alternate for Mr Gilles)
Mr L Ward
Mr D Wang
Mr R Finch (Alternate for Mr Wang)

Operating and financial review

Overview of the consolidated entity

The 2013/2014 Financial Year saw significant change in MetroCoal Limited and Cape Alumina Limited (Cape) culminating in MetroCoal acquiring a controlling interest in Cape on 27 March. This has necessitated a change to MetroCoal's financial reporting requiring MetroCoal to report its financial results as a consolidated entity including Cape Alumina.

During the year the coal market continued to decline with thermal coal prices falling to record lows, below $70 per tonne. This downturn has adversely impacted all coal companies. For MetroCoal, development of the Surat Basin was also delayed with the announcement of the postponement of the construction of the Surat Basin Railway. Notwithstanding the current state of the coal market the Company, along with most coal industry commentators, expects the market upturn for coal and development of the Surat will occur towards the end of this decade.

The negative outlook for coal had prompted the Directors in 2013 to consider other options to protect shareholder value. RCF's decision to exit Cape presented MTE with an opportunity to acquire a controlling interest in Cape. This opportunity has been pursued and has led to the takeover offer made on the 2 September 2014.

In parallel with the preservation of the coal assets and the takeover bid for Cape the Company has continued to review and consider other exploration and early stage development opportunities both within Australia and overseas. These activities have kept the small MTE team fully occupied during the year.

Significant events and milestones during the financial year are listed below.

During the year the consolidated entity:

- Announced a proposed merger with Cape Alumina Limited through a Scheme of Arrangement to create a diversified bauxite and thermal coal business with a development pipeline staged to take advantage of the strong bauxite market in the near term while preserving the coal assets until the coal market recovers. The Scheme of Arrangement was subsequently terminated following the surprise announcement by the Queensland government prohibiting mining in the Steve Irwin Wildlife Reserve. This prohibition prevents the development of Cape Alumina's flagship Pisolite Hills project.
- Advanced $1,000,000 to Cape Alumina Limited through the convertible note issued as a precondition to the Scheme of Arrangement. Following the termination of the proposed merger, Cape Alumina Limited converted the $1,000,000 convertible note into 16,666,667 shares in Cape Alumina Limited giving MetroCoal a 6.87% interest in Cape Alumina Limited;
- On 18 March 2014, made an on-market takeover bid for Cape Alumina Limited at 0.6 cents per share, acquiring control and increasing its shareholding to 46% of Cape through the purchase of RCF's shares on 27 March 2014 and subsequently to 57.2% on 17 April 2014 through the purchase of Metallica Mineral's shares in Cape;
- Staff cutbacks were made in response to the depressed coal market and curtailment of MetroCoal's exploration activities. The exploration team was disbanded in late 2013 and the full time position of Company Secretary and Chief Financial Officer was replaced by a part time role on 30 November.

- As part of its cost cutting measures the Directors reduced director's fees and on 1 April 2014 Mr M Hansel resigned from the Board reducing the Board to four directors. The Directors would like once again to thank Mr Hansel for his contribution to MetroCoal
- In May 2014, Mr Scott Waddell was appointed (part time) as Company Secretary and Chief Financial Officer;

The Company completed the Bundi field exploration program commenced in 2013. This has allowed the Company to complete the technical evaluation of the deposit and build a coal quality model. Work continued through the financial year to incorporate all technical and borehole data into the geological model.

Recognising the state of the coal market and MetroCoal's strategy to postpone expenditure on the coal assets until the coal market recovers the Directors impaired the Columboola, Norwood and Dalby West tenements to nil.

The Bundi coal tenements were partially impaired writing down the value to $9.47M. The write down is due to the delay in project development and the decision to stop exploration and development expenditure, but recognises the significant investment made to date and the detailed understanding of the Bundi resource. The carrying value has been based on market values of similar assets, supported by the Independent Expert Report prepared for Cape Alumina Limited for the purposes of Cape Alumina's Target's Statement (released to the ASX on 15 September 2014).

The Company's coal tenements are in good standing and have met all statutory expenditure obligations through to 2017. This allows MetroCoal to retain the tenements at minimal additional cost over the next few years.

The Company's strategy in the coming year will focus on development of Cape Alumina's Bauxite Hills Project together with ongoing assessment and evaluation of other opportunities in Australia and overseas.

Dividends

As an exploration company the directors do not recommend the payment of a dividend.

Review of financial condition

The loss for the consolidated entity after providing for income tax was $17,681,625 (30 June 2013: $735,086). This loss is largely due to the impairment of $16,322,297 in relation to the exploration and evaluation expenditures.

As at 30 June 2014, the consolidated entity had cash and cash equivalents and term deposits of $7.9 million (2013: $11.5 million), total current liabilities of approximately $0.4 million (2013: $1.1 million) and net assets of $17.2 million (2013: $34.2 million).

The consolidated entity used $1.7 million (2013: $1.5 million) in its operating activities during the year. In addition, a research and development tax offset of $0.6 million was received during the year (2013: $2.0 million).

Significant changes in the state of affairs

Except as noted in this report, there were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

On 4 August 2014, the Company announced its intention to make a scrip offer for the remaining shares in Cape Alumina Limited, offering existing Cape Alumina Limited shareholders 1 MetroCoal Limited share for every 1.3 shares held in Cape Alumina Limited.

On 27 August 2014, the Company advanced $250,000 to Cape Alumina Limited to enable it to progress its Bauxite Hills project critical work path program.

Except as noted above, no matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The consolidated entity has completed further stages of exploration and evaluation of its two key projects in the Surat Basin. The Company will ensure these projects and all other tenements are maintained in good standing. However, further evaluation and progress of the development of these assets will be reliant on future thermal coal market conditions and the planned development of key rail and port infrastructure.

The Company has obtained control of Cape Alumina Limited and is attempting to obtain full ownership of Cape Alumina Limited. The consolidated entity plans to continue to support Cape Alumina Limited to keep the Bauxite Hills project critical path work program required to enable development of the project at the earliest practicable time. Cape Alumina also holds a number of bauxite tenements in Cape York, although no exploration on these other tenements is currently planned this will be reviewed during the coming year.

The Company has been actively assessing other opportunities both within Australia and overseas. This will continue during the coming year.

Environmental regulation

The consolidated entity is subject to environmental regulations under laws of Queensland where it holds mining tenements. The directors have put in place strategies and procedures to ensure that the consolidated entity manages its compliance with environmental regulations. The directors are not aware of any breaches of any applicable environmental regulations.

Information on directors

Name:	**Stephen Everett**
Title:	Independent non-executive chairman
Age:	62
Qualifications:	Bachelor of Engineering (Chem Eng. Honours), MAICD
Experience and expertise:	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.
Other current directorships:	• Chairman of Global Resources Corporation Limited, appointed April 2009; and Chairman of Cape Alumina Limited, appointed May 2014.
Former directorships (in the last 3 years):	• Chairman of IronRidge Resources Limited, appointed May 2011, resigned October 2012.
Special responsibilities:	Member of the audit and risk committee and nomination and remuneration committee until they ceased on 1 April 2014.
Interests in shares:	101,045 ordinary shares
Interests in options:	1,000,000 options

Name:	***Andrew Gillies***
Title:	Non-executive director
Age:	51
Qualifications:	Bachelor of Science (Geology), MAusIMM.
Experience and expertise:	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 group, 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 28 years experience across a range of commodities. Over the last 28 years he gained valuable experience in the exploration, feasibility, development, open pit and underground mining of mineral deposits.
Other current directorships:	• Metallica Minerals Limited, appointed 15 January 1997.
Former directorships (in the last 3 years):	• Cape Alumina Limited, appointed 2 February 2004, resigned 30 November 2011; • Planet Metals Limited, appointed 9 June 2009, resigned 31 July 2012; and • Orion Metals Limited, appointed 27 November 2009, resigned 6 August 2012.
Special responsibilities:	None.
Interests in shares:	470,000 ordinary shares.
Interests in options:	None.

Name:	***John Haley***
Title:	Non-executive alternate director for Andrew Gillies/company secretary (Mr Haley was appointed as company secretary on 30 November 2013)
Age:	52
Qualifications:	Bachelor of Commerce, MBA, GradCert (Marketing), Grad Dip CSP, FCA, FTIA.
Experience and expertise:	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.
Other current directorships:	N/A
Former directorships (in the last 3 years):	• Cape Alumina Limited, appointed 1 February 2012 as the alternate director for Andrew Gillies, retired 30 November 2011; and • Metallica Minerals Limited, appointed 22 December 2003, resigned 26 November 2013.
Special responsibilities:	None.
Interests in shares:	120,000 ordinary shares
Interests in options:	None.

Name:	***Michael Hansel***
Title:	Non-executive director (resigned 1 April 2014)
Age:	40
Qualifications:	Bachelor of Business, Commerce (Honours) and Law (Honours).
Experience and expertise:	Mr Hansel is a partner of large Queensland law firm, HopgoodGanim Lawyers, is a member of the Australian Institute of Company Directors and is admitted to practice as a solicitor of the Supreme Court of Queensland. Mr Hansel joined HopgoodGanim in 1998 and practices almost exclusively in the corporate area, with an emphasis on capital raising, mergers and acquisitions, joint ventures, due diligence, takeovers and corporate restructuring. He acts for many publicly listed resource and industrial companies in Australia and regularly advises boards of directors on corporate governance and related issues. He has acted on numerous mergers and acquisitions and capital raisings in both the industrial and resources sectors.
Other current directorships:	N/A
Former directorships (in the last 3 years):	N/A
Special responsibilities:	Chairman of the audit and risk committee and member of the nomination and remuneration committee until resignation on 1 April 2014.
Interests in shares:	None.
Interests in options:	None.

Name:	***Lindsay Ward***
Title:	Independent Non-executive director
Age:	48
Qualifications:	Bachelor of Applied Science (Geology), GAICD
Experience and expertise:	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 TPG) 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 within Asciano Limited. 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.
Other current directorships:	• Cape Alumina Limited, appointed 8 May 2014.
Former directorships (in the last 3 years):	• Dart Mining NL, appointed May 2011, resigned 24 December 2013.
Special responsibilities:	Chairman of the nomination and remuneration committee until it ceased on 1 April 2014.
Interests in shares:	None.
Interests in options:	None.

Name:	**Dongping Wang**
Title:	Non-executive director
Age:	54
Qualifications:	Bachelor of Coal Preparation
Experience and expertise:	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.
Other current directorships:	• Dadi Engineering Development Group, appointed 27 January 2010.
Former directorships (in the last 3 years):	N/A
Special responsibilities:	N/A
Interests in shares:	None.
Interests in options:	500,000 options

Name:	**Robert Finch**
Title:	Alternate director for Dongping Wang
Age:	60
Qualifications:	N/A
Experience and expertise:	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.
Other current directorships:	N/A
Former directorships (in the last 3 years):	N/A
Special responsibilities:	N/A
Interests in shares:	299,000 ordinary shares
Interests in options:	500,000 options

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Company Secretary
Mr Theo Psaros, who was also Chief Operating Officer of the Company, resigned as both Chief Operating Officer and Company Secretary on 30 November 2013.

Mr John Haley, who is also an alternate director of the Company, was appointed as Company Secretary on 30 November 2013.

Mt Scott Waddell was appointed as Company Secretary on 19 May 2014.

Meetings of directors

The number of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2014, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee (ii)		Nomination and Remuneration Committee (ii)	
	Attended	**Held**	**Attended**	**Held**	**Attended**	**Held**
Mr S Everett	15	15	3	3	3	3
Mr A Gillies	15	15	-	-	-	-
Mr M Hansel (i)	12	12	3	3	3	3
Mr L Ward	15	15	-	-	3	3
Mr D Wang	-	15	-	-	-	-
Mr J Haley (alternate)	-	15	-	-	-	-
Mr R Finch (alternate)	15	15	3	3	-	-

(i) Resigned 1 April 2014

(ii) The Audit and Risk Committee and Nomination and Remuneration Committee ceased on 1 April 2014 due to a reduction in the size of the Board, with the Board now fulfilling these roles.

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the Company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation
E Cash bonuses
F Additional information

A Principles used to determine the nature and amount of remuneration

The Company's policy for determining the nature and amount of emoluments of key management personnel, including board members and other key management personnel of the Company is set out below.

The remuneration structure for key management personnel, excluding non-executive directors, is set by the board of Directors and is based on a number of factors including, market remuneration for comparable companies, particular experience of the individual concerned and overall performance of the Company. The contracts for service between the Company and key management personnel are on a continuing basis the terms of which are not expected to change in the immediate future. The consolidated entity retains the right to terminate contracts immediately by making payment of an amount based on the employees' years of service or as provided in their contact of employment. Upon retirement or termination key management personnel, excluding non-executives, are paid employee benefits accrued to date of retirement or termination. No other termination benefits are payable under service contracts. Any options issued which are not exercised on or before the date of termination lapse 3 months after termination. Unless otherwise stated, service agreements do not provide for pre-determined compensation values or the manner of payment. Compensation is determined in accordance with the general remuneration policy. The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as considered appropriate by the board of directors.

The objective of the consolidated entity's and Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The board of directors ('the board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders; and
- transparency.

The board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity and Company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to shareholders' interests:
- has economic profit as a core component of plan design;
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracts and retains high calibre executives.

Alignment to program participants' interests:
- rewards capability and experience;
- reflects competitive rates of remuneration in respect of skills and responsibility;
- provides a clear structure for earning rewards; and
- providing recognition for contribution.

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

During the year ended 30 June 2014, an independent advisor (Top People) was engaged by and provided to the executive remuneration benchmarking data and advice about remuneration for Non-Executive Directors and senior executives at a cost of $5,000.

The report was provided directly to the Board, in line with the Corporations Act the advisor was appointed by, and provided recommendations to the Board. Recommendations were made accompanied by a declaration from the advisor that the recommendation was free from undue influence of key management personnel to whom it related.

The Board is satisfied that the remuneration recommendations received from Top People were made free from undue influence by key management personnel to whom any of the remuneration recommendations related.

Based on the advice received regarding the remuneration of Non-Executive Directors and senior executives, the Board formed the view that current remuneration was appropriate and no changes were required. It should be noted that remuneration for non-executive directors had been reduced from 31 March 2014, prior to receipt of the advisor's report.

Non-executive directors remuneration
Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the board. The board has also agreed where necessary to the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market.

ASX listing rules requires that the aggregate non-executive directors' remuneration shall be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 18 November 2010, where the shareholders approved an aggregate remuneration of $350,000.

Executive remuneration
The consolidated entity and Company aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits;
- share-based payments;
- cash bonuses; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the board, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and adds additional value to the executive. As the consolidated entity is in exploration and not production, there is no direct relationship between the Company's financial performance and the level of remuneration paid to key management personnel.

Short-term incentives ('STI') includes cash bonuses. No cash bonuses were paid during the year. Long-term incentives ('LTI') include long service leave and share-based payments. The Company has established the MetroCoal Employee Share Option Plan (ESOP) to enable the issue of shares or options in the Company to employees of the Company to assist in the retention and motivation of employees. Under the ESOP, the Company may offer shares or options over unissued shares in the Company. Shares are awarded to executives generally over a period of three years based on long-term incentive measures. These LTI's include specific goals that have been given a high level of importance in relation to the future growth of the group. Performance conditions generally include progressing the Company's projects toward production, and funding the Company by disposals of non-core assets either by sale or otherwise on satisfactory terms.

Consolidated entity performance and link to remuneration

Given that the remuneration is commercially reasonable, the link between remuneration, Company performance and shareholder wealth generation is tenuous, particularly in the exploration and development stage of a minerals company. Share prices are subject to the influence of international metal and coal prices and market sentiment towards the sector and increases or decreases may occur independently of executive performance or remuneration. The Company may issue options to provide an incentive for key management personnel which, it is believed, is in line with industry standards and practice and is also believed to align the interests of key management personnel with those of the Company's shareholders.

Unless otherwise stated, service agreements do not provide for pre-determined compensation values or the manner of payment. Compensation is determined in accordance with the general remuneration policy. The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as determined by the board of directors.

Except in so far as directors and key management personnel hold options over shares in the Company, there is no relationship between remuneration policy and the Company's performance. The majority of bonus and incentive payments are at the discretion of the board.

At the end of the year, the board of directors compare the actual performance of the executives and executive directors against the performance conditions set by the board of directors for that individual and assess whether or not the conditions have been met. This method of assessment was chosen as it provides the board of directors with an objective assessment of the individual's performance.

The board of directors will review the performance conditions to gauge their effectiveness against achievement of the set goals, and adjust future year's incentives as they see fit, to ensure use of the most cost effective and efficient methods.

The Company used a remuneration consultant during the year. The remuneration consultant reviewed the existing structure and quantum of management salaries and reported on this work to the remuneration committee.

B Details of remuneration

Amounts of remuneration
Details of the remuneration of directors, other key management personnel (defined as those who have the authority and responsibility for planning, directing and controlling the activities of the consolidated entity) of MetroCoal Limited are set out in the following tables.

The key management personnel of the consolidated entity consists of the directors of MetroCoal Limited and executives for the period of their tenure as outlined below:

- Mr Stephen Everett – Independent Chairman
- Mr Andrew L Gillies - Non-Executive Director
- Mr Michael K Hansel - Non-Executive Director (resigned 1 April 2014)
- Mr Lindsay Ward – Non-Executive Director
- Mr Dongping Wang – Non-Executive Director
- Mr John K Haley - Alternate director for Mr A Gillies
- Mr Robert Finch – Alternate Director for Dongping Wang
- Mr Mike O'Brien - Chief Executive Officer
- Mr Theo Psaros - Chief Operating Officer (resigned 30 November 2013)
- Mr Neil Mackenzie-Forbes - Exploration Manager (resigned 30 September 2013)
- Mr Nicholas Villa - Exploration Manager
- Mr Edward Radley – Geology Manager (resigned 31 October 2013)
- Mr Scott Waddell – Chief Financial Officer (appointed 19 May 2014)

2014	**Short-term benefits**			**Post employment benefits**	**Long-term benefits**	**Share-based payments**	
Name	**Cash salary and fees**	**Bonus**	**Non-monetary**	**Super-annuation**	**Long service leave**	**Equity-settled**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Non-Executive Directors:							
Mr S Everett	90,400	-	-	-	-	-	90,400
Mr A Gillies	24,971	-	-	2,309	-	-	27,280
Mr M Hansel (i)	51,216	-	-	-	-	-	51,216
Mr L Ward	50,869	-	-	4,705	-	-	55,574
Mr D Wang	22,500	-	-	-	-	-	22,500
Mr J Haley	27,638	-	-	1,405	-	-	29,043
Mr R Finch	20,080	-	-	1,857	-	-	21,937
Other Key Management Personnel:							
Mr M O'Brien	300,229	-	-	27,771	-	-	328,000
Mr T Psaros (ii)	142,008	-	-	20,811	-	-	162,819
Mr N Mackenzie-Forbes (iii)	87,704	-	-	7,568	-	-	95,272
Mr N Villa	176,321	-	-	16,310	-	-	192,631
Mr E Radley (iv)	67,894	-	-	8,882	-	-	76,776
Mr S Waddell (v)	8,483	-	-	-	-	-	8,483
	1,070,313	-	-	91,618	-	-	1,161,931

(i) Resigned 1 April 2014
(ii) Resigned 30 November 2013
(iii) Resigned 30 September 2013

(iv) Resigned 31 October 2013
(v) Appointed 19 May 2014

2013	**Short-term benefits**			**Post employment benefits**	**Long-term benefits**	**Share-based payments**	
Name	**Cash salary and fees**	**Bonus**	**Non-monetary**	**Super-annuation**	**Long service leave**	**Equity-settled**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Non-Executive Directors:							
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
Other Key Management Personnel:							
Mr M O'Brien	337,590	-	-	28,638	-	-	366,228
Mr T Psaros	252,499	-	-	22,725	-	-	275,224
Mr N Mackenzie-Forbes	177,724	-	-	15,608	-	-	193,332
Mr N Villa	186,784	-	-	16,811	-	-	203,595
Mr E Radley	173,150	-	-	15,298	-	-	188,448
	1,478,196	-	-	112,911	-	88,592	1,679,699

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

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		**At risk - STI**		**At risk - LTI**	
Name	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Non-Executive Directors:						
Mr S Everett	100%	67%	-%	-%	-%	33%
Mr A Gilles	100%	100%	-%	-%	-%	-%
Mr M Hansel	100%	100%	-%	-%	-%	-%
Mr L Ward	100%	100%	-%	-%	-%	-%
Mr D Wang	100%	50%	-%	-%	-%	50%
Mr J Haley	100%	100%	-%	-%	-%	-%
Mr R Finch	100%	46%	-%	-%	-%	54%
Other Key Management Personnel:						
Mr M O'Brien	100%	100%	-%	-%	-%	-%
Mr T Psaros	100%	100%	-%	-%	-%	-%
Mr N Mackenzie- Forbes	100%	100%	-%	-%	-%	-%
Mr N Villa	100%	100%	-%	-%	-%	-%
Mr E Radley	100%	100%	-%	-%	-%	-%
Mr S Waddell	100%	N/A	-%	N/A	-%	N/A

C Service agreements

Remuneration and other terms of employment for key management personnel, other than directors, are formalised in service agreements. Details of these agreements are as follows:

Name: Mr Mike O'Brien
Title: Chief Executive Officer (CEO)
Agreement commenced: 27 October 2009
Terms of agreement: The agreement can be terminated:
- (a) by the CEO giving three (3) months' notice; or
- (b) by the Company giving six (6) months' notice or payment of six (6) months base remuneration in lieu of notice; or
- (c) by the Company immediately (and without notice or an entitlement to any redundancy or other payment) in the event of bankruptcy or prescribed misconduct by the CEO.

Details: The key terms of this agreement are as follows:
- (a) The term is from the date of agreement until the agreement is otherwise terminated in accordance with its terms;
- (b) The base remuneration is $262,500 per annum, increased to $293,580 per annum from 1 January 2012 excluding superannuation, and is subject to annual review by the board;
- (c) The CEO is also entitled to:
  - (i) an annual bonus if certain criteria, as agreed to between the Company and the CEO, are satisfied;
  - (ii) 1,200,000 options to subscribe for shares in the Company, which lapsed during the year;
  - (iii) superannuation of the greater of 10% of the base remuneration or the level required by statute from time to time; and
  - (iv) reimbursement for payment of medical insurance coverage, reasonable travel and accommodation expenses incurred in attending board and other meetings of the Company and for other reasonable expenses incurred in performance of the CEO's duties which have the prior approval of the board.

Name: Mr Theo Psaros (resigned 30 November 2013)
Title: Chief Operating Officer (COO).
Agreement commenced: 25 August 2008
Terms of agreement: The agreement can be terminated:
- (a) by the COO giving three (3) months' notice; or
- (b) by the Company giving six (6) months' notice or payment of six (6) months base remuneration in lieu of notice; or
- (c) by the Company immediately (and without notice or an entitlement to any redundancy or other payment) in the event of gross negligence or serious misconduct.

Details: The key terms of this agreement are as follows:
- (a) The term is from the date of the agreement until the agreement is otherwise terminated in accordance with its terms;
- (b) The current base remuneration is $185,833 per annum, increased to $240,000 per annum from 1 January 2012, excluding superannuation, and is subject to annual review by the board;
- (c) The COO is also entitled to:
  - (i) superannuation at the level required by statute from time to time;
  - (ii) 1,500,000 options to subscribe for shares in the Company, which lapsed during the year; and
  - (iii) use of a mobile phone for work purposes and for reasonable personal use.

Name:	Mr Neil Mackenzie-Forbes (resigned 30 September 2013)
Title:	Exploration Manager - transferred to position of Manager Columboola Joint Venture 14 December 2010.
Agreement commenced:	Exploration Manager 1 July 2008/ General Manager Joint Venture 14 December 2010
Terms of agreement:	The agreement can be terminated: (a) by the Mr Mackenzie-Forbes giving three (3) months notice; or (b) by the Company giving three (3) months notice or payment of three (3) months base remuneration in lieu of notice; or (c) by the Company immediately (and without notice or an entitlement to any redundancy or other payment) in the event of gross negligence or serious misconduct.
Details:	The key terms of this agreement are as follows: (a) The term is from the date of agreement until the agreement is otherwise terminated in accordance with its terms; (b) The gross remuneration is $145,150 per annum, increased to $174,400 per annum from 1 January 2012, including superannuation, and is subject to annual review by the board; (c) Mr Mackenzie-Forbes is also entitled to participate in MetroCoal Limited Employee Share Option Scheme, subject to the approval of the board of Directors of MetroCoal Limited.

Name:	Mr Nicholas Villa
Title:	Exploration Manager
Agreement commenced:	14 December 2010
Terms of agreement:	The agreement can be terminated: (a) by the Mr Villa giving three (3) months notice for more than three years of continuous service; or (b) by the Company giving the same terms of notice as above or payment for the relevant period of months in lieu of notice; or (c) by the Company immediately (and without notice or an entitlement to any redundancy or other payment) in the event of gross negligence or serious misconduct.
Details:	The key terms of this agreement are as follows: (a) The term is from the date of agreement until the agreement is otherwise terminated in accordance with its terms; (b) The gross remuneration is $141,700 per annum, increased to $187,933 per annum from 1 January 2012, including superannuation, and is subject to annual review by the board; (c) Mr Villa is also entitled to participate in MetroCoal Limited Employee Share Option Scheme, subject to the approval of the board of directors of MetroCoal Limited.

Name:	Mr Scott Waddell
Title:	Chief Financial Officer and Company Secretary
Agreement commenced:	24 May 2010 (employed through Cape Alumina Limited)
Terms of agreement:	The agreement can be terminated by either party giving two (2) months notice. The key terms of this agreement are as follows: (a) The term is ongoing whilst Mr Waddell is Chief Financial Officer; (b) Base remuneration is $224,092 per annum, excluding superannuation, and is subject to annual review by the board; Mr Waddell is also entitled to participate in the Employee Performance Rights Plan and short-term incentive plan.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

D Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2014.

No shares were issued to directors and other key management personnel on the exercise of options during the year ended 30 June 2014.

Options

No options over ordinary shares were issued to directors and other key management personnel as part of compensation during the year ended 30 June 2014.

E Cash bonuses

No cash bonuses were paid or granted during the year.

F Equity instruments held by key management personnel

Shareholdings

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2014	**Balance at the start of the year**	**Received as part of remuneration**	**Additions**	**Disposals/ other**	**Balance at the end of the year**
Ordinary shares					
Mr S Everett	-	-	101,045	-	101,045
Mr A Gillies	190,000	-	280,000	-	470,000
Mr R Finch	299,000	-	-	-	299,000
Mr J Haley	120,000	-	-	-	120,000
Mr M O'Brien	258,204	-	-	-	258,204
Mr T Psaros (i)	54,667	-	-	(54,667)	-
Mr N Mackenzie-Forbes (ii)	500,000	-	-	(500,000)	-
	1,421,871	-	381,045	(554,667)	1,248,249

(i) Resigned 30 November 2013
(ii) Resigned 30 September 2013

No shares were received during the year on exercise of options (2013: nil).

Option holdings

The number of options over ordinary shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2014 *Options over ordinary shares*	**Balance at the start of the year**	**Granted**	**Exercised**	**Expired/ forfeited/ other**	**Balance at the end of the year**
Mr S Everett	1,000,000	-	-	-	1,000,000
Mr A Gillies	1,000,000	-	-	(1,000,000)	-
Mr J Haley	1,000,000	-	-	(1,000,000)	-
Mr M Hansel (i)	1,000,000	-	-	(1,000,000)	-
Mr L Ward	1,000,000	-	-	(1,000,000)	-
Mr D Wang	500,000	-	-	-	500,000
Mr R Finch	500,000	-	-	-	500,000
Mr M O'Brien	1,250,000	-	-	(1,250,000)	-
Mr T Psaros (ii)	1,500,000	-	-	(1,500,000)	-
Mr N Mackenzie-Forbes (iii)	750,000	-	-	(750,000)	-
Mr N Villa	750,000	-	-	(750,000)	-
	10,250,000	-	-	(8,250,000)	2,000,000

(i) Resigned 1 April 2014
(ii) Resigned 30 November 2013
(iii) Resigned 30 September 2013

The value of the options at the date they expired or were forfeited was nil.

G Additional information

There were no dividends paid or returns of capital by the consolidated entity.

The earnings of the consolidated entity for the five years to 30 June 2014 are summarised below:

	2014	2013	2012	2011	2010
	$	$	$	$	$
Revenue	712,711	1,052,206	1,058,264	899,913	119,456
Net profit/(loss) after tax	(17,681,625)	(735,086)	(10,854,933)	(2,432,614)	(1,615,192)

The factors that are considered to affect total shareholders return (TSR) are summarised below:

	2014	2013	2012	2011	2010
Share price at financial year end ($A)	0.03	0.05	0.23	0.59	0.25
Basic loss per share (cents per share)	(8.46)	(0.35)	(5.53)	(1.48)	(1.31)

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of MetroCoal Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
20/11/2012	11/07/2015	$0.235	1,000,000
20/11/2012	11/07/2015	$0.500	1,000,000
			2,000,000

Shares issued on the exercise of options

No shares of MetroCoal Limited were issued on the exercise of options during the year ended 30 June 2014.

Indemnity and insurance of officers

Each of the directors and the secretary of the Company have entered into a Deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company to those directors and secretary. The Company has insured all of the directors and officers of MetroCoal Limited. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act 2001 does not require disclosure of the information in these circumstances.

Indemnity and insurance of auditor

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 22 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 21 to the financial statements do not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former audit partners of BDO Audit Pty Ltd

There are no officers of the Company who are former audit partners of BDO Audit Pty Ltd.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

S Everett
Chairman

25 September 2014
Brisbane

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY ANTHONY WHYTE TO DIRECTORS OF METROCOAL LIMITED

As lead auditor of MetroCoal Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

1. the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. any applicable code of professional conduct in relation to the audit.

This declaration is in respect of MetroCoal Limited and the entities it controlled during the year.

A J Whyte

Director

BDO Audit Pty Ltd

Brisbane: 25 September 2014

The ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have complied with the ASX Best Practice Recommendations in the reporting period. These recommendations are guidelines designed to produce an efficiency, quality or integrity outcome. The recommendations are not prescriptive so that if a company considers that a recommendation is inappropriate having regard to its own circumstances, the company has the flexibility not to follow it. Where a company has not followed all the recommendations, the annual report must identify which recommendations have not been followed and give reasons for not following them.

A table has been included at the end of this statement which sets out the ASX Best Practice Recommendations and states whether the Company has complied with each recommendation in the reporting period. Where the Company considered it was not appropriate to comply with a particular recommendation the reasons are set out in the notes referenced in the table. A full copy of the Company's Corporate Governance Charter is available on the Company's website at www.metrocoal.com.au

Role of the board

Generally, the powers and obligations of the board are governed by the *Corporations Act* and the general law. Without limiting those matters, the board expressly considers itself responsible for the following:

1. Ensuring compliance with the *Corporations Act*, ASX Listing Rules (where appropriate) and all relevant laws;
2. Developing, implementing and monitoring operational and financial targets for the Company;
3. Appointment of appropriate staff, consultants and experts to assist in the Company's operations specifically, including the selection and monitoring of a chief executive officer;
4. Ensuring appropriate financial and risk management controls are implemented;
5. Approving and monitoring financial and other reporting;
6. Setting, monitoring and ensuring appropriate accountability for directors' and executive officers' remuneration;
7. Establishing and maintaining communications and relations between the Company and third parties, including its shareholders and ASX by delegating such a role to the chief executive officer;
8. Implementing appropriate strategies to monitor performance of the board in implementing its functions and powers;
9. Oversight of the Company including its framework of control and accountability systems to enable risk to be assessed and managed;
10. Appointing and removing the chief executive officer;
11. Ratifying the appointment and, where appropriate, removal of the chief financial officer and the company secretary;
12. Input into and final approval of the management's development of corporate strategy and performance objectives;
13. Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
14. Monitoring senior management's performance, implementation of strategy and ensuring appropriate resources are available;
15. Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
16. Approval of the annual budget;
17. Monitoring the financial performance of the Company;
18. Liaising with the Company's external auditors;
19. Monitoring, and ensuring compliance with all of the Company's legal obligations;
20. Approving and monitoring financial and other reporting;
21. Appointing and overseeing committees where appropriate to assist in the above functions and powers.

Role of management

The board has delegated responsibilities and authorities to the chief executive officer to enable him to conduct the Company's day to day activities. Matters which are not covered by these delegations, such as approvals which exceed certain limits or do not form part of the approved budget, require board approval.

Board processes

The board of MetroCoal Limited meets on a regular basis. The agenda for these meetings is prepared by the chairman and company secretary in conjunction with the directors. Relevant information is circulated to board members in advance of the meetings.

Composition of the board

At the date of this report the board comprises four non-executive directors, one of whom is chairman, and two alternate directors.

Director	Appointed	Non-Executive	Independent	Retiring at 2014 AGM	Seeking re-election at 2014 AGM
Mr S Everett	12 July 2012	Yes	Yes	Yes	Yes
Mr A Gillies	6 January 2006	Yes	No	No	N/A
Mr L Ward	4 October 2011	Yes	Yes	No	N/A
Mr D Wang	8 December 2011	Yes	No	Yes	Yes
Mr R Finch (Alternate)	8 December 2011	Yes	No	No	N/A
Mr J Haley (Alternate)	30 June 2013	Yes	No	No	N/A

The directors are subject to re-election by shareholders. All directors are subject to re-election by rotation within every three years. The Company's Constitution provides that one-third of the directors retire by rotation each AGM. Those directors who are retiring may submit themselves for re-election by shareholders, including any director appointed to fill a casual vacancy or recruited since the date of the last AGM.

The current directors have a broad range of qualifications, experience and expertise in managing mineral exploration companies as set out in the directors section of the Directors' Report.

Independence of non-executive directors

The board considers an independent director to be a non-executive director who meets the criteria for independence included in the ASX Best Practice Recommendations. Based on the ASX Guidelines relating to independence, only Stephen Everett and Lindsay Ward could be considered independent. Andrew Gillies and John Haley are directors of Metallica Minerals Limited, a substantial shareholder of the Company. Mr Wang Dongping represents the Company's second largest shareholder, Dadi Engineering Group.

Director access to independent professional advice

The Company acknowledges that directors require high quality information and advice on which to base their decisions and considerations. With the prior approval of the chairman, all directors have the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors. If the chairman is unable or unwilling to give approval, board approval will be sufficient.

Company materiality threshold

The board acknowledges that assessment on materiality and subsequent appropriate thresholds are subjective and open to change.

The board has considered quantitative, qualitative and cumulative factors when determining the materiality of a specific relationship of directors.

Ethical standards

As part of the board's commitment to the highest standard of conduct, the Company adopts a code of conduct to guide executives, management and employees in carrying out their duties and responsibilities. The code of conduct covers such matters as:

- responsibilities to shareholders;
- compliance with laws and regulations;
- relations with customers and suppliers;
- ethical responsibilities;
- employment practices; and
- responsibility to the environment and the community.

Board committees

As at the date of this report, the Company does not have an audit and risk management committee and a nomination and remuneration committee of the board of directors. The Audit and Risk Management Committees were disbanded when the board size was reduced from five directors to four directors. The functions and responsibilities of the these committees are now held by the entire board.

Evaluation of board and executive performance

The Company has complied with Recommendation 1.6 of the Corporate Governance Council and has undertaken a formal review of the board and individual directors.

The Company has complied with Recommendation 1.7 of the Corporate Governance Council and conducted performance evaluations of senior executives.

Continuous disclosure and shareholder communication

The board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market. In accordance with continuous disclosure requirements under the ASX Listing Rules, the Company has procedures in place to ensure that all price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner. All information disclosed to the ASX is posted on the Company's website www.metrocoal.com.au.

Shareholders are forwarded documents if requested relating to each Annual General Meeting, being the Annual Report, Notice of Meeting and Explanatory Memorandum and Proxy Form, and are invited to attend these meetings. The Company's External Auditor is also present at Annual General Meetings to answer any queries shareholders may have with regard to the audit and preparation and content of the Audit Report.

The Company actively encourages shareholders to provide their email contact details so that they can receive all ASX releases as they are released to the market.

Managing business risk

The board constantly monitors the operational and financial aspects of the Company's activities and is responsible for the implementation and on-going review of business risks that could affect the Company. Duties in relation to risk management that are conducted by the directors include but are not limited to:

- initiate action to prevent or reduce the adverse effects of risk;
- control further treatment of risks until the level of risk becomes acceptable;
- identify and record any problems relating to the management of risk;
- initiate recommend or provide solutions through designated channels;
- verify the implementation of solutions;
- communicate and consult internally and externally as appropriate; and
- to inform investors of material changes to the Company's risk profile.

In accordance with section 259A of the Corporations Act 2001, the chief executive officer and chief financial officer have provided a declaration to the board that:

- In their view, provided in the Company's financial report, is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the board; and
- The Company's risk management and internal compliance and control system is operating effectively in all material respects.

Managing business risk (continued)

It is noted that the assurance from the chief executive officer and chief financial officer can only be reasonable and not absolute due to the level of judgement required the limitations of sampling and the difficulty in designing systems to detect all weaknesses in internal control procedures.

Security trading policy

The Company's policy regarding directors and employees trading in its securities is set out in the Company's corporate governance manual. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices, and in addition requires any director, the chief executive officer or company secretary not to trade during prohibited periods unless the chairperson or a designated director is notified, and gives a clearance to deal. Prohibited periods are such periods as the directors determine. A restricted person, who is not in possession of Inside Information in relation to the Company, may be given clearance to deal during a prohibited period if they are in severe financial difficulty or there are other exceptional circumstances. A restricted person may enter into a margin loan or similar funding arrangement in respect of any Company shares (**funding arrangements**) but must disclose the existence of the funding arrangements to a clearance officer who shall notify the board.

The law prohibits insider trading and the Corporations Act and the ASX Listing Rules require disclosure of any trading undertaken by directors or their related entities in the Company's securities.

Diversity

The board is committed to the principle of having an appropriate blend of diversity on the board and in the Company's senior executive positions. The board will consider a policy regarding gender, age, ethnic and cultural diversity as the company grows.

As a small company engaged in exploration and mine development there is limited opportunity to meet gender diversity principles.

The Company's gender representation is as follows:

	30 June 2014		30 June 2013	
Gender representation	**Male (%)**	**Female (%)**	**Male (%)**	**Female (%)**
Board	100%	-%	100%	-%
Senior executives/Key management personnel	100%	-%	100%	-%
Company, excluding board and executives	75%	25%	50%	50%

.

The board will report on progress in regards to gender representation on an annual basis.

ASX Best Practice Recommendations

The table below contains each of the ASX Best Practice Recommendations. Where the Company has complied with a recommendation during the reporting period, this is indicated with a "Yes" in the appropriate column and the policy is contained in the Company's Corporate Governance Charter available on the Company's website at www.metrocoal.com.au . Where the Company considered it was not appropriate to comply with a particular recommendation, this is indicated with a "No" and the Company's reasons are set out in the corresponding note at the end of the table.

	Description	Complied	Note
1.1	Disclose the respective roles and responsibilities of the board and management and those matters expressly reserved to the board and those delegated to management. These functions are set out under *Role of the board* and *Role of management* in this statement.	Yes	
1.2	Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director and provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Yes	
1.3	Have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	

	Description	Complied	Note
1.4	The company secretary should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes	
1.5	Have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them, disclose that policy or a summary of it and disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: • the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or • if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	Yes	
1.6	Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	5
1.7	Have and disclose a process for periodically evaluating the performance of its senior executives and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	2
2.1	Have a nomination committee which has at least three members, a majority of whom are independent directors, is chaired by an independent director, and disclose the charter of the committee, the members of the committee, and as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings. If it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	No	6
2.2	Have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Yes	
2.3	Disclose the names of the directors considered by the board to be independent directors, if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion and the length of service of each director.	Yes	
2.4	A majority of the board of a listed entity should be independent directors.	No	3
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Yes	
2.6	Have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Yes	
3.1	Have a code of conduct for its directors, senior executives and employees, and disclose that code or a summary of it.	Yes	

	Description	Complied	Note
4.1	The board should have an audit committee which: • has at least three members; • all of whom are non-executive directors; • a majority of whom are independent directors; • is chaired by an independent director, who is not the chair of the board; • discloses the charter of the committee, the relevant qualifications and experience of the members of the committee, and in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings. If it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	No Yes No No Yes	6 3 3
4.2	The board should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes	
4.3	Ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes	
5.1	Have a written policy for complying with its continuous disclosure obligations under the Listing Rules and disclose that policy or a summary of it.	Yes	
6.1	Provide information about the company and its governance to investors via its website.	Yes	
6.2	Design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes	
6.3	Disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Yes	
6.4	Give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically	Yes	
7.1	Have a committee or committees to oversee risk, each of which has at least three members, a majority of whom are independent directors; and is chaired by an independent director, and disclose the charter of the committee, the members of the committee, and as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings. If it does not have a risk committee or committees that satisfy the above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	No	6
7.2	Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose, in relation to each reporting period, whether such a review has taken place.	Yes	
7.3	Disclose if it has an internal audit function, how the function is structured and what role it performs. If it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Yes	
7.4	Disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks	Yes	

	Description	Complied	Note
8.1	Have a remuneration committee which has at least three members, a majority of whom are independent directors, is chaired by an independent director, and disclose the charter of the committee, the members of the committee and as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings. If it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	No	4
8.2	Separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Yes	
8.3	In relation to its equity-based remuneration scheme, have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme, and disclose that policy or a summary of it.	Yes	

Notes

1. The Company has compiled relevant corporate governance documentation, such as charters, codes of conduct, and policies, which have been placed on the Company's website at www.metrocoal.com.au under the heading "Corporate Governance".
2. The evaluation of performance of senior executives is to be undertaken by the remuneration committee. During the period an evaluation of senior executives was conducted.
3. Based on the ASX Guidelines relating to independence, only Stephen Everett and Lindsay Ward are considered independent. Andrew Gillies and John Haley are directors of Metallica Minerals Limited, a substantial shareholder of the Company. Mr Wang Dongping and Robert Finch represent the Company's second largest shareholder, Dadi Engineering Group.

   Stephen Everett is Chairman of the Board as he is considered to have the best skill base to fulfil these roles. The Audit Committee ceased on 1 April 2014 due to a reduction in the size of the Board, with the Board now fulfilling this role.

   While the Company does not presently comply with this Recommendation 4.1, the Company may consider appointing further independent directors in the future. The Company believes that given the size and scale of its operations, non-compliance by the Company with this Recommendation 4.1 will not be detrimental to the Company.
4. The Nomination and Remuneration Committee ceased on 1 April 2014 due to a reduction in the size of the Board, with the Board now fulfilling this role. The Company has adopted a remuneration and nomination committee Charter, which is set out in the Company's Corporate Governance Charter.
5. The evaluation of individual board members performance is undertaken by the chairman. During the reporting period, an overall board performance evaluation was conducted, in which each Board member completed a questionnaire on Board performance and discussed the results of the review at a Board meeting.
6. The answer was 'yes' for the majority of the financial year; however, on 1 April 2014 all committees were disbanded due to the small size of the MetroCoal Limited Board, which now takes on the activities of the various committees. The Board reviews employee and Board succession plans and company risk and audit matters, and has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. The Company has adopted an audit and risk management committee Charter, which is set out in the Company's Corporate Governance Charter.

MetroCoal Limited
Financial report
For the year ended 30 June 2014

Contents

General information

The financial report covers MetroCoal Limited as a consolidated entity consisting of MetroCoal Limited and the entities it controlled. The financial report is presented in Australian dollars, which is MetroCoal Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

MetroCoal Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 8, 300 Adelaide Street
Brisbane QLD 4000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 25 September 2014. The directors have the power to amend and reissue the financial report.

MetroCoal Limited
Statement of comprehensive income
For the year ended 30 June 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Revenue	4	348,259	503,039
Other income	4	90,987	-
Expenses			
Occupancy expenses		(111,220)	(110,809)
Employee benefits expense	5	(855,133)	(932,683)
Depreciation	12	(49,070)	(64,515)
Impairment of exploration and evaluation assets	13	(16,322,297)	(963,086)
Impairment of investment in listed entity	10	(900,000)	-
Other expenses	5	(790,515)	(1,292,559)
Results from operating activities		(18,588,989)	(2,860,613)
Finance income		273,465	549,167
Finance costs		-	-
Loss before income tax benefit from continuing operations		(18,315,524)	(2,311,446)
Income tax benefit	6	633,899	1,576,360
Loss after income tax benefit for the year		(17,681,625)	(735,086)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year, net of tax		(17,681,625)	(735,086)
Total comprehensive income for the year attributable to:			
Owners of the Company		(17,550,043)	(735,086)
Non-controlling interests		(131,582)	-
		(17,681,625)	(735,086)
		Cents	**Cents**
Basic earnings per share	19	(8.46)	(0.35)
Diluted earnings per share	19	(8.46)	(0.35)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

MetroCoal Limited
Statement of financial position
As at 30 June 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Assets			
Current assets			
Cash and cash equivalents	7	7,522,249	11,127,970
Trade and other receivables	8	82,111	264,855
Other assets		4,903	78,777
Total current assets		7,609,263	11,471,602
Non-current assets			
Investments in associate	12	-	-
Property, plant and equipment	11	72,053	112,124
Exploration and evaluation	13	9,472,006	23,359,081
Other assets	9	465,781	375,493
Total non-current assets		10,009,840	23,846,698
Total assets		17,619,103	35,318,300
Liabilities			
Current liabilities			
Trade and other payables	14	299,864	984,706
Employee benefits	15	89,791	135,828
Total current liabilities		389,655	1,120,534
Total liabilities		389,655	1,120,534
Net assets		17,229,448	34,197,766
Equity			
Contributed equity	16	45,149,187	45,149,187
Reserves	17	5,586,507	5,586,507
Accumulated losses		(34,087,971)	(16,537,928)
Total equity attributable to equity holders of the Company		16,647,723	34,197,766
Non-controlling interests		581,725	-
Total equity		17,229,448	34,197,766

The above statement of financial position should be read in conjunction with the accompanying notes.

MetroCoal Limited
Statement of changes in equity
For the year ended 30 June 2014

	Contributed equity $	Reserves $	Accumulated losses $	Controlling Interest $	Non-controlling interest $	Total equity $
Consolidated						
Balance at 1 July 2012	45,149,187	5,497,915	(15,802,842)	34,844,260	-	34,844,260
Profit/(Loss) after income tax expense for the year	-	-	(735,086)	(735,086)	-	(735,086)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	(735,086)	(735,086)	-	(735,086)
Transactions with owners in their capacity as owners:						
Share-based payments	-	88,592	-	88,592	-	88,592
Balance at 30 June 2013	45,149,187	5,586,507	(16,537,928)	34,197,766	-	34,197,766
Consolidated						
Balance at 1 July 2013	45,149,187	5,586,507	(16,537,928)	34,197,766	-	34,197,766
Profit/(Loss) after income tax expense for the year	-	-	(17,550,043)	(17,550,043)	(131,582)	(17,681,625)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	(17,550,043)	(17,550,043)	(131,582)	(17,681,625)
Transactions with owners in their capacity as owners:						
Acquisition of subsidiary	-	-	-	-	713,307	713,307
Balance at 30 June 2014	45,149,187	5,586,507	(34,087,971)	16,647,723	581,725	17,229,448

The above statement of changes in equity should be read in conjunction with the accompanying notes.

MetroCoal Limited
Statement of cash flows
For the year ended 30 June 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		465,806	818,033
Payments to suppliers and employees (inclusive of GST)		(2,518,622)	(2,834,806)
Research and development tax refund received		633,899	1,986,662
Interest received		323,743	537,104
Net cash provided by/(used in) operating activities	20	(1,095,174)	506,993
Cash flows from investing activities			
Payments for property, plant and equipment		(8,999)	(11,659)
Proceeds from sale of property, plant and equipment		-	61,036
Payments for exploration and evaluation		(2,435,222)	(4,329,909)
Acquisition of subsidiary, net of cash acquired		933,674	-
Payment for investments		(1,000,000)	(113,531)
Proceeds from term deposits		-	1,000,000
Net cash provided by/(used in) investing activities		(2,510,547)	(3,394,063)
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Share issue transaction costs		-	-
Net cash provided by/(used in) financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(3,605,721)	(2,887,070)
Cash and cash equivalents at the beginning of the financial year		11,127,970	14,015,040
Cash and cash equivalents at the end of the financial year	7	7,522,249	11,127,970

The above statement of cash flows should be read in conjunction with the accompanying notes.

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The consolidated entity is a for-profit entity for the purposes of preparing these financial statements.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 30.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of MetroCoal Limited ('Company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries and special purpose entities for the year then ended. MetroCoal Limited, its subsidiaries and special purpose entities together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity has control over an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affect those returns. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries and special purpose entities have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Note 1. Significant accounting policies (continued)

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the chief operating decision makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax
The income tax expense or benefit for the year is the tax payable on that period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and under and over provision in prior years, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Note 1. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

Joint Arrangements

Joint arrangements are arrangements in which one or more parties have joint control.

Joint Operations

Joint operations are joint arrangements where the parties to the joint arrangement have rights to the assets and obligations for the liabilities rather than to the net assets of the joint arrangement.
The consolidated entity has recognised its direct right to, as well as its share of jointly held, assets, liabilities, revenues, and expenses of joint operations which have been included in the financial statements under the appropriate headings..

Joint ventures

A joint ventures are joint arrangements where the parties to the joint venture have rights to the net assets of the joint venture. Investments in joint ventures are accounted for in the financial statements using the cost method, less any impairment, and in the consolidated financial statements using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Income earned from joint venture entities is recognised as revenue in the parent entity's profit or loss, whilst in the consolidated financial statements they reduce the carrying amount of the investment.

Investments and other financial assets

Investments and other financial assets are measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised directly in the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Note 1. Significant accounting policies (continued)

Impairment of financial assets
The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been had the impairment not been recognised and is reversed to profit or loss.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised directly in the available-for-sale reserve.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

- Plant and equipment 20% per annum

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Exploration and evaluation assets
Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Restoration, rehabilitation and environmental expenditure
Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structure, waste removal, and rehabilitation of the site in accordance with clauses of mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Estimates of future costs are reassessed at least annually. Changes in estimates relating to areas of interest in the exploration and evaluation phase are dealt with retrospectively, with any amounts that would have been written off or provided against under the accounting policy for exploration and evaluation immediately written off.

Restoration from exploration drilling is carried out at the time of drilling and accordingly no provision is required.

Note 1. Significant accounting policies (continued)

Impairment of non-financial assets
Where applicable, goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time, is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders' equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including interest on short-term and long-term borrowings.

Provisions
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits
Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Note 1. Significant accounting policies (continued)

Share-based payments
Equity-settled share-based compensation benefits are provided to directors and employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Contributed equity
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends
Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

Note 1. Significant accounting policies (continued)

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Investments in associates and jointly ventures (equity-accounted investees)
Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the consolidated entity holds between 20 and 50 percent of the voting power of another entity. Joint venture entities are those entities over whose activities the consolidated entity has joint control, established by contractual agreement and requiring unanimous consent for strategic and operating decisions, and has a share of the net assets of the joint venture.

Investments in associates and joint ventures are accounted for using the equity method (equity-accounted investees) and are initially recognised at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the consolidated entity’s share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the consolidated entity, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the consolidated entity’s share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the consolidated entity has an obligation or has made payments on behalf of the investee.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of MetroCoal Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Note 1. Significant accounting policies (continued)

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Goods and Services Tax ('GST') and other similar taxes (continued)

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet adopted

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 July 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements, except for the following:

(i) AASB 9 *Financial Instruments* (effective from 1 January 2017)

AASB 9 *Financial Instruments* addresses the classification, measurement and de-recognition of financial assets and financial liabilities. It simplifies the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Financial assets are to be classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139. The consolidated entity does not plan to adopt this standard early and the extent of the impact has not been determined.

The consolidated entity has adopted all of the new, revised or amended Accounting Standards and Interpretations that are material for the current reporting period. None of the new standards and amendments to standards affected any of the amounts recognised in the current period or any prior period.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share-based payment transactions – note 25

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Black-Scholes model or Monte Carlo simulation taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Impairment of exploration and evaluation assets – note 13
The consolidated entity performs regular reviews with regard to the recoupment of costs carried forward for exploration and evaluation phases, which is dependent upon successful development and commercial exploitation or sale of the respective areas of interest. Refer to note 13 for further detail regarding judgements made when determining the impairment of exploration and evaluation assets.

Accounting for Cape Alumina Limited acquisition – note 28
The consolidated entity accounted for the acquisition of control of Cape Alumina Limited as an asset acquisition rather than a business combination.

Note 3. Operating segments

Identification of reportable operating segments
The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The consolidated entity is managed primarily on a geographic basis, that is the location of the respective areas of interest (tenements) in Australia. Operating segments are determined on the basis of financial information reported to the board which is at the consolidated entity level. The consolidated entity does not have any products/services it derives revenue from.

Accordingly, management currently identifies the consolidated entity as having only one reportable segment, being exploration for coal and bauxite. There have been no changes in the operating segments during the year. Accordingly, all significant operating decisions are based upon analysis of the consolidated entity as one segment. The financial results from this segment are equivalent to the financial statements of the consolidated entity as a whole.

	Consolidated	
	2014	**2013**
Note 4. Revenue	**$**	**$**
Revenue		
Administration fees and recharge of expenses	348,259	503,039
Other income		
Gain on acquisition of assets	90,987	-

Note 5. Expenses

Loss before income tax includes the following specific expenses:

Employee benefits expense		
Salaries, wages, fees and provisions	726,349	697,889
Share based payments	-	88,592
Superannuation contributions	128,784	146,202
Total employee benefits expense	855,133	932,683
Other expenses		
ASX and share registry costs	59,899	61,140
Professional fees	189,724	324,065
Other expenses	540,892	907,354
Total other expenses	790,515	1,292,559

Note 6. Income tax

	Consolidated 2014 $	Consolidated 2013 $
The components of tax expense comprise:		
Current tax	(8,545,214)	(664,395)
Deferred tax	7,519,937	(334,993)
Under provision from prior year	391,378	(576,972)
	(633,899)	(1,576,360)
Numerical reconciliation of income tax benefit to prima facie tax payable		
Profit/(Loss) before income tax expense	(18,315,524)	(2,311,446)
Tax at the Australian tax rate of 30% (2011: 30%)	(5,494,466)	(693,434)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable revenue	(115,670)	-
Non-deductible expenses	2,770	2,462
Section 40-880 deduction	(96,055)	-
Share based payments	-	26,577
Deferred tax not recognised	5,312,043	1,241,367
Less tax effect of:		
Prior period under/over provision	391,378	(576,972)
Prior period R&D refund	(633,899)	(1,576,360)
Income tax expense/(benefit)	(633,899)	(1,576,360)
Deferred taxes		
Net unrecognised deferred tax assets		
Unused tax losses	16,879,696	6,753,561
Exploration and evaluation expenditure	(4,192,989)	(7,206,123)
Other deductible temporary differences	2,412,102	2,962,185
	15,098,809	2,509,623
Gross amounts of items in net unrecognised deferred tax balances		
Unused tax losses	56,265,652	22,511,871
Exploration and evaluation expenditure	(13,976,629)	(24,020,410)
Other deductible temporary differences	8,040,340	9,873,949
	50,329,363	8,365,410

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed. The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

The consolidated entity has no franking credits.

Note 7. Current assets - cash and cash equivalents

	Consolidated 2014 $	2013 $
Cash at bank	1,384,696	1,127,970
Cash on deposit	6,137,553	10,000,000
	7,522,249	11,127,970

Note 8. Current assets - trade and other receivables

Trade debtors	34,947	-
GST refund owing	8,968	43,311
Other receivables	36,758	169,668
Interest receivable	1,438	51,876
	82,111	264,855

Impairment of receivables
The consolidated entity does not have any impaired receivables.

Note 9. Non-current assets - other assets

Term deposit	377,086	375,493
Other assets	88,695	-
	465,781	375,493

The term deposit is an amount of $377,086 (30 June 2013: $375,493) with Macquarie Bank who hold security over this cash pursuant to the bank guarantee detailed in note 23.

Note 10. Non-current assets – available-for-sale financial assets

Investment in listed entity	-	-

During the year, the Company advanced $1,000,000 to Cape Alumina Limited through a convertible note.

Following the termination of the proposed merger between the two companies, Cape Alumina Limited converted the $1,000,000 convertible note into shares in Cape Alumina Limited. As a result, the Company was issued with 16,666,667 shares (6.87%) in Cape Alumina Limited.

Subsequent to being issued with the shares in Cape Alumina Limited, the Company impaired its investment in Cape Alumina Limited by $900,000. The impairment recognised was based on the market value of Cape Alumina Limited shares as the date the Company obtained control.

Note 11. Non-current assets - property, plant and equipment

	Consolidated 2014 $	Consolidated 2013 $
Plant and equipment - at cost	357,584	348,584
Less: Accumulated depreciation	(285,531)	(236,460)
	72,503	112,124

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Plant and Equipment $	Total $
Consolidated		
Balance at 1 July 2013	226,016	226,016
Additions	11,659	11,659
Disposals	(61,036)	(61,036)
Depreciation expense	(64,515)	(64,515)
Balance at 30 June 2013	112,124	112,124
Additions	8,999	8,999
Disposals	-	-
Depreciation expense	(49,070)	(49,070)
Balance at 30 June 2014	72,053	72,053

Note 12. Non-current assets – investments in associate

	Consolidated 2014 $	Consolidated 2013 $

Information relating to associates is set out below:

Name of Company	Country of Incorporation	Ownership interest 2014 %	Ownership interest 2013 %	Consolidated 2014 $	Consolidated 2013 $
Tenement to Terminal Pty Ltd	Australia	20	20	-	-

Tenement to Terminal Pty Ltd was formed to develop a new coal terminal in Gladstone. The investment was fully impaired in prior years.

	Consolidated	
	2014	2013
Note 13. Non-current assets - exploration and evaluation	$	$
Exploration and evaluation - at cost	9,472,006	23,359,081

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Exploration & evaluation	Total
	$	$
Consolidated		
Balance at 1 July 2012	19,992,258	19,992,258
Expenditure during the year	4,329,909	4,329,910
Impaired during the year	(963,086)	(963,086)
Balance at 30 June 2013	23,359,081	23,359,081
Expenditure during the year	2,435,222	2,435,222
Impaired during the year	(16,322,297)	(16,322,297)
Balance at 30 June 2014	9,472,006	9,472,006

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent upon successful development and commercial exploitation or sale of the respective areas of interest. The Company resolved to impair the Columboola, Norwood and Dalby West, tenements to nil on the basis that there was unlikely to be any further exploration activity in the near term. The Company still holds title on these tenements and is of the view tenements are potentially prospective for future development.
Bundi coal tenements were partially impaired due to the delay in development and the decision to stop significant expenditure. The delay in development is due to rail and port infrastructure issues as well as the depressed coal prices. The Bundi coal tenement asset has been recorded at fair value. The basis of fair value has been derived from market values of similar assets, supported by the Independent Expert Report prepared for Cape Alumina Limited for the purposes of Cape Alumina's Target's Statement (released to the ASX on 15 September 2014).

	Consolidated	
	2014	2013
Note 14. Current liabilities - trade and other payables	$	$
Trade payables	159,265	514,396
Other payables	140,599	470,310
	299,864	984,706

Refer to note 24 for detailed information on financial instruments.

Note 15. Current liabilities – employee benefits

Annual leave	89,791	135,828

Note 16. Equity - contributed

	Consolidated		Consolidated	
	2014	2013	2014	2013
	Shares	Shares	$	$
Ordinary shares - fully paid	208,883,663	208,883,663	45,149,187	45,149,187

There were no shares issued during the year ended 30 June 2014 or 30 June 2013.

Note 16. Equity – contributed (continued)

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In common with many other exploration companies, the parent raises finance for the consolidated entity's exploration and appraisal activities in discrete tranches. The consolidated entity's overall strategy remains unchanged from the prior year.

Note 17. Equity - reserves	**Consolidated 2014 $**	**Consolidated 2013 $**
Options reserve	5,586,507	5,586,507

Consolidated	**Options $**	**Total $**
Balance at 1 July 2012	5,497,915	5,497,915
Options granted during the year	88,592	88,592
Balance at 30 June 2013	5,586,507	5,586,507
Options granted during the year	-	-
Balance at 30 June 2014	5,586,507	5,586,507

Options reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration and the value of other options issued.

Note 18. Equity – dividends

Dividends
There were no dividends paid or declared during the current or previous financial year. There were no franking credits at 30 June 2014 (2013: nil).

Note 19. Earnings per share

	Consolidated 2014 $	Consolidated 2013 $
Profit/(Loss) after income tax attributable to the owners of MetroCoal Limited	(17,550,043)	(735,086)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	208,883,663	208,883,663
Weighted average number of ordinary shares used in calculating diluted earnings per share	208,883,663	208,883,663
	Cents	**Cents**
Basic earnings per share	(8.46)	(0.35)
Diluted earnings per share	(8.46)	(0.35)

Options and convertible notes could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive.

Note 20. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2014 $	Consolidated 2013 $
Profit/(Loss) after income tax benefit for the year	(17,681,625)	(735,086)
Adjustments for:		
Depreciation and amortisation	49,070	64,515
Impairment of exploration and evaluation assets	16,322,297	963,086
Impairment of investment in listed entity	900,000	-
Options expense	-	88,592
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(27,911)	798,851
(Increase)/decrease in prepayments	73,874	(22,679)
Increase/(decrease) in trade and other payables	(684,842)	(693,221)
Increase/(decrease) in employee benefits	(46,037)	42,935
Net cash used in operating activities	(1,095,174)	506,993

Acquisitions of subsidiaries

	2014 $	2013 $
Cash to acquire subsidiaries, net of cash acquired:		
Cash consideration	733,175	-
Less cash acquired	(1,666,849)	-
Inflow of cash – investing activities	(933,674)	-

Note 21. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit Pty Ltd, the auditor of the Company, and its related practices:

	Consolidated 2014 $	2013 $
Audit services - BDO Audit Pty Ltd		
Audit or review of the financial report	43,000	41,100
Other services - BDO (QLD) Pty Ltd		
Taxation services	39,800	42,302
Corporate services	-	49,788
	82,800	133,190

Note 22. Commitments for expenditure

	Consolidated 2014 $	2013 $
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	13,555	13,555
One to five years	-	-
	13,555	13,555

The operating lease commitment comprises rent payable to Metallica Minerals Limited for the Company's share of the office lease. The Company is able to terminate its lease with one month's notice.

Note 23. Contingent liabilities

The consolidated entity does not believe it has any contingent liability arising from any possible Native Title or other claims.

MetroCoal Limited has entered into a Feasibility Funding Deed with Wiggins Island Coal Export Terminal Pty Ltd (WICET) to fund a proportion of feasibility costs in return for securing terminal capacity for the planned port expansion at Wiggins Island, Gladstone. Under the requirements of this deed, on 3 December 2010 MetroCoal Limited provided WICET a bank guarantee for $375,000 to cover their costs. Whilst the bank guarantee has not been called upon by WICET to balance date, WICET does have the capacity to call upon this bank guarantee issued in their favour.

In order to provide the bank guarantee, MetroCoal Limited has entered into an agreement with Macquarie Bank to allow the bank to take security over a $377,086 (30 June 2013: $375,493) term deposit as detailed in Note 9. MetroCoal Limited has not provided any financial guarantees to Macquarie Bank in lieu of obtaining the bank guarantee necessary to meet the requirements of the WICET deed.

Note 24. Financial instruments

Financial risk management objectives
Risk management is carried out under policies set by the board of directors.

The board provides principles for overall risk management, as well as policies covering specific areas.

The board monitors and manages the financial risk relating to the operations of the consolidated entity. The consolidated entity's activities include exposure to market risk, fair value interest rate risk and price risk, credit risk, liquidity risk, interest rate risk and operational risk. The consolidated entity does not hedge these risk exposures. The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The overall risk management program focuses on the unpredictability of the finance markets and seeks to minimise the potential adverse effects on the financial performance. Risk management is carried out under the direction of the board of directors.

Significant accounting policies
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

The consolidated entity's activities expose it primarily to the financial risks of changes in interest rates on its cash and cash equivalents and term deposit. It is the policy of the consolidated entity to manage their risks by continuously monitoring interest rates. There has been no change to the consolidated entity's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

Foreign currency risk
The consolidated entity does not yet undertake any transactions denominated in foreign currencies.

Price risk
The consolidated entity is not exposed to any price risk.

Interest rate risk
Interest rate risks are caused by fluctuations in interest rates which, in turn, are due to market factors.

Interest rate sensitivity
The consolidated entity's main interest rate risk arises from cash and cash equivalents. The sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the consolidated entity profit/loss before taxes through a decrease or an increase of 0.25% (2012: 0.25%) in interest rates at 30 June 2014 is an increase/decrease in cash and cash equivalents of $28,757 (2012: $38,193).

Credit risk
Credit risk is managed on a consolidated entity basis. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral. The consolidated entity is not exposed to any material credit risks and only trades with credit worthy third parties.

Note 24. Financial instruments (continued)

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate reserves and by continually monitoring forecast and actual cash flows and cash balances. The parent entity raises equity for the consolidated entity's exploration and appraisal activities in discrete tranches.

At 30 June 2014 and 30 June 2013 the only financial liabilities of the consolidated entity and the parent entity were trade payables and accruals. All trade payables and accruals have a contractual maturity of 6 months or less.

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated **2014**	**Weighted average interest rate** **%**	**1 year or less** **$**	**Between 1 and 2 years** **$**	**Between 2 and 5 years** **$**	**Over 5 years** **$**	**Remaining contractual maturities** **$**
Non-derivatives						
Non-interest bearing						
Trade payables	-	159,265	-	-	-	159,265
Other payables	-	140,599	-	-	-	140,599
Total non-derivatives		299,864	-	-	-	299,864

2013	**Weighted average interest rate** **%**	**1 year or less** **$**	**Between 1 and 2 years** **$**	**Between 2 and 5 years** **$**	**Over 5 years** **$**	**Remaining contractual maturities** **$**
Non-derivatives						
Non-interest bearing						
Trade payables	-	514,396	-	-	-	514,396
Other payables	-	470,310	-	-	-	470,310
Total non-derivatives		984,706	-	-	-	984,706

The cash flows in the maturity analysis above are not expected to occur significantly earlier than disclosed.

Note 24. Financial instruments (continued)

Fair value of financial instruments

The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position, for the consolidated entity are as follows:

Consolidated	2014 Carrying amount $	2014 Fair value $	2013 Carrying amount $	2013 Fair value $
Assets				
Cash and cash equivalents	7,522,249	7,522,249	11,127,970	11,127,970
Trade and other receivables	82,111	82,111	264,855	264,855
Term deposits	377,086	377,086	375,493	375,493
	7,981,446	7,981,446	11,768,318	11,768,318
Liabilities				
Trade payables	159,265	159,265	514,396	514,396
Other payables	140,599	140,599	470,310	470,310
	299,864	299,864	984,706	984,706

Note 25. Share-based payments

The Company has established the MetroCoal Employee Share Option Plan (ESOP) to enable the issue of shares or options in MetroCoal to employees of the Company to assist in the retention and motivation of employees. Under the ESOP, the Company may offer shares or options over unissued shares in the Company.

Features of the ESOP are as follows:

- The persons who are eligible to participate in the ESOP are full-time or part-time continuing employees of the Company or an associated body corporate of the Company (Eligible Employee) or their nominee who have been selected by the board to participate in the ESOP;
- The Company is entitled under the terms of the ESOP to determine a period that any shares or options offered under the ESOP will be unable to be transferred by the recipient (disposal restrictions);
- The Company is entitled to determine in its discretion any conditions which may apply to the offer of shares or options (including the issue price, exercise price, vesting conditions and disposal restrictions);
- Where options subject to disposal restrictions are exercised, the resulting shares will be subject to the balance of the disposal restriction;
- The options may be exercised wholly or in part by notice in writing to the Company received at any time during the relevant exercise period together with a cheque for the exercise price for those options for cancellation by the Company.
- The Company shall allot the number of shares the subject of any exercise notice and apply for listing of the shares issued as a result;
- Shares issued on the exercise of the options will rank paripassu with all existing shares of the Company from the date of issue;
- The number of shares which may be acquired on the exercise of an option and the exercise price will be adjusted, as is appropriate, following any pro-rata bonus issue, rights issue, reconstruction or re-organisation of the issued ordinary capital of the Company.

There are no vesting conditions for options issued in the current or prior years.

The maximum number of shares and options that may be offered to participants under the ESOP is 5% of the issued capital at the time.

Quotation of options on the ASX will not be sought, however quotation of shares (not subject to disposal restrictions) issued under the ESOP will be sought. The Company will apply for quotation of shares arising upon the exercise of options.

Note 25. Share-based payments (continued)

Set out below are summaries of options granted under the plan:

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
2014							
01/07/09	04/12/14	$0.25	500,000	-	-	(500,000)	-
24/11/10	19/11/13	$0.40	3,250,000	-	-	(3,250,000)	-
18/05/11	08/05/14	$0.50	750,000	-	-	(750,000)	-
24/11/11	30/11/13	$0.75	2,500,000	-	-	(2,500,000)	-
24/11/11	30/11/13	$0.78	2,500,000	-	-	(2,500,000)	-
20/11/12	11/07/15	$0.235	1,000,000	-	-	-	1,000,000
20/11/12	11/07/15	$0.50	1,000,000	-	-	-	1,000,000
			11,500,000	-	-	(9,500,000)	2,000,000

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
2013							
28/11/08	04/12/12	$0.25	3,500,000	-	-	(3,500,000)	-
29/06/09	04/12/12	$0.25	2,050,000	-	-	(2,050,000)	-
01/07/09	04/12/14	$0.25	500,000	-	-	-	500,000
24/11/10	19/11/13	$0.40	3,250,000	-	-	-	3,250,000
18/05/11	08/05/14	$0.50	750,000	-	-	-	750,000
24/11/11	30/11/13	$0.75	2,500,000	-	-	-	2,500,000
24/11/11	30/11/13	$0.78	2,500,000	-	-	-	2,500,000
20/11/12	11/07/15	$0.235	-	1,000,000	-	-	1,000,000
20/11/12	11/07/15	$0.50	-	1,000,000	-	-	1,000,000
			15,050,000	2,000,000	-	(5,550,000)	11,500,000

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1 year (2013: 2 years). All options are exercisable at the end of the year.

In the current year no options were issued.

Included under employee benefits expense in the statement of comprehensive income of $nil (2013: $88,592), which relates to equity-settled share based payment transactions.

Note 26. Related party transactions

Parent entity

MetroCoal Limited is the ultimate parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 27.

Joint arrangements

Interests in joint arrangements are set out in note 29.

Note 26. Related party transactions (continued)

Key management personnel

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2014	**2013**
	$	**$**
Short-term employee benefits	1,070,313	1,478,196
Post-employment benefits	91,618	112,911
Share-based payments	-	88,592
	1,161,931	1,679,699

Further disclosures relating to key management personnel are set out in the remuneration report in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2014	**2013**
Payment for other expenses:	**$**	**$**
Consulting fees paid to a related party (i)	-	28,724
Legal fees paid to related party (ii)	277,275	214,858
Rental and other expenses paid to former ultimate parent (iii)	84,500	23,430

(i) During the year the consolidated entity used the services of a public relations/media company named Competitive Advantages (Qld) Pty Ltd (trading as Crook Group). Mr Theo Psaros is a director of Competitive Advantages (Qld) Pty Ltd. The consolidated entity paid no fees to Crook Group (2013: $28,724) during the year and the directors have agreed that these fees are at arm’s length and that Mr Psaros has not participated in the decision to use this firm for public relations services.

(ii) During the year the consolidated entity paid legal fees of $277,275 (2013: $214,858) to HopgoodGanim Lawyers. Mr Michael Hansel is a partner of HopgoodGanim Lawyers. The directors have agreed that these fees are at arm’s length and that Mr Hansel has not participated in the decision to use this firm for legal services.

(iii) On 14 February 2010, the consolidated entity signed an Agreement for Management and Administration Services with its former parent company, Metallica Minerals Limited. This Agreement requires the consolidated entity to pay a monthly premises fee and a monthly asset rental fee.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2014	**2013**
Current receivables:	**$**	**$**
Other receivables from joint venture partner	-	147,215
Current payables:		
Trade payables to other related party – Metallica Minerals Limited	8,533	10,471
Trade payables to other related party - HopgoodGanim Lawyers	5,161	27,558
Trade payables to other related party - Crook Publicity	-	1,165

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 27. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1.

		Equity holding	
	Country of	2014	2013
Name of entity	**Incorporation**	**%**	**%**
Huge Energy Pty Ltd	Australia	100.00	100.00
Bundi Coal Project Pty Ltd	Australia	100.00	100.00
Metrostructure Pty Ltd	Australia	100.00	100.00
Cape Alumina Limited (i)	Australia	57.22	-
Aldoga Minerals Pty Ltd (i)	Australia	57.22	-
Norkay Pty Ltd (i)	Australia	57.22	-
Sigma Resources Pty Ltd (i)	Australia	57.22	-
Sigma Kaolin Pty Ltd (i)	Australia	57.22	-

(i) Cape Alumina Limited and its subsidiaries were acquired during the year ended 30 June 2014.

Non-controlling interests

Set out below is the summarised financial information for each entity that has non-controlling interests that are material to the consolidated entity. Amounts are disclosed before intercompany eliminations.

	Cape Alumina Limited 2014
Statement of comprehensive income	**$**
Revenue	326,128
Loss after income tax	(2,943,525)
Other comprehensive income	-
Total comprehensive income	(2,943,525)
Loss allocated to non-controlling interests	(131,582)
Dividends paid to non-controlling interests	-
Statement of financial position	
Total current assets	1,429,379
Total non-current assets	4,913,306
Total assets	6,342,685
Total current liabilities	188,184
Total non-current liabilities	-
Total liabilities	188,184
Net assets	6,154,501
Equity	
Contributed equity	33,858,372
Reserves	795,500
Accumulated losses	(28,499,371)
Total equity	6,154,501
Accumulated non-controlling interests	581,725

Note 27. Subsidiaries (continued)

	Cape Alumina Limited
	2014
Statement of cash flows	**$**
Cash flows from operating activities	(2,291,231)
Cash flows from investing activities	1,521
Cash flows from financing activities	1,000,000
Net increase/(decrease) in cash and cash equivalents	(1,289,710)

Note 28. Acquisition of assets

On 18 March 2014, the Company made an on-market takeover bid for Cape Alumina Limited at 0.6 cents cash per share, acquiring control and increasing its shareholding to from 6.87% to 46.04% of Cape Alumina Limited on 27 March 2014 and subsequently further to 57.22% on 17 April 2014

Acquiring Cape Alumina Limited diversifies the Company's asset base and risk profile through a stronger near term (bauxite) and long term (coal) project pipeline.

When control of Cape Alumina Limited was acquired, Cape Alumina Limited did not meet the definition of a business as set out in AASB 3 *Business Combinations*. As a result of this, the acquiring of control has been accounted for as an acquisition of assets rather than a business combination in accordance with AASB 3.

The main factors contributing to the judgement that Cape Alumina Limited did not meet the definition of a business as set out in AASB 3 are that a proven and probable reserve has not yet been established for the Cape Alumina Limited tenements. Significant exploration and evaluation costs are still to be incurred to establish the viability of Cape Alumina Limited's tenements. At the time of acquiring control of Cape Alumina Limited, it only had three employees who were on flexible working arrangements.

Consideration
Cash consideration of 0.6 cents per share acquired, totalling $733,175, was paid. The fair value of the Cape Alumina Limited shares owned by the Company just prior to obtaining control, being $100,000, also forms part of the consideration paid.

Identifiable assets acquired and liabilities assumed
The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

Cash and cash equivalents	1,666,849
Trade and other receivables	24,049
Total current assets	1,690,898
Other assets	88,695
Total non-current assets	88,695
Total assets	1,779,593
Trade and other payables	99,038
Employee benefits	43,086
Total current liabilities	142,124
Total liabilities	142,124
Net assets	1,634,469

A gain of $90,987 on acquisition was recognised as a result of the Company's share of the monetary assets and liabilities exceeding the consideration paid.

Because the acquiring of control of Cape Alumina Limited has been accounted for as an asset acquisition, and because the Company's share of the monetary assets and liabilities acquired exceeded the purchase consideration, Cape Alumina Limited's non-monetary assets, including exploration and evaluation assets, have been acquired for no cost, therefore no amount has been attributed to these assets on initial recognition.

Note 29. Interests in joint arrangements

In April 2010, the Company entered into an Agreement with China Coal Import & Export Company (CCIEC), a wholly owned subsidiary of China National Coal Group Corp (China Coal). Under the terms of the Agreement, CCIEC acquired a 51% interest in MetroCoal's EPC 1165 Columboola in the Surat Basin, Queensland for an agreed expenditure commitment of AUD$30 million on EPC 1165. The funds will be used for exploring and evaluating the potential for future commercialisation options within the Columboola tenement and also opens up the opportunity for participation in MetroCoal Limited's other tenements. Exploration was commenced in 2011. The Agreement requires a minimum expenditure of AUD$4 million within the first two years of the Agreement and this amount has been expended. Approximately $24 million has been expended on this project to date.

Note 30. Parent entity information

Set out below is the supplementary information about the parent entity.

	Parent	
	2014	**2013**
	$	**$**
Statement of comprehensive income		
Loss after income tax	(17,565,034)	(735,086)
Total comprehensive income	(17,565,034)	(735,086)
Statement of financial position		
Total current assets	6,179,884	11,847,095
Total non-current assets	10,654,320	23,471,205
Total assets	16,834,204	35,318,300
Total current liabilities	201,472	1,120,534
Total non-current liabilities	-	-
Total liabilities	201,472	1,120,534
Net assets	16,632,732	34,197,766
Equity		
Contributed equity	45,149,187	45,149,187
Reserves	5,586,507	5,586,507
Accumulated losses	(34,102,962)	(16,537,928)
Total equity	16,632,732	34,197,766

Contingent liabilities
Refer to note 23 for details of contingent liabilities.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment at 30 June 2014 and 30 June 2013.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1.

Note 31. Events occurring after the reporting date

On 4 August 2014, the Company announced its intention to make a scrip offer for the remaining shares in Cape Alumina Limited, offering existing Cape Alumina Limited shareholders 1 MetroCoal Limited share for every 1.3 shares held in Cape Alumina Limited.

On 27 August 2014, the Company advanced $250,000 to Cape Alumina Limited to enable it to progress its Bauxite Hills project critical work path program.

Except as noted above, no matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

S Everett
Chairman

25 September 2014
Brisbane

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of MetroCoal Limited

Report on the Financial Report

We have audited the accompanying financial report of MetroCoal Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of MetroCoal Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

a) the financial report of MetroCoal Limited is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 18 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of MetroCoal Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

BDO

A J Whyte

Director

Brisbane, 25 September 2014

MetroCoal Limited
Shareholder information
30 June 2014

The shareholder information set out below was applicable as at 24 September 2014.

Distribution of equitable securities
Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	103
1,001 to 5,000	214
5,001 to 10,000	249
10,001 to 100,000	617
100,001 and over	156
	1,339
Holding less than a marketable parcel	668

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below (with a total of 208,883,663 shares on issue):

	Ordinary shares	
	Number held	% of total shares issued
METALLICA MINERALS LIMITED	64,293,962	30.78%
DADI ENGINEERING DEVELOPMENT (GROUP) CO. LTD.	28,800,000	13.79%
DADI ENGINEERING DEVELOPMENT (GROUP) HONG KONG CO.LTD	18,450,000	8.83%
MS QING XIA	10,342,684	4.95%
NLK HOLDINGS PTY LTD	4,000,000	1.91%
J P MORGAN NOMINEES AUSTRALIA LIMITED	2,802,782	1.34%
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	2,740,773	1.31%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,732,134	1.31%
MR LEIGH DAVID KALAZICH	1,888,888	0.90%
REMOND HOLDINGS PTY LIMITED	1,653,858	0.79%
MR CLIFFORD MALCOLM ARNOLD PRATT	1,500,000	0.72%
MATHEWS CAPITAL PARTNERS PTY LIMITED	1,000,000	0.48%
OODACHI PTY LTD	1,000,000	0.48%
CAROJON PTY LTD	1,000,000	0.48%
MR OLIVIER ROBERT DUPUY & MRS JULIE ELIZABETH DUPUY	1,000,000	0.48%
NEFCO NOMINEES PTY LTD	1,000,000	0.48%
MRS TING ZHAO	1,000,000	0.48%
MR AGUSTIN BENITO ARGOTE	1,000,000	0.48%
MR PHILLIP JOHN COULSON	979,500	0.47%
MR STEWART GRAHAM TEAGUE & MRS MARY LYNNE TEAGUE	913,500	0.44%
	148,098,081	70.90%

Unquoted equity securities

	Number on issue	Number of holders
Options issued under the MetroCoal Employee Share Option Plan	2,000,000	2

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Metallica Minerals Limited	64,293,962	30.78
Dadi Engineering Development (Group) Co. Ltd	28,800,000	13.79
Dadi Engineering Development (Group) Hong Kong Co. Ltd	18,450,000	8.83
Ms Qing Xia	10,342,684	4.95

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.