



Notice of Annual General Meeting and Explanatory Memorandum

MetroCoal Limited ACN 117 763 443

Date of Meeting: Tuesday 25 November 2014

Time of Meeting: 11.30 am (Brisbane time)

Place of Meeting: McCullough Robertson
Level 11, Central Plaza Two
66 Eagle Street
Brisbane

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of shareholders of **MetroCoal Limited ACN 117 763 443 (MetroCoal or Company)** will be held at the offices of McCullough Robertson, Level 11, Central Plaza Two, 66 Eagle Street, Brisbane on Tuesday 25 November 2014, commencing at 11.30 am (Brisbane time).

Terms used in this Notice of Meeting are defined in Section 8 of the accompanying Explanatory Memorandum.

The Explanatory Statement and the Proxy Form accompanying this Notice of Meeting are incorporated in and comprise part of this Notice of Meeting.

Agenda

The agenda for the meeting is as follows:

1. Opening of meeting
2. Consideration and discussion of Audited Financial Statements for the year ended 30 June 2014.
3. Consideration of adoption of the Remuneration Report for the year ended 30 June 2014 (see **Resolution 1**)—*advisory resolution*.
4. Re-election of Mr Stephen Everett as a Director (see **Resolution 2**).
5. Re-election of Mr Dongping Wang as a Director (see **Resolution 3**).
6. Re-election of Mr Philip Hennessy as a Director (see **Resolution 4**).
7. Approval for the Company to issue an additional 10% of the issued capital of the Company over a 12 month period pursuant to Listing Rule 7.1A (see **Resolution 5**) – *special resolution*.
8. Approval for Change of Name of the Company to “Metro Mining Limited” (see **Resolution 6**) – *special resolution*
9. Other business.
10. Close of meeting.

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Ordinary business

1. Financial Report

Consideration and discussion of the audited Annual Financial Statements for the Company (**Financial Statements**) for the financial year ended 30 June 2014, which are being circulated to Shareholders who have elected to receive a paper copy of the Company's reports in the attached Annual Report. Shareholders who have given the Company an election to receive an electronic copy of the Company's reports and Shareholders from whom the Company has not received an election as to how they wish to receive the Company's reports can directly access the Financial Statements on the Company's website at www.metrocoal.com.au and by selecting the link titled "Investors > Financial Reports", which was released to the ASX on 26 September 2014.

2. Resolution 1: Remuneration Report

To consider and, if thought fit, pass the following advisory resolution:

"That the Company be authorised to adopt the Remuneration Report for the year ended 30 June 2014".

Terms used in this Notice of Meeting are defined in Section 8 of the accompanying Explanatory Memorandum.

The vote on this Resolution 1 is advisory only and does not bind the Directors of the Company.

Voting Restriction pursuant to Section 250R(4) of the Corporations Act

A vote on Resolution 1 must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report;
- (b) a Closely Related Party of such a member.

However, the above persons may cast a vote on Resolution 1 if:

- (a) the person does so as a proxy; and
- (b) the vote is not cast on behalf of a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report or a Closely Related Party of such a member; and
- (c) either:
 - (1) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
 - (2) the voter is the chair of the meeting and the appointment of the chair as proxy:
 - (A) does not specify the way the proxy is to vote on the resolution; and
 - (B) expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

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Voting Intention of Chair

Shareholders should be aware that any undirected proxies given to the Chair will be cast by the Chair and counted in favour of the Resolutions the subject of this Meeting, including Resolution 1, subject to compliance with the Corporations Act.

3. **Resolution 2: Re-election of Stephen Everett as a Director**

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

“That, in accordance with Listing Rule 14.4 and Article 38.1(c) of the Constitution, Mr Stephen Everett, having retired by rotation and being eligible offers himself for re-election, be appointed as a Director of the Company.”

4. **Resolution 3: Re-election of Mr Dongping Wang as a Director**

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

“That, in accordance with Listing Rule 14.4 and Article 38.1(c) of the Company’s Constitution, Mr Dongping Wang, having retired by rotation and being eligible offers himself for re-election, be appointed as a Director of the Company.”

5. **Resolution 4: Re-election of Mr Philip Hennessy as a Director**

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

“That Mr Philip Hennessy, who was appointed to the Board on 2 October 2014 and in accordance with article 36.2 of the Constitution, holds office as a casual appointee until the conclusion of the next annual general meeting, and being eligible offers himself for re-election, be re-appointed as a Director of the Company.”

Special Business

6. **Resolution 5: Approval for the Company to issue an additional 10% of the issued capital of the Company over a 12 month period pursuant to Listing Rule 7.1A**

To consider and, if thought fit, to pass the following resolution with or without amendment, as a Special Resolution:

“That, pursuant to and in accordance with Listing Rule 7.1A, and for all other purposes, the Shareholders approve the issue of securities of up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2, over a 12 month period from the date of this Annual General Meeting, at a price not less than that determined pursuant to Listing Rule 7.1A.3 and otherwise on the terms and conditions in the Explanatory Memorandum (10% Securities).”

Voting Exclusion Statement

The Company will disregard any votes cast on this Special Resolution by:

- (a) a person who may participate in the issue of the 10% Securities; and
- (b) a person who might obtain a benefit if this Special Resolution is passed, except a benefit solely in their capacity as a holder of Shares, if the resolution is passed and

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(c) an associate of those persons.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

7. **Resolution 6: Approval of change of name to “Metro Mining Limited”**

To consider and, if thought fit, pass the following resolution, as a Special Resolution of the Company:

“That, the name of the Company be changed to “Metro Mining Limited”.”

General business

To consider any other business as may be lawfully put forward in accordance with the Constitution.

By order of the board



Scott Waddell
Company Secretary

22 October 2014

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1. Introduction

The following information is provided to Shareholders of MetroCoal Limited ACN 117 763 443 (**MetroCoal** or **Company**) in connection with the business to be considered at the Annual General Meeting of Shareholders to be held at the offices of McCullough Robertson, Level 11, Central Plaza Two, 66 Eagle Street, Brisbane on Tuesday 25 November 2014, commencing at 11.30 am (Brisbane time).

The Notice of Meeting, which is also enclosed, sets out details of proposals concerning the six (6) Resolutions to be put to Shareholders.

The Directors recommend shareholders read the accompanying Notice of Meeting and this Explanatory Memorandum in full before making any decision in relation to the resolutions.

Terms used in this Explanatory Memorandum are defined in Section 8.

2. Resolution 1: Adoption of Remuneration Report

The Board has submitted its Remuneration Report to Shareholders for consideration and adoption by way of a non-binding Advisory Resolution.

The Remuneration Report is set out in the Directors' Report section of the Annual Report.

The Report, amongst other things:

- explains the Board's policy for determining the nature and amount of remuneration of Key Management Personnel of the consolidated entity;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- sets out remuneration details for each Key Management Personnel of the consolidated entity including details of performance related remuneration and options granted as part of remuneration; and
- details and explains any performance conditions applicable to the remuneration of Key Management Personnel of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

The Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report. A vote on this Resolution 1 is advisory only and does not bind the Directors of the Company.

There are restrictions on members of the Key Management Personnel and their Closely Related Parties and their proxies voting on Resolution 1, details of which are set out in the Voting Restriction Statement included in Resolution 1 of the Notice of Meeting.

Shareholders should be aware that any undirected proxies given to the Chair will be cast by the Chair and counted in favour of the Resolutions the subject of this Meeting, including Resolution 1 subject to compliance with the Corporations Act. In exceptional circumstances, the Chair may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

ORDINARY BUSINESS

3. Resolutions 2 and 3: Re-election of Directors retiring by rotation

Article 38.1(c) of the Company's Constitution and Listing Rule 14.4 require that at each AGM, one-third of the Directors in office (excluding directors appointed to fill casual vacancies or a Managing Director) must stand for re-election, with Directors required to retire being those longest in office since their election or last re-election.

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3.1 Resolution 2: Re-election of Mr Stephen Everett as a Director

Mr Everett retires in accordance with the Company's Constitution and Listing Rule 14.4 and, being eligible, offers himself for re-election as a Director.

Mr Everett was initially appointed as a director of the Company on 12 July 2012.

Mr Everett has forty years management and board experience in the resources and construction industries and has held Chairman and non-executive director positions in Government Development Boards, Private, ASX listed and TSX listed companies. Mr Everett has also held senior executive positions included Managing Director and Chief Executive Officer of private and publicly listed companies.

Mr Everett is also the Non-Executive Chairman of Cape Alumina Limited as well as a director of Global Resources Corporation Limited (appointed April 2009). In the last three years, Mr Everett has also been a director of IronRidge Resources Limited (appointed May 2011, resigned October 2012).

The Directors (with Mr Everett abstaining) recommend that you vote in favour of this Ordinary Resolution.

3.2 Resolution 3: Re-election of Mr Dongping Wang as a Director

Mr Dongping Wang retires in accordance with the Company's Constitution and Listing Rule 14.4 and, being eligible, offers himself for re-election as a Director.

Mr Dongping Wang was appointed as a director (and independent non-executive director) of the Company on 8 December 2011.

Mr Dongping Wang graduated from the China Mining University in 1981, with a Major in Coal Processing Technology. Mr Dongping 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 Dongping 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 Dongping 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 Dongping Wang is now Chairman of Dadi Engineering Development Group. He 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 Dongping Wang brings extensive Management experience and an intimate knowledge of modern coal process technology to MetroCoal.

The Directors (with Mr Dongping Wang abstaining) recommend that you vote in favour of this Ordinary Resolution.

4. Resolution 4: Re-election of Mr Philip Hennessy as a director

Mr Hennessy was appointed as a director of the Company on 2 October 2014 as an additional Director.

Under Article 36.2 of the Constitution and Listing Rule 14.4, any Director who is appointed by the other Directors as an additional Director shall hold office only until the next following AGM of the Company and will then be eligible for re-election.

Mr Hennessy is an experienced Company Director and Adviser to Public, Private and Not for Profit organisations. Mr Hennessy brings with him over 30 years' experience having been involved with all aspects of corporate financing and company reconstruction across a variety of industries including construction, mining, manufacturing, professional services, agriculture and financial services.

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Mr Hennessy holds a Bachelor of Business and was KPMG Queensland Chairman for 13 years before retiring in 2013. During this time Mr Hennessy also chaired KPMG's Queensland Audit Committee Institute which is a forum for Chairs, Audit Committee Chairs and Non-Executive Directors to focus on emerging trends and best practices for Public Company Boards. Mr Hennessy's knowledge and experience will assist the Company in driving good governance, cohesive and effective collaboration, effective processes and communicating with shareholders and stakeholders.

The Directors (with Mr Hennessy abstaining) recommend that you vote in favour of this Ordinary Resolution.

SPECIAL BUSINESS

5. Resolution 5: Approval for the Company to issue an additional 10% of the issued capital of the Company over a 12 month period

5.1 Introduction

Pursuant to Resolution 5, the Company is seeking shareholder approval to issue an additional 10% of issued capital over a 12 month period in accordance with Listing Rule 7.1A. If passed, this resolution will allow the Company to issue and allot, based on the issued capital of the Company as at 20 October 2014, up to 20,888,366 Shares (**10% Securities**) each at an issue price of at least 75% of the volume weighted average price (**VWAP**) for the Company's quoted class of Securities (calculated over the last 15 days on which trades in the quoted Securities are recorded, and immediately before the date on which the price at which the Shares are to be issued is agreed, or if not within 5 trading days of that date, the date on which the Shares are issued) (**Issue Price**). As a result of the Takeover Offer, up to 79,835,298* additional quoted Shares may be issued prior to the date of the Meeting, which would increase the number of 10% Securities to 28,871,896. As at 20 October 2014, the number of acceptances received under the Takeover Offer is approximately 44,024,085, which will result in the issue of 33,864,681 additional quoted Shares under the Takeover Offer.

*[*This calculation assumes that the Company acquires all of the shares issued in Cape Alumina Limited and that none of the existing options issued by Cape Alumina Limited are exercised. This figure is also subject to rounding of share allocations under the terms of the Takeover Offer.]*

This approval is sought pursuant to Listing Rule 7.1A which enable small and mid cap listed entities that meet the eligibility threshold and who have obtained the approval of their ordinary Shareholders by special resolution at the annual general meeting (**AGM**) to issue an additional 10% of issued capital over a 12 month period from the date of the AGM (**Additional 10% Issue**). The Additional 10% Issue under Listing Rule 7.1A is in addition to the ability of the Company to issue 15% of its issued capital without Shareholder approval over a 12 month period pursuant to Listing Rule 7.1. The Company may issue the 10% Securities to raise funds for the Company and for non-cash consideration (further details of which are set out below).

If funds are raised from the issue of 10% Securities, those funds are intended to be used as follows:

- working capital; and
- additional exploration activities at the Company's projects.

5.2 Listing Rule 7.1A – Further Information

(a) General

(1) Eligibility

An entity is eligible to undertake an Additional 10% Issue if at the time of its AGM it has a market capitalisation of \$300 million or less and it is not included in the S&P/ASX300 Index (**Eligibility Criteria**).

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As required by the Listing Rules, the Company's market capitalisation will be based on the closing price on the Trading Day before the AGM, and will be released by the Company to the ASX at that time. The calculation of market capitalisation will be based on the Closing Price of the Shares in the main class of Shares of the Company, on the last Trading Day on which trades in the Shares were recorded before the date of the AGM, multiplied by the number of Shares on issue (in that main class, but excluding restricted securities and securities quoted on a deferred settlement basis).

For illustrative purposes only, on 17 October 2014 the Company's market capitalisation was \$6,475,394 based on the Closing Trading Price on that date. The Company is not included in the S&P/ASX300 Index as at the time of issue of this Notice of Meeting and the Company does not expect that it will be included in the S&P/ASX300 Index at the date of the AGM.

The Company is therefore an eligible entity and, subject to Shareholder approval, able to undertake an Additional 10% Issue under Listing Rule 7.1A.

In the event that the Company no longer satisfies the Eligibility Criteria after the Company has already obtained Shareholder approval, the approval obtained will not lapse and the Company will still be entitled to undertake the Additional 10% Issue during the Issue Period (see below).

(2) Shareholder approval

The ability to issue the 10% Securities under the Additional 10% Issue is conditional upon and subject to the Company obtaining Shareholder approval by way of a Special Resolution at the AGM. Pursuant to Listing Rule 7.1A, no Shares will be issued in reliance on Listing Rule 7.1A until and unless this Special Resolution is passed at Annual General Meeting.

(b) Issue Period – Listing Rule 7.1A.1

Shareholder approval of the Additional 10% Issue under Listing Rule 7.1A is valid from the date of the AGM at which the approval is obtained and expires on the earlier to occur of:

- (1) the date that is 12 months after the date of the AGM at which the approval is obtained; or
- (2) the date of the approval by shareholders of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period if allowed by ASX.

If approval is given for the Additional 10% Issue at the AGM on 25 November 2014 then the approval will expire, unless there is a significant change to the Company's business, on 25 November 2015.

(c) Calculation for Additional 10% Issue – Listing Rule 7.1A.2

Listing Rule 7.1A.2 provides that eligible entities which have obtained Shareholder approval at AGM may issue or agree to issue, during the 12 month period after the date of the AGM, a number of Equity Securities calculated in accordance with the following formula:

(A x D) – E

A is the number of Shares on issue 12 months before the date of issue or agreement:

- (1) plus the number of fully paid ordinary shares in the Company issued in the 12 months under an exception in Listing Rule 7.2;
- (2) plus the number of partly paid ordinary shares in the Company that became fully paid in the 12 months;

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- (3) plus the number of fully paid ordinary shares in the Company issued in the 12 months with approval of holders of Shares under Listing Rule 7.1 or rule 7.4. This does not include an issue of fully paid ordinary shares in the Company under the entity's 15% placement capacity without Shareholder approval;
- (4) less the number of fully paid ordinary shares in the Company cancelled in the 12 months.

D is 10 percent.

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of Shareholders under Listing Rule 7.1 or 7.4

(d) **Listing Rule 7.1A.3**

(1) **Shares**

Equity Securities issued under the Additional 10% Issue must be in the same class as an existing quoted class of Equity Securities of the Company.

As at 20 October 2014, the Company had 208,883,663 quoted Shares on issue (and no other Equity Securities which are quoted). As a result of the Takeover Offer, up to 79,835,298* additional quoted Shares may be issued, which would increase the number of quoted Shares on issue in the Company to 288,718,961. Accordingly, the Company is only seeking approval to issue ordinary Shares (and no other class of Equity Securities) under the Additional 10% Issue in addition to its 15% capacity permitted under Listing Rule 7.1.

*[*This calculation assumes that the Company acquires all of the shares issued in Cape Alumina Limited and that none of the existing options issued by Cape Alumina Limited are exercised. This figure is also subject to rounding of share allocations under the terms of the Takeover Offer.]*

(2) **Minimum Issue Price**

The issue price for the 10% Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Shares in the same class calculated over the 15 Trading Days immediately before:

- (A) the date on which the price at which the 10% Securities are to be issued is agreed; or
- (B) if the 10% Securities are not issued within 5 Trading Days of the date in paragraph (A) above, the date on which the 10% Securities are issued.

As required by the Listing Rules, MTE's market capitalisation based on the closing price on the Trading Day before the AGM will be released by MTE to the ASX at that time.

(e) **Information to be given to ASX – Listing Rule 7.1A.4**

If Resolution 5 is passed and the Company issues any 10% Securities under Listing Rule 7.1A, the Company will give to ASX:

- (1) a list of allottees of the 10% Securities and the number of 10% Securities allotted to each (this list will not be released to the market); and
- (2) the following information required by rule 3.10.5A, will be released to the market on the date of issue:
 - (A) details of the dilution to the existing holders of Shares caused by the issue;

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- (B) where the Shares are issued for cash consideration, a statement of the reasons why the Company issued the Shares as a placement under rule 7.1A and not as (or in addition to) a pro rata issue or other type of issue in which existing Shareholders would have been eligible to participate;
 - (C) details of any underwriting arrangements, including any fees payable to the underwriter; and
 - (D) any other fees or costs incurred in connection with the issue.
- (f) **Listing Rule 7.1 and 7.1A**

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

As at 20 October 2014, the Company had on issue 208,883,663 Shares and, on this basis, would have the capacity to issue:

- (1) 31,332,549 Equity Securities under Listing Rule 7.1; and
- (2) 20,888,366 Shares under Listing Rule 7.1A.

As a result of the Takeover Offer, up to 79,835,298* additional quoted Shares may be issued prior to the date of the Meeting, which would increase the number of quoted Shares on issue in the Company to 288,718,961 and the number of Shares able to be issued under Listing Rule 7.1 and Listing Rule 7.1A would increase to 43,307,844 and 28,871,896 respectively.

*[*This calculation assumes that the Company acquires all of the shares issued in Cape Alumina Limited and that none of the existing options issued by Cape Alumina Limited are exercised. This figure is also subject to rounding of share allocations under the terms of the Takeover Offer.]*

The actual number of Shares that the Company will have the capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Shares in accordance with the formula prescribed in Listing Rule 7.1A.2 (as above).

5.3 Specific Information required by Listing Rule 7.3A

(a) Minimum Price of securities issued under Listing Rule 7.1A – Listing Rule 7.3A.1

Pursuant to and in accordance with Listing Rule 7.3A.1, the 10% Securities issued pursuant to approval under Listing Rule 7.1A must be not less than 75% of the VWAP for the Company's Shares over the 15 Trading Days immediately before:

- (1) the date on which the price at which the 10% Securities are to be issued is agreed; or
- (2) if the 10% Securities are not issued within 5 Trading Days of the date in paragraph (1) above, the date on which the 10% Securities are issued.

The Company will disclose to the ASX the issue price on the date of issue of any 10% Securities.

(b) Risk of economic and voting dilution – Listing Rule 7.3A.2

As provided by Listing Rule 7.3A.2, if Resolution 5 is passed by Shareholders and the Company issues any 10% Securities, there is a risk of economic and voting dilution to the existing ordinary Share holders of the Company. The Company currently has on issue 208,883,663 Shares. On this basis, upon the Additional 10% Issue, the Company will have approval to issue an additional 20,888,366 Shares. As a result of the Takeover Offer, up to 79,835,298* additional quoted Shares may be issued prior to the date of the Meeting, which would increase the number of quoted Shares on issue in the Company to 288,718,961 and the Company will have approval to issue an additional 28,871,896 Shares.

*[*This calculation assumes that the Company acquires all of the shares issued in Cape Alumina Limited and that none of the existing options issued by Cape Alumina Limited are exercised. This figure is also subject to rounding of share allocations under the terms of the Takeover Offer.]*

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The exact number of additional Shares to be issued under the Additional 10% Issue will be calculated in accordance with the formula contained in Listing Rule 7.1A.2 and set out above.

Any issue of 10% Securities will have a dilutive effect on existing Shareholders. There is a specific risk that:

- (1) the market price for the Company's Shares may be significantly lower on the date of the Issue than it is on the date of the AGM; and
- (2) the 10% Securities may be issued at a price that is at a discount to the market price for the Company's Shares on the issue date,

which may have an effect on the amount of funds raised by the issue of any 10% Securities.

As required by Listing Rule 7.3A.2, Table 2 below shows the potential economic and voting dilution effect, in circumstances where Variable A (on the basis that it is the current issued capital) has doubled and the Market Price of the Shares has halved. Table 2 also shows additional scenarios in which the number of issued Shares have increased and the Market Price of the Shares has decreased.

Table 2

Issued Capital (Variable A)	50% decrease in Market Price 0.016 cents		Current Market Price 0.031 cents		100% increase in Market Price 0.062 cents	
	10 % Voting Dilution	Capital Raised	10 % Voting Dilution	Capital Raised	10 % Voting Dilution	Capital Raised
Present Issued Capital = 208,883,663 Shares	20,888,366 Shares	\$ 323,770	20,888,366 Shares	\$ 647,539	20,888,366 Shares	\$1,295,079
50% Increase in Capital = 313,325,495 Shares	31,332,549 Shares	\$ 485,655	31,332,54 Shares	\$971,309	31,332,54 Shares	\$1,942,618
100% Increase in Capital = 417,767,326 Shares	41,776,733 Shares	\$ 647,539	41,776,733 Shares	\$1,295,079	41,776,733 Shares	\$2,590,157

Assumptions and explanations

- The Market Price is 0.031 cents based on the closing price of the Shares on ASX on 17 October 2014.
- The above table only shows the dilutionary effect based on the Additional 10% Issue and not the 15% under Listing Rule 7.1
- The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue.
- The Company issues the maximum number of 10% Securities available to it under the Additional 10% Issue.

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- The Issued Capital has been calculated in accordance with the formula in Listing Rule 7.1A(2) as at 20 October 2014. As a result of the Takeover Offer, up to 79,835,298* additional quoted Shares may be issued prior to the date of the Meeting, which would increase the number of quoted Shares on issue in the Company to 288,718,961. [**This calculation assumes that the Company acquires all of the shares issued in Cape Alumina Limited and that none of the existing options issued by Cape Alumina Limited are exercised. This figure is also subject to rounding of share allocations under the terms of the Takeover Offer.*]
- The issue price of the 10% Securities used in the table does not take into account the discount to the Market Price (if any).

(c) **Final date for issue – Listing Rule 7.3A.3**

As required by Listing Rule 7.3A.3, the Company will only issue and allot the 10% Securities during the 12 months after the date of this AGM. The approval under Resolution 5 for the issue of the 10% Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities of the Company) or Listing Rule 11.2 (the disposal of the main undertaking of the Company) before the anniversary of the AGM.

(d) **Purpose – Listing Rule 7.3A.4**

As noted above, the purpose for which the 10% Securities may be issued include to raise funds for the Company and for non-cash consideration (further details of which are set out below). It is intended that any funds raised from the issue of 10% Securities are to be used as follows:

- working capital; and
- additional exploration activities at the Company's projects.

(e) **Shares Issued for Non-cash consideration – Listing Rule 7.3A.4**

The Listing Rules permit the Company to issue 10% Securities for non-cash consideration, such as the acquisition of new assets or investments. If the Company issues Shares for non-cash consideration, the Company will release to the market a valuation of the non-cash consideration that demonstrates that the issue price of the Shares complies with Listing Rule 7.1A.3.

(f) **Company's Allocation Policy – Listing Rule 7.3A.5**

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue of 10% Securities pursuant to the Additional 10% Issue. The identity of the allottees of Shares will be determined on a case-by-case basis having regard to the factor including but not limited to the following:

- (1) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing Shareholders can participate;
- (2) the effect of the issue of the 10% Securities on the control of the Company;
- (3) the financial situation and solvency of the Company; and
- (4) advice from corporate, financial and broking advisers (if applicable).

The allottees of the 10% Securities under the Additional 10% Issue have not been determined as at the date of this Notice but may include existing substantial shareholders and/or new Shareholder who are not Related Parties or associates of a Related Party of the Company.

Further, if the Company is successful in acquiring new assets or investments, it is likely that the allottees under the Additional 10% Issue will be the vendors of the new assets or investments.

Explanatory Memorandum

(g) **Company has previously obtained shareholder approval under listing rule 7.1A – Listing Rule 7.3A.6**

The Company previously obtained Shareholder approval under Listing Rule 7.1A at the previous annual general meeting held on 29 November 2013 but has not issued shares under this authority.

As the Company has previously obtained Shareholder approval under Listing Rule 7.1A, the following information is provided to Shareholders, in accordance with Listing Rule 7.3A.6, regarding the equity securities issued in the previous 12 months preceding the date of the AGM (that is, since 29 November 2013):

Listing Rule 7.3A.6(a): Total equity securities issued in previous 12 months

Number of equity securities on issue on at commencement of 12 month period	208,883,663
Equity securities issued in prior 12 month period	Nil
Percentage previous issues represent of total number of equity securities on issue at commencement of 12 month period	Nil%

Listing Rule 7.3A.6(b): Details of equity securities issued in previous 12 months

No equity securities have been issued during the previous 12 months preceding the date of the AGM (that is, since 29 November 2013).

The Company notes that fully paid ordinary shares in the Company may be issued prior to the Meeting which are issued to shareholders of Cape Alumina Limited who accept the Takeover Offer. These shares would be issued on the basis of 1 share in MetroCoal Limited for every 1.3 shares in Cape Alumina Limited shares for which the Takeover Offer was accepted and Shares issued will rank parri passu with all other fully paid ordinary shares on issue in the Company.

(h) **Voting Exclusion Statement**

A voting exclusion statement is included in this Notice. At the date of the Notice, the proposed allottees of any 10% Securities are not as yet known or identified. In these circumstances (and in accordance with the note set out in Listing Rule 14.11.1 relating to Listing Rules 7.1 and 7.1A), for a person's vote to be excluded, it must be known that that person will participate in the proposed issue.

Where it is not known who will participate in the proposed issue (as is the case in respect of the 10% Securities), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted and there is no reason to exclude their votes.

5.4 Director Recommendation

The Board recommends that Shareholders vote in favour of this Special Resolution.

Explanatory Memorandum

6. Resolution 6: Change of Company Name to “Metro Mining Limited”

6.1 Introduction

Resolution 6 seeks Shareholder approval to change the name of the Company to “Metro Mining Limited”.

This new name, if accepted by the shareholders, will reflect the new direction of the Company on coal, bauxite and potentially other resource commodities.

Under Section 157 of the Corporations Act, a change of name by the Company requires approval of shareholders by a special resolution.

6.2 Director Recommendation

The Board recommends that Shareholders vote in favour of this Special Resolution.

7. Voting entitlement

For the purposes of determining voting entitlements at the Meeting, shares will be taken to be held by the persons who are registered as holding the shares at 11.30 am (Brisbane Time) on Sunday, 23 November 2014. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

8. Interpretation

The following terms used in the Notice of Meeting and the Explanatory Memorandum are defined as follows:

AGM means annual general meeting;

ASIC means the Australian Securities & Investments Commission;

Associated Entity has the meaning given to that term in the Corporations Act;

ASX means the ASX Limited;

Business Day means a day on which all banks are open for business generally in Brisbane;

Chair means the person chairing the Meeting.

Closely Related Party (as defined in the Corporations Act) of a member of the Key Management Personnel for an entity means:

- (a) a spouse or child of the member; or
- (b) a child of the member's spouse; or
- (c) a dependant of the member or the member's spouse; or
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or
- (e) a company the member controls; or
- (f) a person prescribed by the regulations for the purposes of the definition of closely related party;

Company means MetroCoal Limited ACN 117 763 443 (ASX: MTE);

Constitution means the constitution of the Company from time to time;

Explanatory Memorandum

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

Directors means the board of directors of the Company as at the date of the Notice of Meeting;

Eligible Entity has the meaning given to that term in the Listing Rules;

Equity Securities has the meaning given to that term in the Listing Rules;

Explanatory Memorandum means the explanatory statement accompanying this Notice;

Key Management Personnel has the definition given in the Accounting Standard AASB 124 *Related Party Disclosure* as 'those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any director (whether executive or otherwise) of that entity';

Listing Rules means the official listing rules of the ASX as amended from time to time;

Market Price has the meaning given to that term in the Listing Rules;

Meeting means the Annual General Meeting to be held on 25 November 2014 as convened by the accompanying Notice of Meeting;

Notice of Meeting or **Notice** means the notice of meeting giving notice to shareholders of the Meeting, accompanying this Explanatory Memorandum;

Options means options to acquire Shares;

Ordinary Resolution means a resolution passed by more than 50% of the votes at a general meeting of shareholders;

Related Party has the meaning in section 228 of the Corporations Act.

Resolutions means the resolutions set out in the Notice of Meeting;

Shares means fully paid ordinary shares in the Company from time to time;

Shareholder means a shareholder of the Company;

Special Resolution means a resolution:

- (a) of which notice has been given as set out in paragraph 249L(1)(c) of the Corporations Act; and
- (b) that has been passed by at least 75% of the votes cast by members entitled to vote on the resolution.

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

Takeover Offer means the takeover offer made by the Company for all of the issued shares in Cape Alumina Limited not otherwise held by the Company as outlined in the Bidder's Statement dated 19 August 2014 and any subsequent supplementary bidder's statements.

Trading Day has the meaning given to that term in the Listing Rules.

Explanatory Memorandum

Any inquiries in relation to the Resolutions or the Explanatory Memorandum should be directed to:

Scott Waddell (Company Secretary):

Post: Attn: Scott Waddell
PO Box 10955
Brisbane Adelaide Street QLD 4000

Tel: +617 3009 8000

Fax +617 3221 4811



By mail:
MetroCoal Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309



All enquiries to: Telephone: +61 1300 554 474



X99999999999

PROXY FORM

I/We being a member(s) of MetroCoal Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

☐

the Chairman
of the Meeting
(mark box)

OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy.

Failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to vote on my/our behalf (including in accordance with the directions set out below or, if no directions have been given, to vote as the proxy sees fit, to the extent permitted by the law) at the Annual General Meeting of the Company to be held at **11:30am (Brisbane time) on Tuesday, 25 November 2014 at McCullough Robertson Lawyers, Level 11, Central Plaza Two, 66 Eagle Street, Brisbane, QLD, 4000** (the Meeting) and at any postponement or adjournment of the Meeting.

If I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman of the Meeting becomes my/our proxy by default) I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy on Resolution 1 (Remuneration Resolution) (except where I/we have indicated a different voting intention below) even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company or, if the Company is part of a consolidated entity, that entity.

The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention for any resolution, in which case an ASX announcement will be made.

If you do not direct your proxy on how to vote as your proxy in respect of the resolution/s, the Proxy may cast your vote as the Proxy thinks fit or may abstain from voting. By signing this appointment you acknowledge that, subject to the *Corporations Act 2001* (Cth), the Proxy may exercise your proxy even if he/she has an interest in the outcome of the resolution/s and even if votes cast by him/her other than as proxy holder will be disregarded because of that interest (subject to the section above in relation to voting on Remuneration Resolutions by the Chairman of the Meeting).

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒.

STEP 2

VOTING DIRECTIONS

Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Approval for the Company to issue an additional 10% of the issued capital of the Company over a 12 month period pursuant to Listing Rule 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Mr Stephen Everett as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL BUSINESS			
3 Re-election of Mr Dongping Wang as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6 Approval for Change of Name of the Company to "Metro Mining Limited"	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Re-election of Mr Philip Hennessy as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

i * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

MTE PRX401R



HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you appoint someone other than the Chairman of the Meeting as your proxy, you will also be appointing the Chairman of the Meeting as your alternate proxy to act as your proxy in the event the named proxy does not attend the Meeting.

Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:30am (Brisbane time) on Sunday, 23 November 2014**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE > www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



by mail:

MetroCoal Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



by fax:

+61 2 9287 0309



by hand:

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138 or Level 12, 680 George Street, Sydney NSW 2000.

**If you would like to attend and vote at the Annual General Meeting, please bring this form with you.
This will assist in registering your attendance.**