



ACN 117 763 443

ASX ANNOUNCEMENT

16 August 2011

METROCOAL SECURES PRIORITY ALLOCATION OF EXPORT CAPACITY FOR PLANNED COAL EXPORTS IN A PROPOSED NEW COAL TERMINAL IN THE PORT OF GLADSTONE

Highlights

- **MetroCoal has secured an opportunity for up to 15 million tonnes per annum of capacity in a proposed new coal terminal for its coal projects**
- **The proposed new terminal, if approved would be constructed on land that Tenement to Terminal Limited (3TL), an unlisted Australian public company has contracted to acquire.**
- **It is envisaged that the initial stage of the proposed new terminal will have an export capacity of around 25 to 30 million tonnes per annum.**
- **MetroCoal will acquire an equity position of 20% in 3TL; and**
- **3TL will receive options to acquire 25 million shares in MetroCoal**

MetroCoal Limited (ASX: MTE) is pleased to advise that it has executed a Capacity Priority Agreement and an Investment Agreement with Tenement to Terminal Limited (3TL), an unlisted Australian public company.

Under the Capacity Priority Agreement MetroCoal will have priority access for up to 11.47 million tonnes of capacity per annum at the proposed port facility. This priority right is subject to MetroCoal meeting various capacity commitment criteria including mining project development progress, future feasibility funding and eventual take-or-pay contract commitments as required by 3TL.

An additional 3.53 million tonnes will be available for MetroCoal's Columboola Joint Venture partner, SinoCoal Resources Pty Ltd (SinoCoal), subject to securing Joint Venture approval, completion of further commercial arrangements and an additional cash injection by SinoCoal into 3TL.

In consideration of the Capacity Priority Agreement, 3TL will receive options to subscribe for 25 million ordinary shares in MTE in 4 equal tranches of 6,250,000 shares subject to achievement of certain project milestones (**3TL Options**). The exercise price and targeted vesting date for each tranche of options is as follows:



Tranche 1 - November 2011 at 85% of the VWAP for the 5 trading days prior to the date of the Agreement;
Tranche 2 - 20 April 2012 at the lesser of AUD\$0.675 or 80% of the VWAP for the 5 trading days prior to the Vesting Date;
Tranche 3 - 16 January 2014 at the lesser of AUD\$0.875 or 80% of the VWAP for the 5 trading days prior to the Vesting Date;
Tranche 4 - 6 June 2014 at the lesser of AUD\$1.10 or 80% of the VWAP for the 5 trading days prior to the Vesting Date.

If the project milestones are not satisfied within a specified time period after the targeted vesting date, allowing for specified periods of delay, then the exercise price will be limited to the VWAP calculation.

Each tranche of 3TL Options must be exercised within 12 months of the vesting of that tranche.

The issue of the 3TL Options, and accordingly the operation of the Capacity Priority Agreement, is subject to MetroCoal shareholder approval.

MetroCoal has also taken a 20% interest in 3TL for an investment of \$3.5M and will have the right to appoint a nominee to the 3TL Board. The \$3.5M will enable 3TL to fund the "Project Definition Phase" of the proposed development. The scope of this work is described in the "Tenement to Terminal Limited" section of this announcement.

MetroCoal's equity investment in 3TL will be payable via the following instalments:

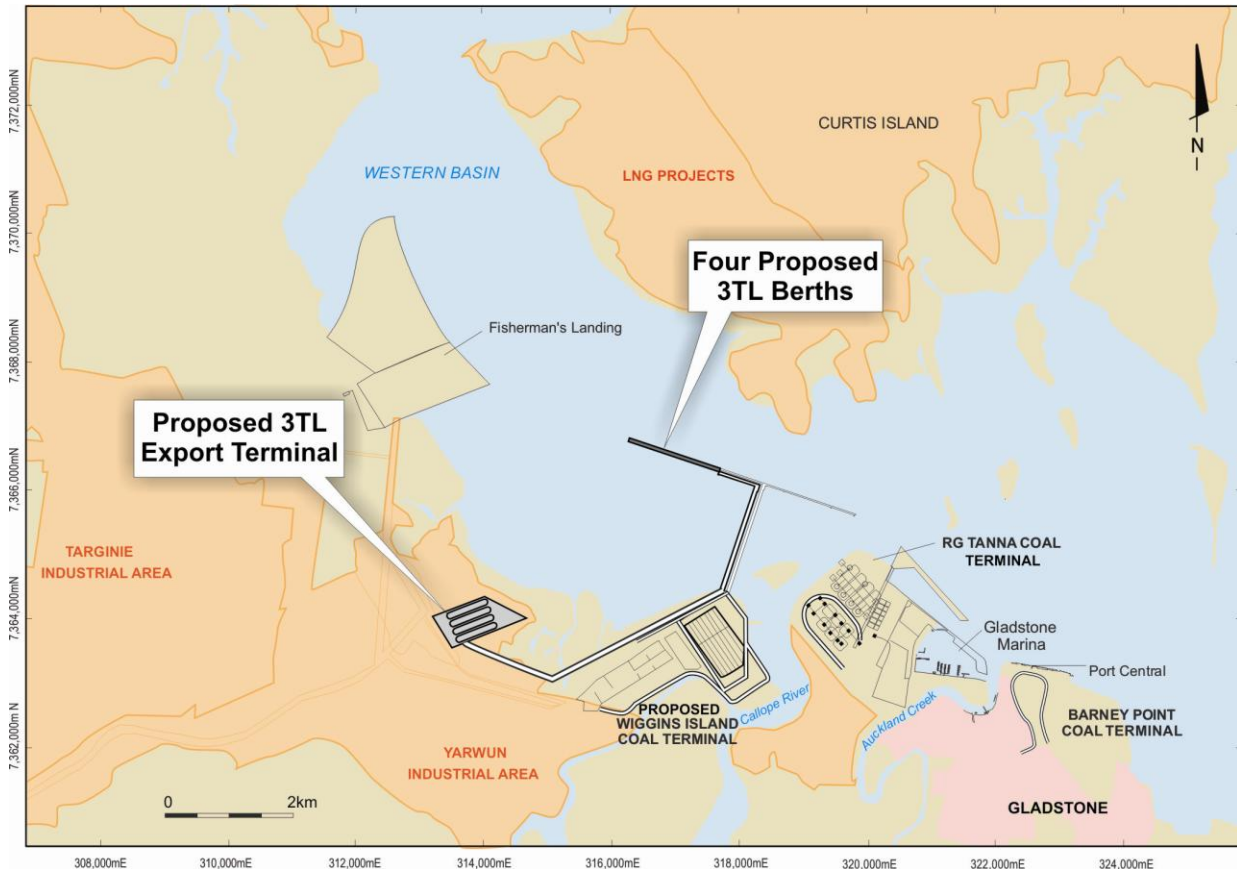
1. \$1,500,000 will be paid on 16 August 2011;
2. \$1,000,000 will be paid on or about 14 October 2011; and
3. \$1,000,000 will be paid on or about 20 January 2012.

MetroCoal may pay these instalments at an earlier time .

MetroCoal CEO Mike O'Brien said "this is an exciting opportunity for MetroCoal. Port capacity for the export of coal from the Southern Bowen and Surat Basins is at a premium. We remain committed to the Wiggins Island Coal Terminal project (WICET). However, with WICET significantly over-subscribed in Stage 2 of its expansion, we must pursue all opportunities. This agreement provides MetroCoal with another path to port capacity for its Bundi Project and the Columboola Joint Venture."

Tenement to Terminal Limited

3TL is an Australian based company that has contracted to acquire a 134 hectare freehold site in the Yarwun Precinct of the Gladstone State Development Area within the port of Gladstone in Central Queensland as shown in the plan below.



The State Development Area has been set aside by the State Government for a range of reasons including the provision of land for significant industrial developments. Prior to executing the contract, 3TL completed a high level study which confirmed the site has the potential to be developed into a major coal export terminal.

3TL intends to carry out further master planning studies as part of the Project Definition Phase and will test its assumption that the site could potentially support a coal terminal with an ultimate capacity as high as 75 million tonnes per annum. Throughout this definition phase 3TL will be looking for further capacity commitments from miners for the remainder of the planned initial capacity of 25 – 30 million tonnes per annum.

Subject to market demand, approvals and appropriate funding, 3TL envisages the first stage being ready to accept coal to stockpile for shipment before the end of 2016.

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