

## Joint ASX release

Wednesday, 25 September 2013

### **CAPE ALUMINA TO MERGE WITH METROCOAL TO CREATE A DIVERSIFIED BULK COMMODITIES COMPANY**

MetroCoal Limited (**ASX: MTE**) and Cape Alumina Limited (**ASX: CBX**) today announced they have signed a Merger Implementation Agreement (MIA) which proposes to combine the companies to create a diversified bauxite and thermal coal business with a staged development pipeline.

Significant benefits to shareholders of the merged entity include:

- Diversified asset base and risk profile spread across two bulk commodities; will provide increased resilience and a long-term future
- Strong pipeline of near-term (bauxite) and long-term (thermal coal) project developments
- Improved cash position of \$12 million<sup>1</sup> to accelerate development of near-term bauxite projects in strong and growing global market
- Market capitalisation of over \$28 million<sup>2</sup> with increased liquidity for shareholders
- JORC compliant resources of 202.4 million tonnes (Mt) of high-quality, Cape York, export-grade bauxite (refer Table 1) and 4.2 billion tonnes (Bt) of thermal coal in the Surat Basin (refer Table 2)
- Highly experienced leadership team

Key terms of the offer include:

- Merger to be implemented via a Scheme of Arrangement, subject to Cape Alumina shareholder and court approval
- MetroCoal to offer approximately 1.12 MetroCoal shares for every 1 Cape Alumina share
- MetroCoal to provide Cape Alumina with a \$3 million convertible note to supplement Cape Alumina working capital to accelerate work on the Pisolite Hills project (with \$1 million available on execution of the MIA and a further \$2 million available subject to the approval of Cape Alumina shareholders)
- Major Cape Alumina shareholder Resource Capital Funds will convert its \$5 million convertible note into Cape Alumina shares at 12 cents per share prior to the merger proceeding
- Cape Alumina Board unanimously recommends the proposal and intends to vote all shares they control in favour
- Merger is anticipated to be effective by late December 2013, pending necessary approvals.

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<sup>1</sup> Based on cash balances on 31 August 2013

<sup>2</sup> Based on closing prices on Friday 20 September

MetroCoal Chairman Stephen Everett said the merger would deliver significant benefits for both companies, including increased near-term development opportunities, a strengthened balance sheet, increased trading liquidity and enhanced access to capital markets.

“The proposed merger will create a Queensland-based, diversified bulk commodities company with a portfolio of major bauxite and thermal coal projects which will provide resilience through commodity cycles,” Mr Everett said.

“The immediate priority of the merged company will be to develop Cape Alumina’s bauxite assets on western Cape York, in particular the flagship Pisolite Hills mine and port project near Mapoon, to capitalise on the strong and growing global market for bauxite and to generate a positive cash flow for the company.

“The merger provides an immediate cash injection from MetroCoal to Cape Alumina, through a \$3 million convertible note, which will allow Cape Alumina to progress the technical and environmental studies required for the Pisolite Hills project to gain the necessary government approvals.

“The new entity will continue to advance the Bundi and Columboola coal projects in the Surat Basin in line with the longer-term development opportunity for these assets.

“The long-term outlook for thermal coal remains positive with global demand forecast to increase significantly over the coming decade. The new entity’s project development pipeline enables it to benefit from both the strengthening global demand for bauxite, while maintaining its thermal coal resource in preparation for the inevitable upturn in this market,” he said.

Cape Alumina Chairman George Lloyd said the merger would deliver increased value and returns for shareholders of both companies.

“MetroCoal shareholders will gain exposure to Cape Alumina’s bauxite projects which have a clear path to production, and to a bulk commodity that has significant global growth potential, while maintaining their coal assets,” Mr Lloyd said.

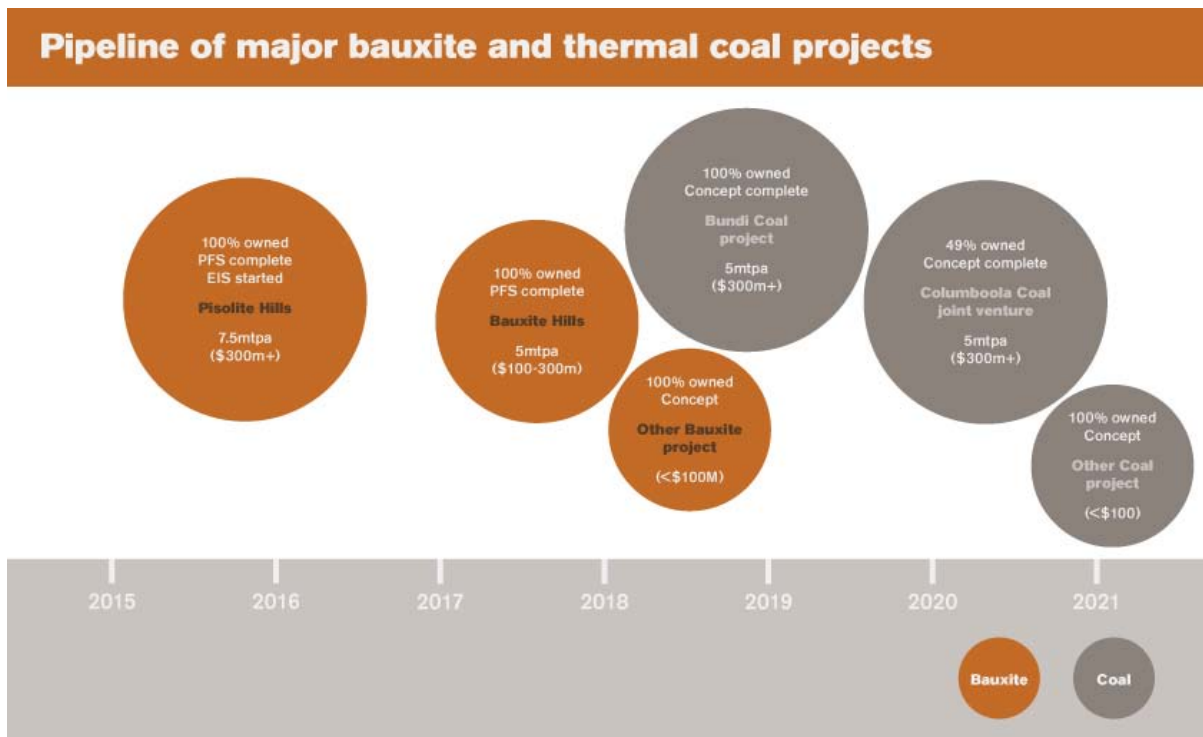
“Cape Alumina shareholders will gain immediate access to cash to progress the western Cape York bauxite projects, as well as exposure to the future value of MetroCoal’s Surat Basin coal projects.

“In addition, the merger will provide capital market benefits with a broadened share register and increased liquidity.

“The directors of Cape Alumina unanimously recommend that shareholders vote in favour of the merger in the absence of a superior proposal and subject to an independent expert’s opinion that the merger is in the best interests of Cape Alumina shareholders,” he said.

## Conceptual Project pipeline of the merged entity

The merger will create a diversified bulk commodities company with a portfolio of major bauxite and thermal coal assets. Flagship projects include the Pisolite Hills and Bauxite Hills mine and port projects and the Bundi and Columboola thermal coal projects. The merged entity's conceptual project pipeline is shown below. More information on both Cape Alumina and MetroCoal is provided in **Appendix A**.



This diagram is conceptual in nature and intended to illustrate the pipeline for delivery of the merged entity's bauxite and coal projects. The delivery of these projects is subject to relevant regulatory approvals, funding, infrastructure and successful completion of bankable feasibility studies. There is no guarantee that any of these projects will reach commercial production.

## Merger details

MetroCoal and Cape Alumina have signed a Merger Implementation Agreement (MIA) which proposes that the two companies merge under a Scheme of Arrangement (Scheme).

Under the proposed Scheme, MetroCoal will acquire all of Cape Alumina's ordinary shares on issue. Cape Alumina shareholders will be offered approximately 1.12 MetroCoal shares for each Cape Alumina share held with the effect that Cape Alumina shareholders will hold 55 per cent of the merged entity and MetroCoal shareholders will hold the remaining 45 per cent.

The merged entity will have approximately 464.2 million shares on issue, with expected combined cash reserves as at 31 August 2013 of \$12 million and no significant debt.

It is intended that the merger will become effective by late December 2013, subject to shareholder, regulatory and court approvals. More details of the Scheme are attached are provided in **Appendix B**.

### **RCF convertible note**

As a condition precedent to the Scheme, major Cape Alumina shareholder Resource Capital Funds IV L.P. (RCF IV) has agreed to convert its \$5 million Cape Alumina convertible note into shares in Cape Alumina at a price of \$0.12 per share.

On conversion, Cape Alumina will issue RCF IV 41,666,667 shares in Cape Alumina as well as 14,706,000 options over unissued ordinary shares in the company. The options will have an exercise price of \$0.17 per share and a term of two years. The security held by RCF over Cape Alumina assets will be extinguished on the conversion of the note.

### **MetroCoal convertible note**

MetroCoal has agreed to provide Cape Alumina a \$3 million secured loan and convertible note in two tranches to supplement Cape Alumina's working capital with a particular emphasis on progressing the Pisolite Hills project. More details of the convertible note are provided in **Appendix C**

### **Board of the combined entity**

The merged entity will have a strengthened board and management team with extensive resource industry experience across bauxite and coal, a strong and committed vision and a track record in developing projects from exploration through to production.

Both companies will have equal representation on the board. Stephen Everett (MetroCoal) will be the merged entity's Chairman and Graeme Sherlock (Cape Alumina) will be the Managing Director. The remaining four board positions will be allocated evenly from existing MetroCoal and Cape Alumina directors.

Stephen Everett has more than 40 years board and management experience in the resources and construction industries both in Australia and overseas. He was formerly Chairman of BeMaX Resources NL, Australian Solomons Gold Limited and JMS Civil and Mining Pty Ltd and is currently Chairman of Global Resources Corporation Limited and IronRidge Resources Limited in addition to being Independent Company Chairman of MetroCoal.

Graeme Sherlock is a qualified mining engineer with more than 25 years of resource industry experience across both coal and bauxite. He has held senior executive positions within Peabody Energy Australia, Rio Tinto Coal Australia, Mitsubishi Development and had a long career with BHP Billiton.

The new entity will benefit from reduced overheads, including one management team based at Cape Alumina's office in Brisbane, and reduced regulatory and compliance costs.

### **Additional information**

Cape Alumina shareholders will be issued a Scheme booklet which will set out in detail those matters for consideration in determining whether to vote in favour of the Scheme and will include a description



of each company and the merged entity, and an independent expert's report on whether the Scheme is in the best interests of shareholders. It is expected that a meeting of Cape Alumina shareholders to consider the scheme will be held in early December 2013 and that the Scheme will become effective by the end of December 2013.

ENDS

### **Teleconference**

Cape Alumina Managing Director Graeme Sherlock and MetroCoal CEO Mike O'Brien will be holding a teleconference at 11am on Monday 30 September to provide further information on the proposed merger and address questions from shareholders. To take part in the teleconference:

Dial: 1300 226 583

International Dial: +61 7 3334 4990

Meeting ID: 5760

Press #5 to mute or un-mute your phone.



**For further information:**

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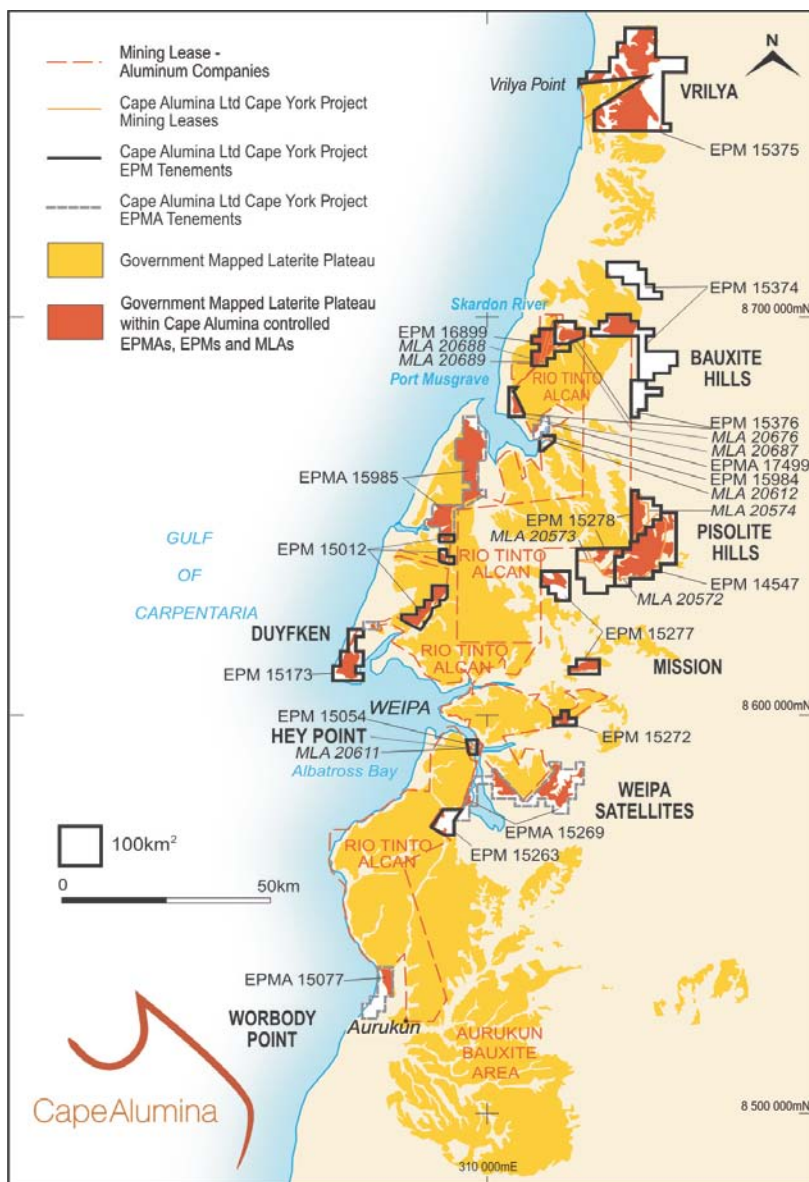
## Appendix A – Background information on Cape Alumina and MetroCoal

### About Cape Alumina

Cape Alumina is Australia's leading pure-play bauxite company, evaluating one of the country's largest under-developed, export-quality bauxite deposits.

Brisbane-based, the company controls approximately 1,900 square kilometres of exploration tenements in western Cape York (see **Figure 1** below). This is the largest tenement holding in the region outside the Rio Tinto Alcan mining leases.

Cape Alumina's business model is based on the establishment of an independent bauxite supply business to feed the growing market for traded bauxite into China.



**Figure 1:** Cape Alumina Limited's tenements and projects on western Cape York, Queensland.

To date, Cape Alumina has two projects in the advanced development stages – the Pisolite Hills mine and port project and the Bauxite Hills mine and port project.

The Pisolite Hills project is the company's most advanced project and is located on an elevated, open, dry bauxite plateau approximately 50 kilometres north-east of Weipa and 40 kilometres south-east of the community of Mapoon.

The Pisolite Hills resource is estimated to be 134.6 million tonnes (Mt) of *in-situ* bauxite and has the potential to yield up to seven million tonnes per annum (Mtpa) of dry-product bauxite over a 15-year period.

The 134.6 Mt of *in-situ* bauxite at Pisolite Hills is expected to yield 88.9 Mt (20.1 Mt Measured + 39.5 Mt Indicated + 29.3 Mt Inferred) of bauxite on a dry-product basis at an average beneficiated grade of 53.1 per cent Alumina ( $\text{Al}_2\text{O}_3$ ) and 12.3 per cent Silica ( $\text{SiO}_2$ ) of which 7.5 per cent is reactive silica at 150 degrees Celsius.

The Bauxite Hills project is located approximately 95 kilometres north of Weipa on western Cape York, Queensland, within the bauxite plateau between the Ducie and Skardon Rivers and just five kilometres southeast of the existing port at Skardon River.

The Bauxite Hills project has an Inferred Resource estimate of 60 Mt of *in-situ*, high-quality, export-grade bauxite. This is expected to yield 42 Mt of beneficiated, dry-product bauxite at average grades of 51.6 per cent alumina ( $\text{Al}_2\text{O}_3$ ) and 9.5 per cent silica ( $\text{SiO}_2$ ).

In late 2012, Cape Alumina completed the Bauxite Hills Pre-Feasibility Study.

Full details of the Cape Alumina's known resources are detailed below in **Table 1** below.



**Table 1: Cape Alumina's know resources on western Cape York**

Area	Resource category	<i>In-situ</i> dry tonnes (Mt)	Dry beneficiated tonnes (Mt)	Beneficiated bauxite qualities	
				Total SiO <sub>2</sub> (%)	Total Al <sub>2</sub> O <sub>3</sub> (%)
<b>Bauxite Hills area</b>					
BH1 (LMB)	Inferred	9.9	6.9	9.0	50.7
BH1 (MBT)	Inferred	19.5	13.5	7.8	52.0
BH2 (MBT)	Inferred	8.7	5.8	10.0	52.9
BH6 (MBT)	Inferred	22.1	15.1	11.2	51.2
BH4 (MBT)	Inferred	2.0	1.1	11.3	49.0
BH5 (MBT)	Inferred	1.8	0.9	10.7	50.0
<b>Pisolite Hills project</b>					
Musgrave	Inferred	2.2	1.6	52.8	11.2
Pisolite Hills	Inferred	48.8	29.3	13.2	51.8
Pisolite Hills	Indicated	56.1	37.9	12.5	53.5
Pisolite Hills	Measured	27.5	20.1	10.8	54.4
<b>Other projects</b>					
Hey Point	Inferred	3.8	2.5	9.8	55.3
<b>Total Inferred</b>		<b>116.6</b>	<b>75.1</b>	<b>11.0</b>	<b>51.6</b>
<b>Total Indicated</b>		<b>58.3</b>	<b>39.5</b>	<b>12.5</b>	<b>53.4</b>
<b>Total Measured</b>		<b>27.5</b>	<b>20.1</b>	<b>10.8</b>	<b>54.4</b>
<b>TOTAL (All categories)</b>		<b>202.4</b>	<b>134.7</b>	<b>11.4</b>	<b>52.9</b>

\* LMB - Low Monohydrate Bauxite is defined by calculated bohemite alumina (BA) <3 per cent, where BA =  $TCA - THA - (1.17179 * RxSiO_2)$ , where TCA = Total Chemical Alumina, THA = Trihydrate available Alumina (gibbsite alumina + kaolinite alumina - low temperature desilicated product [DSP] alumina at 150 degrees Celsius),  $RxSiO_2$  = reactive silica at 150 degrees Celsius. LMB is expected to be a suitable feedstock for low temperature Bayer refineries.

\*\* MBT - Mixed Bohemite-Trihydrate Bauxite is defined as calculated BA>3 per cent. MBT is expected to be a suitable feedstock for high temperature Bayer refineries.

\*\*\* LMB generally lies beneath MBT so generally no overburden.

#### COMPETENT PERSON'S STATEMENT

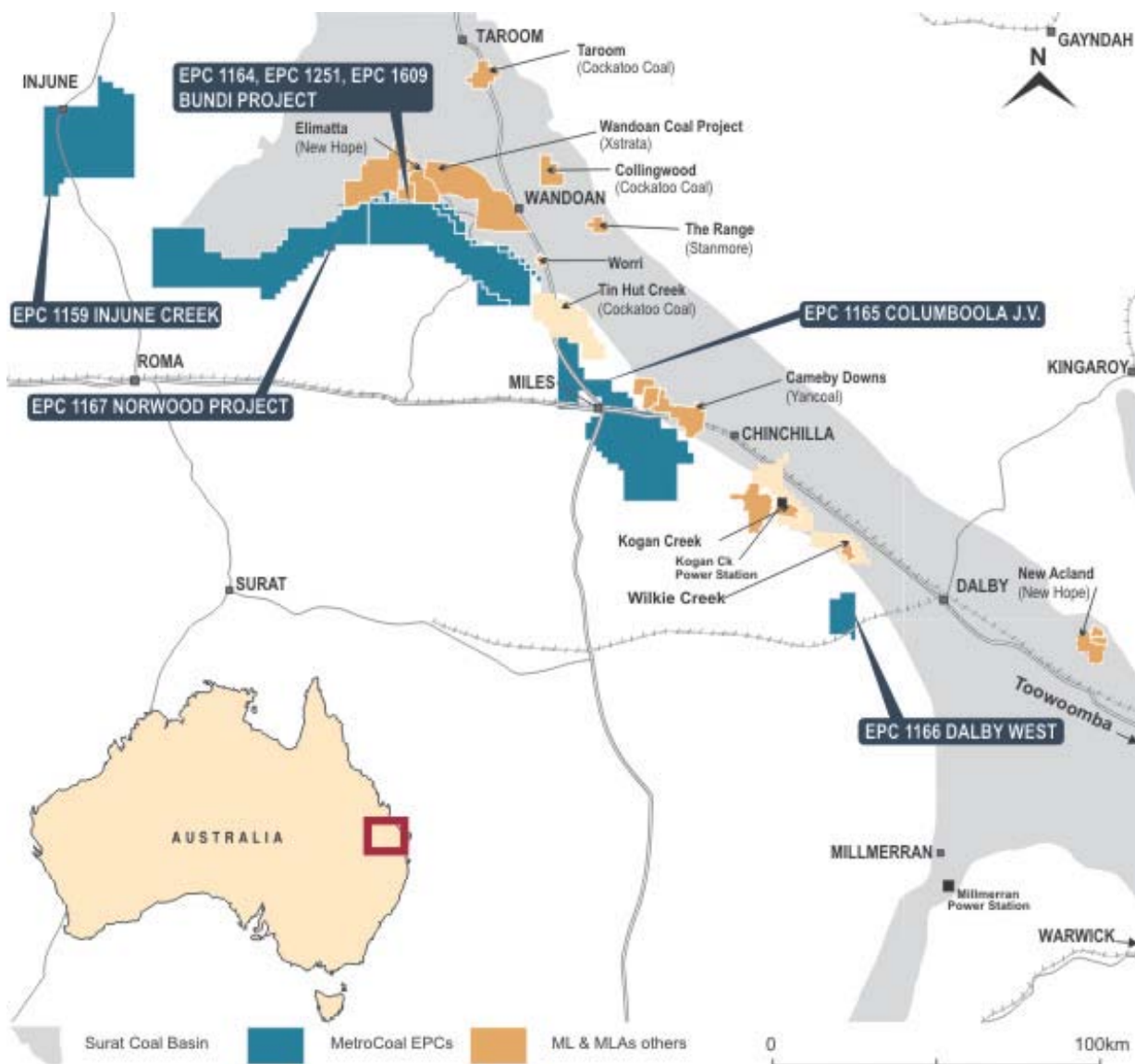
Technical information about exploration targets and ore resources relating to Cape Alumina contained in this report has been compiled by Neil McLean who is Cape Alumina employee and a Fellow of the Australasian Institute of Mining and Metallurgy (F. AusIMM) with more than five years of relevant experience in the style of mineralisation being reported and qualifies as a Competent Person as defined by the 2004 edition of the Australasian Code for Reporting of Minerals, Resources and Reserves. Mr McLean consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

## About MetroCoal

MetroCoal Limited (MetroCoal) is an Australian coal company focused on thermal coal projects in the Surat Basin region of South East Queensland. MetroCoal’s projects can provide the resource platform for a world-class coal mining company.

MetroCoal holds extensive coal exploration permits (EPCs) in the Surat Basin covering over 3,500 square kilometres and containing one of the largest thermal coal resources in Australia (see **Figure 2** below).

**Figure 2: MetroCoal’s tenements and projects**



On a 100% basis, MetroCoal's projects have a JORC resource of just over 4.2 billion tonnes (see **Table 2** below).

**Table 2: MetroCoal's known resources in the Surat Basin**

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

Refer:-

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

MTE ASX Announcement 9 December 2011 – Dalby West Project – Maiden Inferred Resource of 520Mt

MTE ASX Announcement 6 September 2012 – Maiden Indicated Resource for Columboola JV plus 26% increase in Inferred Resource

MTE ASX Announcement 19 December 2012 – Goombi Maiden Reserve Announced

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

Within this huge resource MetroCoal is now focussed on two project areas both capable of supporting mines producing over 5 million tonnes per year, including:

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

In addition to its coal resources MetroCoal also holds a 20% interest in Tenement to Terminal Ltd (3TL) which has the rights to land in the Port of Gladstone that is considered ideally suited to the construction of a coal export terminal. This strategic interest provides MetroCoal with a pathway to coal export capacity and also the opportunity to influence the development timetable and costs.

**COMPETENT PERSON'S STATEMENT**

The information in this announcement that relates to the compilation of existing data and exploration results for MetroCoal Ltd is based on information compiled by Mr Ed Radley who is a Member of the Australian Institute of Mining and Metallurgy (MAusIMM) (Membership No 300512).

Mr Ed Radley is a fulltime employee of MetroCoal Ltd, in the role of Geological Manager, Mr Ed Radley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Mr Ed Radley has consented in writing for inclusion in this announcement the matters based on the information in the form and context it

## Appendix B – Details of the Merger Implementation Agreement

### MetroCoal and Cape Alumina Merger Implementation Agreement - summary

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#### Key terms

The merger of MetroCoal and Cape Alumina will be implemented by scheme of arrangement (**Scheme**), which will be subject to Cape Alumina shareholder, court approval and other conditions precedent set out below. The number of MetroCoal shares to be issued for every Cape Alumina share is calculated such that Cape Alumina shareholders will collectively hold 55% of the merged group. Major Cape Alumina shareholder Resource Capital Funds will convert its \$5 million convertible note into Cape Alumina shares at 12 cents per share prior to the merger proceeding. Assuming conversion of the RCF note, this represents approximately 1.12 MetroCoal shares for every 1 Cape Alumina share.

The formula to determine the number of MetroCoal shares for each Cape Alumina share ( $n$ ):

$$N = \frac{\frac{M}{0.45} - M}{C}$$

Where:

- $N$  is the number of MetroCoal shares for each Cape Alumina share
- $M$  is the number of MetroCoal shares on issue on the Implementation Date; and
- $C$  is the number of Cape Alumina shares on issue on the Implementation Date (and includes the 41,666,667 fully paid Cape Alumina shares issued to RCF on conversion of the RCF convertible note at \$0.12 per share, Cape Alumina shares issued to RCF as payment of interest on the RCF convertible note to the date of conversion and the Cape Alumina shares issued on exercise of the performance rights).

In addition, MetroCoal to provide Cape Alumina with a \$3 million convertible note to supplement Cape Alumina working capital to accelerate work on the Pisolite Hills project.

The Cape Alumina board unanimously recommends that Cape Alumina shareholders vote in favour of the proposal. The merger is expected to be completed in late December 2013.

## Conditions precedent

- **Regulatory approvals:** All regulatory approvals are provided by all relevant regulatory authorities before 8.00 am on the Second Court Date.
- **Court approval:** The Court approves the Scheme on or before 31 December 2013.
- **Shareholder approval:** The Cape Alumina shareholders agree to the Scheme at the Scheme Meeting on or before 31 December 2013. If required, shareholders of MetroCoal also approve implementation of the Scheme, such approval to be obtained on or before the Scheme Meeting.
- **Restraints:** No legal restraint or prohibition preventing the Scheme is in effect at 8.00 am on the Second Court Date.
- **No Material Adverse Change:** No Material Adverse Change occurs before the Second Court Date.
- **No Prescribed Occurrence:** No Prescribed Occurrence occurs before the Second Court Date.
- **Representations and Warranties:** Cape Alumina's representations and warranties and MetroCoal's representations and warranties are true and correct in all material respects, at the date of the merger implementation agreement and at 8.00 am on the Second Court Date (except to the extent that such representations or warranties expressly relate to an earlier date).
- **Third party consents:** Before 8.00 am on the Second Court Date, every person who has or will have a right or rights under any material agreement provides to Cape Alumina any necessary consents, waivers or releases required to implement the Scheme (including consent to change of control), and Cape Alumina provides a copy of such waivers or releases to MetroCoal.
- **RCF conversion:** On or before five business days from the date of the merger implementation agreement, the parties enter into an agreement in respect of the conversion of the RCF note.
- **RCF note commitment:** Before 8.00 am on the Second Court Date, MetroCoal enters into arrangements with RCF pursuant to which RCF agrees to sell or cancel the options over unissued shares in Cape Alumina (which shares are issued as consideration for RCF agreeing the early conversion of the RCF note).
- **Performance Rights:** Before 8.00 am on the Second Court Date, the Performance Rights vest and are exercised by the holders.
- **Compliance with documentation:** As at 8.00 am on the Second Court Date, no person is in material breach of the Merger Implementation Agreement, MetroCoal convertible note or the RCF note conversion agreement.

- **RCF consent:** RCF has given to Cape Alumina and has not revoked any consents required to implement the Scheme (including consent to change of control), and any consent required to enter into MetroCoal note and general security deed.

## Break fee

Each of Cape Alumina and MetroCoal has agreed to reimburse the other party for their total costs, agreed to be \$250,000, if at any time after the entry into the Merger Implementation Agreement and before completion of the Scheme:

- (a) a proposal is publically announced which results in MetroCoal or Cape Alumina (as the case requires) receiving acceptances from holders of not less than 50% of MetroCoal or Cape Alumina shares (as the case requires); or
- (b) a party terminates the merger implementation agreement as a result of the other party being in material breach of its obligations under the agreement.

## Exclusivity

Each of Cape Alumina and MetroCoal represents and warrants to the other that it is not currently in negotiations or discussions in respect of any Competing Transaction, and grants exclusivity to the other during the Exclusivity Period, during which:

- (a) **(No-talk)** each of Cape Alumina and MetroCoal must ensure that no member of Cape Alumina Group, MetroCoal Group, nor any of their directors, employees, officers or agents directly or indirectly:
  - (i) participate in any negotiations or discussions;
  - (ii) provide or make available any information (including by way of providing information and access to perform due diligence); or
  - (iii) communicate any intention to do any of the things described in paragraphs (i) and (ii) above,

in respect of any Competing Transaction, including in response to any unsolicited approach, expression of interest, offer or proposal by any person in relation to any Competing Transaction.

- (b) **(No-shop)** each of Cape Alumina and MetroCoal must ensure that no member of Cape Alumina Group, MetroCoal Group, nor any of their directors, employees, officers or agents (as the case requires) directly or indirectly:
  - (i) solicits, invites, facilitates, encourages or initiates any enquiries, negotiations or discussions; or
  - (ii) communicates any intention to do any of these things,

with a view to obtaining any approach, expression of interest, offer or proposal from any person in relation to a Competing Transaction.

Those provisions do not prevent a party from undertaking an act otherwise prohibited by the 'no-talk' obligation if, in the opinion of Cape Alumina board or MetroCoal board (as the case requires), determined in good faith and based on the written opinion of Queens' Counsel or Senior Counsel (which will be made available to the other party on request), the Competing Transaction could be a Superior Proposal, or not undertaking that act would be otherwise unlawful.

During the Exclusivity Period, each of Cape Alumina and MetroCoal must notify the other party promptly if it becomes aware of any negotiations or discussions, or approaches, attempts or

intentions to initiate any negotiations or discussions, in respect of any proposal of a kind referred to above.

## Definitions

In this document:

**Cape Alumina Group** means Cape Alumina and each of its Subsidiaries.

**Cape Alumina Material Adverse Change** means any matter, event or circumstance which occurs, is announced or becomes known to MetroCoal after the date of this document which (individually or when aggregated with all such matters, events or circumstances) has resulted in or is likely to result in the value of consolidated net assets of Cape Alumina Group being reduced by at least \$2.5 million against what they would have been but for the matters, events or circumstances,

but does not include:

- (a) any matter, event or circumstance arising from changes in economic or business conditions (including changes in commodity prices or currency exchange rates) which impact on Cape Alumina and its competitors in a similar manner;
- (b) any change in taxation rates or the law relating to taxation, interest rates or general economic conditions which impact on Cape Alumina and its competitors in a similar manner;
- (c) any change in accounting policy required by law;
- (d) any change occurring directly or indirectly as a result of any matter, event or circumstance required by this document, the Scheme or the transactions contemplated by them; or
- (e) anything which is fully and fairly disclosed in an ASX filing by MetroCoal prior to the Execution Date.

**Cape Alumina Prescribed Occurrence** means:

- (a) **(conversion)**: Cape Alumina converts all or any of its shares into a larger or smaller number of shares;
- (b) **(reduction of share capital)**: Cape Alumina resolves to reduce its share capital in any way;
- (c) **(buy-back)**: Cape Alumina:
  - (i) enters into a buy-back agreement; or
  - (ii) resolves to approve the terms of a buy-back agreement under the Corporations Act;
- (d) **(distribution)**: Cape Alumina makes or declares, or announces an intention to make or declare, any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie);
- (e) **(issuing or granting shares or options)**: a member of Cape Alumina Group:
  - (i) issues shares;
  - (ii) grants an option over its shares; or
  - (iii) agrees to make such an issue or grant such an option,in each case to a person outside Cape Alumina Group;
- (f) **(securities or other instruments)**: a member of Cape Alumina Group:
  - (i) issues securities or other instruments convertible into shares or debt securities; or
  - (ii) agrees to issue securities or other instruments convertible into shares or debt securities,in each case to a person outside Cape Alumina Group;
- (g) **(constitution)**: a member of Cape Alumina Group adopts a new constitution or modifies or repeals its constitution or a provision of it;
- (h) **(disposals)**: a member of Cape Alumina Group disposes, or agrees to dispose of the whole or a substantial part of its business or property;
- (i) **(acquisitions, disposals or tenders)**: a member of Cape Alumina Group:
  - (i) acquires or disposes of (including by farm-out);



- (ii) agrees to acquire or dispose of; or
  - (iii) offers, proposes, announces a bid or tenders for, any business, assets, interest in a joint venture, entity or undertaking, the value of which exceeds \$200,000;
- (j) **(Encumbrances)**: a member of Cape Alumina Group creates any Encumbrance over the whole or a substantial part of its business or property (other than in the ordinary course of business and other than a lien which arises by operation of law or legislation securing an obligation not yet due and consistent with past practice);
- (k) **(employment arrangements)**: a member of Cape Alumina Group:
  - (i) materially increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors or employees;
  - (ii) accelerates the rights of any of its directors or employees to compensation or benefits of any kind; or
  - (iii) pays any of its directors or employees a termination or retention payment (otherwise than in accordance with an existing contract which, at the date of this document, is in place and has been disclosed to MetroCoal), other than in the ordinary course of business or as a result of contracted arrangements that are consistent with past practice and in effect at the date of this document;
- (l) **(commitments and settlements)**: a member of Cape Alumina Group:
  - (i) enters into any contract or commitment involving revenue or expenditure by Cape Alumina Group of more than \$200,000 over the term of the contract or commitment;
  - (ii) terminates or amends in a material manner any contract material to the conduct of Cape Alumina Group's business or which involves revenue or expenditure of more than \$200,000 over the term of the contract;
  - (iii) waives any material third party default where the financial impact on Cape Alumina Group will be in excess of \$200,000; or
  - (iv) accepts as a settlement or compromise of a material matter (relating to an amount in excess of \$200,000) less than the full compensation due to Cape Alumina or a Subsidiary of Cape Alumina;
- (m) **(financial arrangements)**: a member of Cape Alumina Group amends (or agrees to amend) in any material respect any arrangement with its financial advisers in respect of the transactions contemplated by this document;
- (n) **(capital expenditure)**: a member of Cape Alumina Group undertakes or agrees to undertake capital expenditure in excess of \$200,000 in aggregate;
- (o) **(insolvency)**: an Insolvency Event occurs in relation to any member of Cape Alumina Group;
- (p) **(financial indebtedness)** a member of Cape Alumina Group provides financial accommodation (irrespective of what form of Financial Indebtedness that accommodation takes) in excess of \$200,000;
- (q) **(derivatives)** a member of Cape Alumina Group enters into any agreement, arrangement or transaction with respect to derivative instruments (including swaps, futures contracts, forward commitments, commodity derivatives or options) or similar instruments, except foreign currency hedges made in the ordinary course of business and in accordance with past practice;
- (r) **(breach of law)** a member of Cape Alumina Group takes or omits to take action which results in a breach of law material to a member of Cape Alumina Group;
- (s) **(accounting policy)** a member of Cape Alumina Group changes any accounting policy applied by them to report their financial position, unless required by law;
- (t) **(related party)** a member of Cape Alumina Group enters into or resolves to enter into a transaction with any related party of Cape Alumina as defined in section 228 of the Corporations Act;
- (u) **(tax liability)** Cape Alumina or any other member of Cape Alumina Group does anything that results in a taxable gain for Cape Alumina Group by either causing a Subsidiary to cease being

a member of Cape Alumina Group or causing Cape Alumina Group to cease being a consolidated group;

- (v) **(off-take)** a member of Cape Alumina Group entering into off-take or similar arrangements with respect to production from the Pisolite Hills or Bauxite Hills projects,

provided that a Cape Alumina Prescribed Occurrence does not include:

- (w) any issue of Cape Alumina shares pursuant to: (i) the exercise of options over unissued Cape Alumina shares, which options were granted before the date of this document; (ii) the vesting or exercise of employee rights or like interests, which were committed before the date of this document (ii) the conversion of the RCF Notes in accordance with the terms of the RCF Note Conversion Agreement;
- (x) any grant of options over unissued Cape Alumina shares in accordance with the RCF Note Conversion Agreement;
- (y) any matter required to be done or procured by Cape Alumina pursuant to this document or which is contemplated by the Scheme;
- (z) anything in connection with MetroCoal note (including entry into documents in connection with MetroCoal note);
- (aa) entry into, or completion of transactions contemplated by, agreements in respect of the transfer of EPM15054 and MLA20611 (the Hey Point tenements); or
- (bb) any other matter, the undertaking of which MetroCoal has approved in writing.

**Cape Alumina** means Cape Alumina Limited ACN 107 817 694.

**Cape Alumina Representations and Warranties** means the representations and warranties of Cape Alumina set out in Schedule 2 of the MIA.

**Competing Transaction** means a transaction or arrangement under which a person other than MetroCoal, Cape Alumina or their associates will, if the transaction or arrangement is entered into or completed:

- (a) acquire (whether directly or indirectly) or become the holder of, or otherwise acquire, have a right to acquire or have an economic interest in:
- (i) all or a substantial part of the assets (on a consolidated basis) of the party; or
- (ii) 20% or more of one or more classes of securities in the party;
- (b) acquire control (as determined in accordance with section 50AA of the Corporations Act) of the party;
- (c) otherwise acquire or merge with the party; or
- (d) enter into any agreement, arrangement or understanding requiring the party to abandon, or otherwise fail to proceed with, the Transaction.

For the purposes of paragraph (a)(i), the acquisition of an interest in a part of the assets (on a consolidated basis) of a party will be substantial if the assets represent 5% or more of the total consolidated assets of that party, but excludes any transaction or arrangement under which the counterparty would become a minority joint venture partner in an existing asset.

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

**Court** means the Federal Court or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Cape Alumina and MetroCoal.

**Encumbrance** means:

- (a) any mortgage, charge, pledge or lien, and any security interest or a preferential or adverse interest of any kind;
- (b) a title retention arrangement;
- (c) a right of any person to purchase, occupy or use assets (including under a hire purchase agreement, option, licence, lease, or agreement to purchase);
- (d) a right to set-off or right to withhold payment of a deposit or other money;

- (e) an easement, restrictive covenant, caveat or similar restriction over property (except, in the case of land, a covenant noted on the certificate of title to the land concerned);
- (f) an agreement to create any of the items referred to in paragraphs (a) to (e) above or to allow any of those items to exist;
- (g) a notice under section 255 *Income Tax Assessment Act 1936* (Cth), subdivision 260-A in schedule 1 *Taxation Administration Act 1953* (Cth), or any similar legislation; or
- (h) any other interest which constitutes a "security interest" as that term is defined in the PPS Act.

**Exclusivity Period** means the period from and including the date of this document to the earlier of:

- (a) the termination of this document in accordance with its terms; and
- (b) 31 December 2013.

**Financial Indebtedness** means any debt or other monetary liability (whether actual or contingent) in respect of moneys borrowed or raised or any financial accommodation including under or in respect of any:

- (a) bill, bond, debenture, note or similar instrument;
- (b) acceptance, endorsement or discounting arrangement;
- (c) guarantee;
- (d) finance or capital lease;
- (e) agreement for the deferral of a purchase price or other payment in relation to the acquisition of any asset or service; or
- (f) obligation to deliver goods or provide services paid for in advance by any financier.

**General Security Deed** means the general security deed securing the performance by Cape Alumina of obligations under MetroCoal note.

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

**Insolvency Event** means any of the following events occurring in relation to a party:

- (a) a liquidator, receiver, receiver and manager, administrator, official manager or other controller (as defined in the Corporations Act), trustee or controlling trustee or similar official is appointed over any of the property or undertaking of the party;
- (b) the party is, or becomes unable to, pay its debts when they are due or is or becomes unable to pay its debts within the meaning of the Corporations Act, or is presumed to be insolvent under the Corporations Act;
- (c) the party ceases to carry on business; or
- (d) an application or order is made for the liquidation of the party or a resolution is passed or any steps are taken to liquidate or pass a resolution for the liquidation of the party, otherwise than for the purpose of an amalgamation or reconstruction.

**Listing Rules** means the official listing rules of the ASX.

**Material Adverse Change** means a Cape Alumina Material Adverse Change or a MetroCoal Material Adverse Change, as the case requires.

**MetroCoal** means MetroCoal Limited ACN 117 763 443.

**MetroCoal Group** means MetroCoal and each of its Subsidiaries.

**MetroCoal Material Adverse Change** means any matter, event or circumstance which occurs, is announced or becomes known to Cape Alumina after the date of this document which (individually or when aggregated with all such matters, events or circumstances) has resulted in or is likely to result in either:

- (a) the value of consolidated net assets of MetroCoal Group being reduced by at least \$2.5 million against what they would have been but for the matters, events or circumstances; or
- (b) MetroCoal Group having less than \$6.8 million in cash or cash equivalents (including the face

value of MetroCoal note) which is solely available for expenditure on Cape Alumina's projects, plus additional cash or cash equivalents to offset the following:

- (i) all current liabilities;
- (ii) expenditure commitments for the forthcoming 12 months on projects other than those of Cape Alumina;
- (iii) estimated employee redundancy costs including accrued entitlements and bonuses,

but does not include:

- (c) any matter, event or circumstance arising from changes in economic or business conditions (including changes in commodity prices or currency exchange rates) which impact on MetroCoal and its competitors in a similar manner;
- (d) any change in taxation rates or the law relating to taxation, interest rates or general economic conditions which impact on MetroCoal and its competitors in a similar manner;
- (e) any reduction in the value of the consolidated net assets of MetroCoal Group as a consequence of any impairment of the assets of MetroCoal Group in accordance with relevant accounting policy and accounting standards;
- (f) any change in accounting policy required by law;
- (g) any change occurring directly or indirectly as a result of any matter, event or circumstance required by this document, the Scheme or the transactions contemplated by them; or
- (h) anything which is fully and fairly disclosed in an ASX filing by MetroCoal prior to the Execution Date.

**MetroCoal Prescribed Occurrence** means:

- (a) **(conversion)**: MetroCoal converts all or any of its shares into a larger or smaller number of shares;
- (b) **(reduction of share capital)**: MetroCoal resolves to reduce its share capital in any way;
- (c) **(buy-back)**: MetroCoal:
  - (i) enters into a buy-back agreement; or
  - (ii) resolves to approve the terms of a buy-back agreement under the Corporations Act;
- (d) **(distribution)**: MetroCoal makes or declares, or announces an intention to make or declare, any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie);
- (e) **(issuing or granting shares or options)**: a member of MetroCoal Group:
  - (i) issues shares;
  - (ii) grants an option over its shares; or
  - (iii) agrees to make such an issue or grant such an option,in each case to a person outside MetroCoal Group;
- (f) **(securities or other instruments)**: a member of MetroCoal Group:
  - (i) issues securities or other instruments convertible into shares or debt securities; or
  - (ii) agrees to issue securities or other instruments convertible into shares or debt securities,in each case to a person outside MetroCoal Group;
- (g) **(constitution)**: a member of MetroCoal Group adopts a new constitution or modifies or repeals its constitution or a provision of it;
- (h) **(disposals)**: a member of MetroCoal Group disposes, or agrees to dispose of the whole or a substantial part of its business or property;
- (i) **(acquisitions, disposals or tenders)**: a member of MetroCoal Group:
  - (i) acquires or disposes of (including by farm-out);
  - (ii) agrees to acquire or dispose of; or
  - (iii) offers, proposes, announces a bid or tenders for,

any business, assets, interest in a joint venture, entity or undertaking, the value of which exceeds \$200,000;

- (j) **(Encumbrances)**: a member of MetroCoal Group creates any Encumbrance over the whole or a substantial part of its business or property (other than in the ordinary course of business and other than a lien which arises by operation of law or legislation securing an obligation not yet due and consistent with past practice);
- (k) **(employment arrangements)**: a member of MetroCoal Group:
  - (i) materially increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors or employees;
  - (ii) accelerates the rights of any of its directors or employees to compensation or benefits of any kind; or
  - (iii) pays any of its directors or employees a termination or retention payment (otherwise than in accordance with an existing contract which, at the date of this document, is in place and has been disclosed to Cape Alumina),other than in the ordinary course of business, or as a result of contracted arrangements that are consistent with past practice and in effect at the date of this document;
- (l) **(commitments and settlements)**: a member of MetroCoal Group:
  - (i) enters into any contract or commitment involving revenue or expenditure by MetroCoal Group of more than \$200,000 over the term of the contract or commitment;
  - (ii) terminates or amends in a material manner any contract material to the conduct of MetroCoal Group's business or which involves revenue or expenditure of more than \$200,000 over the term of the contract;
  - (iii) waives any material third party default where the financial impact on MetroCoal Group will be in excess of \$200,000; or
  - (iv) accepts as a settlement or compromise of a material matter (relating to an amount in excess of \$200,000) less than the full compensation due to MetroCoal or a Subsidiary of MetroCoal;
- (m) **(financial arrangements)**: a member of MetroCoal Group amends (or agrees to amend) in any material respect any arrangement with its financial advisers in respect of the transactions contemplated by this document;
- (n) **(capital expenditure)**: a member of MetroCoal Group undertakes or agrees to undertake capital expenditure in excess of \$200,000 in aggregate;
- (o) **(insolvency)**: an Insolvency Event occurs in relation to any member of MetroCoal Group;
- (p) **(financial indebtedness)** a member of MetroCoal Group provides financial accommodation (irrespective of what form of Financial Indebtedness that accommodation takes) in excess of \$200,000;
- (q) **(derivatives)** a member of MetroCoal Group enters into any agreement, arrangement or transaction with respect to derivative instruments (including swaps, futures contracts, forward commitments, commodity derivatives or options) or similar instruments, except foreign currency hedges made in the ordinary course of business and in accordance with past practice;
- (r) **(breach of law)** a member of MetroCoal Group takes or omits to take action which results in a breach of law material to a member of MetroCoal Group;
- (s) **(accounting policy)** a member of MetroCoal Group changes any accounting policy applied by them to report their financial position unless required by law;
- (t) **(related party)** a member of MetroCoal Group enters into or resolves to enter into a transaction with any related party of MetroCoal as defined in section 228 of the Corporations Act; or
- (u) **(tax liability)** MetroCoal or any other member of MetroCoal Group does anything that results in a taxable gain for MetroCoal Group by either causing a Subsidiary to cease being a member of MetroCoal Group or causing MetroCoal Group to cease being a consolidated group,

provided that a MetroCoal Prescribed Occurrence does not include:

- (v) any issue of MetroCoal Shares pursuant to the exercise of options over unissued MetroCoal Shares, which options were granted before the date of this document;
- (w) any matter required to be done or procured by MetroCoal pursuant to this document or which is contemplated by the Scheme; or
- (x) any other matter, the undertaking of which Cape Alumina has approved in writing.

**MetroCoal Representations and Warranties** means the representations and warranties of MetroCoal set out in Schedule 2 of the MIA.

**MetroCoal Share** means a fully paid ordinary share in MetroCoal.

**MetroCoal Shareholders** means each registered as the holder of MetroCoal Shares.

**Performance Rights** means 3,210,973 performance rights granted by the Company.

**PPS Act** means Personal Property Securities Act.

**Prescribed Occurrence** means a Cape Alumina Prescribed Occurrence or a MetroCoal Prescribed Occurrence, as the case requires.

**RCF** means Resource Capital Fund IV IP of 1400, 16<sup>th</sup> Street, Suite 200, Denver, CO8020, USA.

**Scheme** means the scheme of arrangement between Cape Alumina and the Scheme Shareholders, in the form set out as Annexure A of the MIA.

**Scheme Meeting** means the meeting of Cape Alumina shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.

**Scheme Shareholders** means the Cape Alumina shareholders at the Record Date.

**Scheme Shares** means Cape Alumina shares held by Scheme Shareholders.

**Second Court Date** means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard.

**Subsidiaries** has the meaning given to it in the Corporations Act.

**Superior Proposal** means a publicly announced Competing Transaction for Cape Alumina or MetroCoal (as the case requires) that, taking into account all aspects of the Competing Transaction, is:

- (a) reasonably capable of being completed; and
- (b) more favourable to Cape Alumina shareholders or MetroCoal Shareholders (as the case requires) than the Scheme.

## Appendix C – MetroCoal convertible note

The MetroCoal secured loan and convertible note will have with the following terms:

- Cape Alumina is entitled to draw up to a total of \$3 million (**Principal Amount**), at its election, for the further advancement of the Pisolite Hills project and other corporate activities
- \$1 million is available on execution of the MIA. A further \$2 million is available subject to the approval of Cape Alumina shareholders by 31 December 2013 of the issue of a convertible note in respect of the further \$2 million and the grant of the general security in favour of MetroCoal (see below)
- Funds can be drawn down at any time up to 31 December 2013, subject to the abovementioned approval being obtained
- A convertible note in respect of the initial \$1 million will be issued on drawdown of that amount. If the balance of \$2 million is drawn down, a further convertible note in respect of that amount will be issued
- If the required Cape Alumina shareholder approvals are not obtained by 31 December 2013, MetroCoal may elect for the moneys owing to be repaid immediately. Repayment would then be made by the issue of shares in Cape Alumina to the extent of the \$1 million convertible note and/or payment in cash, at the election of Cape Alumina
- The secured loan and convertible note will remain in place regardless of whether the Scheme completes (unless there has otherwise been an event of default entitling MetroCoal to elect immediate repayment)
- The right to convert moneys owing into Cape Alumina shares will cease if the Scheme becomes effective
- The convertible note will have a term of 24 months during which Cape Alumina may elect to convert part or all of the monies owing under the note into shares of Cape Alumina
- The conversion price is calculated as the volume weighted average price of Cape Alumina shares over the 20 trading days immediately prior to the date of issue of the relevant conversion notice subject to a maximum conversion price of \$0.12 per share and a minimum conversion price of \$0.06 per share
- Cape Alumina may redeem the note in whole or part at any time up to the maturity date by written notice given to MetroCoal
- The interest rate of 10% per annum will apply from 1 January 2014. Interest will be capitalised and payable at the time the convertible note is repaid
- Subject to obtaining the approval of Cape Alumina's shareholders, Cape Alumina will grant a general security over its assets to MetroCoal. Following the conversion of the RCF convertible note, the MetroCoal general security will be first ranking over Cape Alumina's assets. Prior to the conversion of the RCF convertible note the MetroCoal general security will be second ranking over Cape Alumina's assets.

# Cape Alumina and MetroCoal proposed merger

**Creating a diversified bulk  
commodities company across  
bauxite and thermal coal**





# Disclaimer

Statements and material contained in this Presentation, particularly those regarding possible or assumed future performance, production levels or rates, commodity prices, resources or potential growth of Cape Alumina Limited and MetroCoal Limited, industry growth or other trend projections are, or may be, *forward looking statements*. Such statements relate to future events and expectations and, as such, involve known and unknown risks and uncertainties. Graphs used in the presentation (including data used in the graphs) are sourced from third parties and Cape Alumina and MetroCoal has not independently verified the information.

Cape Alumina and MetroCoal are at an early development stage and while they do not currently have a operating mine they are taking early and preliminary steps (such as but not limited to scoping studies etc.) that are intended to ultimately result in the building and construction of operating mines at their project areas. Although reasonable care has been taken to ensure that the facts stated in this Presentation are accurate and or that the opinions expressed are fair and reasonable, no reliance can be placed for any purpose whatsoever on the information contained in this document or on its completeness.

Actual results and developments may differ materially from those expressed or implied by these forward looking statements depending on a variety of factors. Nothing in this Presentation should be construed as either an offer to sell or a solicitation of an offer to buy or sell shares in any jurisdiction.

Technical information about exploration targets and ore resources on any Cape Alumina project in this Presentation had been compiled by Neil McLean, who is an employee of Cape Alumina Limited, a fellow of the Australian Institute of Mining and Metallurgy (F. AusIMM) and is a competent person and has relevant experience to the mineralisation being reported on to qualify as a Competent Person as defined by the 2004 edition of the Australasian Code for Reporting of Minerals Resources and Reserves. Neil McLean consents to the inclusion in the presentation of the matters based on the information in the form and context in which it appears. The resource information in this Presentation has been released to the Australian Securities Exchange (ASX).

The information in this presentation that relates to any MetroCoal project for the compilation of existing data and exploration results is based on information compiled by Mr Ed Radley who is a Member of the Australian Institute of Mining and Metallurgy (MAusIMM) (Membership No 300512). Mr Ed Radley is a fulltime employee of MetroCoal Ltd, in the role of Geological Manager, Mr Ed Radley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Ed Radley has consented in writing for inclusion in this announcement the matters based on the information in the form and context it appears.

# Compelling merger rationale

<b>Asset and risk diversification</b>	<ul style="list-style-type: none"> <li>• Diversified asset base and risk profile spread across two bulk commodities (bauxite and thermal coal); will provide increased resilience, improved returns and a strong long-term future</li> </ul>
<b>Strong near-term and long-term project pipeline</b>	<ul style="list-style-type: none"> <li>• Bauxite projects to be developed in near-term to capitalise on strong and growing global demand</li> <li>• Thermal coal projects to be developed in line with long-term opportunity and outlook</li> </ul>
<b>Strengthened balance sheet</b>	<ul style="list-style-type: none"> <li>• Enables accelerated development of near-term bauxite projects in strong global market.</li> <li>• Increased funding capability to underpin future growth</li> <li>• Significantly reduced overheads and regulatory and compliance costs</li> </ul>
<b>Increased scale and liquidity</b>	<ul style="list-style-type: none"> <li>• Combined market capitalisation of over \$28 million with increased liquidity for shareholders</li> </ul>
<b>Highly experienced leadership team</b>	<ul style="list-style-type: none"> <li>• Board and management team with extensive resource industry experience, a strong and committed vision and a track record in developing projects from exploration through to production</li> <li>• Equal representation of both companies on new Board</li> </ul>

# Key details of merger

<b>Structure</b>	<ul style="list-style-type: none"> <li>• Implemented via Scheme of Arrangement</li> <li>• MetroCoal to offer approximately 1.12 MTE shares for every 1 CBX share</li> <li>• MetroCoal to provide Cape Alumina with a \$3 million convertible note to supplement Cape Alumina working capital to accelerate work on the Pisolite Hills project (with \$1 million available on execution of the MIA and a further \$2 million available subject to the approval of Cape Alumina shareholders)</li> <li>• Major CBX shareholder Resource Capital Funds to convert \$5m convertible note into CBX shares at 12c per share</li> <li>• Cape Alumina Board unanimously recommends merger and will vote all shares in favour</li> </ul>
<b>Combined group</b>	<ul style="list-style-type: none"> <li>• CBX shareholders will hold 55% of merged entity; MTE shareholders will hold 45%</li> </ul>
<b>Board and management</b>	<ul style="list-style-type: none"> <li>• Chairman – Stephen Everett (MetroCoal)</li> <li>• Managing Director – Graeme Sherlock (Cape Alumina)</li> <li>• Remaining four Board positions to be allocated evenly from existing MTE and CBX directors</li> </ul>
<b>Consolidated Pro-forma financial</b>	<ul style="list-style-type: none"> <li>• 464.2m shares on issue, market capitalisation of \$28m (as at 20 September 2013)</li> <li>• Combined cash of \$12 million (as at 31 August 2013)</li> <li>• No significant debt</li> </ul>
<b>Key conditions</b>	<ul style="list-style-type: none"> <li>• Approval by CBX shareholders</li> <li>• Court and regulatory approvals</li> <li>• Major CBX shareholder Resource Capital Funds to convert \$5m convertible note into CBX shares at 12c per share</li> <li>• Independent experts concluding the Scheme is in the best interests of CBX shareholders</li> <li>• No MTE shareholder approval required as the transaction is structured as a CBX Scheme</li> </ul>

# Creating a diversified bulk commodities company

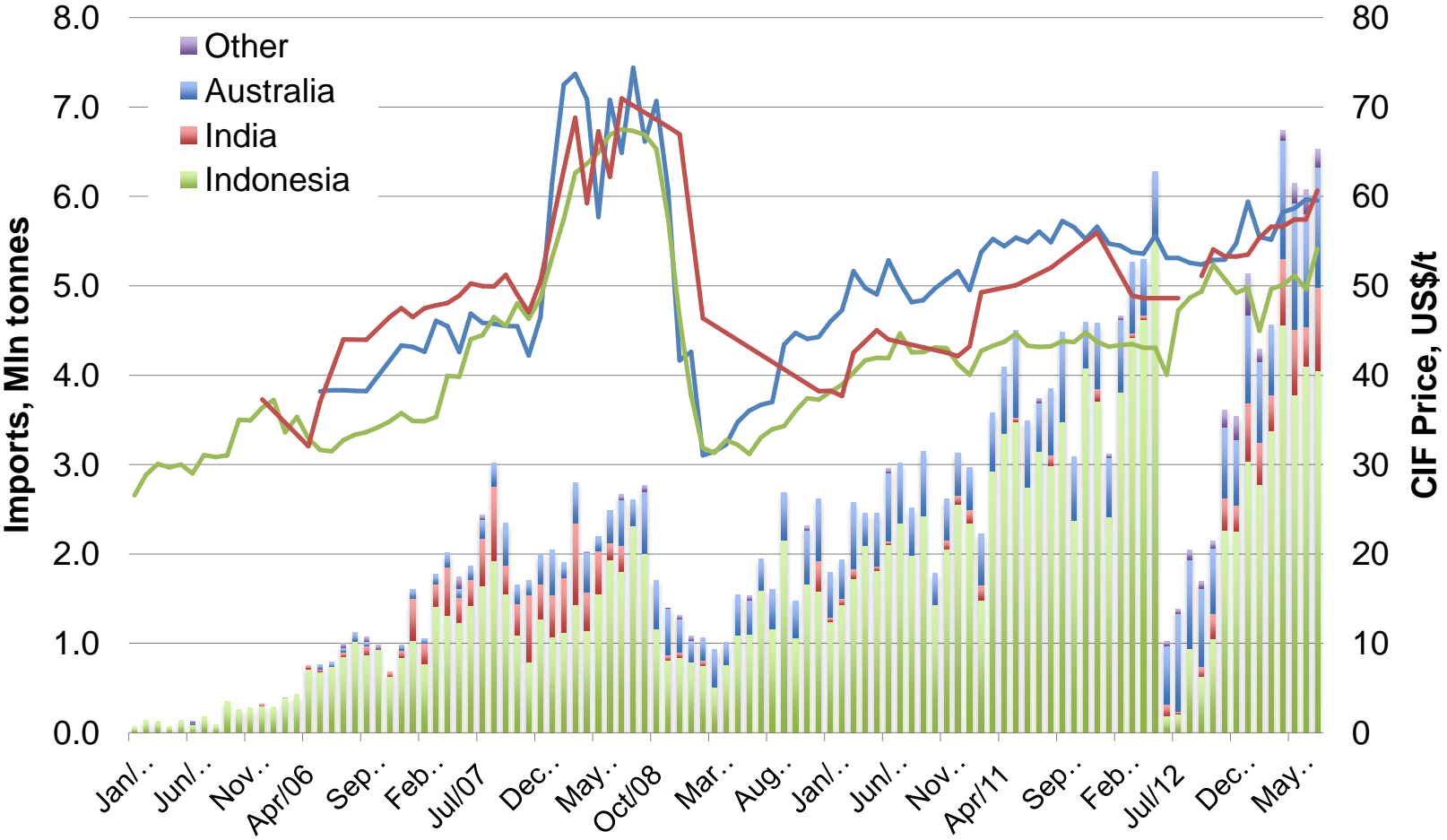
Cape Alumina	
<b>Business</b>	<ul style="list-style-type: none"> <li>• Australia's leading pure-play bauxite company</li> <li>• Business model based on establishing independent bauxite supply business to feed growing market for traded bauxite into China</li> </ul>
<b>Projects</b>	<ul style="list-style-type: none"> <li>• Flagship projects – Pisolite Hills and Bauxite Hills mine and port projects</li> <li>• Near-term project development pipeline – Pisolite Hills production targeted for 2015</li> </ul>
<b>Resources</b>	<ul style="list-style-type: none"> <li>• JORC compliant resources of 202.3Mt high quality, export-grade bauxite</li> <li>• Controls approx. 1,900 km<sup>2</sup> exploration tenements in western Cape York</li> </ul>
MetroCoal	
<b>Business</b>	<ul style="list-style-type: none"> <li>• Thermal coal company with extensive coal exploration tenements in the Surat Basin</li> </ul>
<b>Projects</b>	<ul style="list-style-type: none"> <li>• Flagship projects – Bundi Project (100% ownership)</li> <li>• Columboola Joint Venture (49% ownership) with SinoCoal Pty Ltd, Australian subsidiary of China Coal (one of China's largest coal companies)</li> <li>• Long-term development pipeline</li> </ul>
<b>Resources</b>	<ul style="list-style-type: none"> <li>• JORC compliant resources of 4.2Bt thermal coal</li> <li>• Controls 3,500km<sup>2</sup> coal exploration tenements in Surat Basin – one of the largest thermal coal resources in Australia</li> </ul>

# Near-term bauxite development opportunity

- World bauxite demand expected to reach 380m tonnes by 2022, a 51% increase on 251m tonnes in 2012\*
- Australian bauxite supply forecast to increase 48.5% during the same period, eventually reaching 112.5m tonnes\*
- Bauxite imports and prices to China currently at record highs and expected to continue to grow
- Australia has second largest bauxite reserves in the world
- World's largest bauxite exporter, Indonesia, has legislated to regulate exports from January 2014
- Australia expected to replace Indonesia as world's largest exporter of bauxite
- Cape York region well positioned to become China's preferred supplier due to high quality, export grade bauxite and proximity to export markets with no barriers to access

\*CRU International Limited

# Chinese imported bauxite volumes and prices are continuing to grow

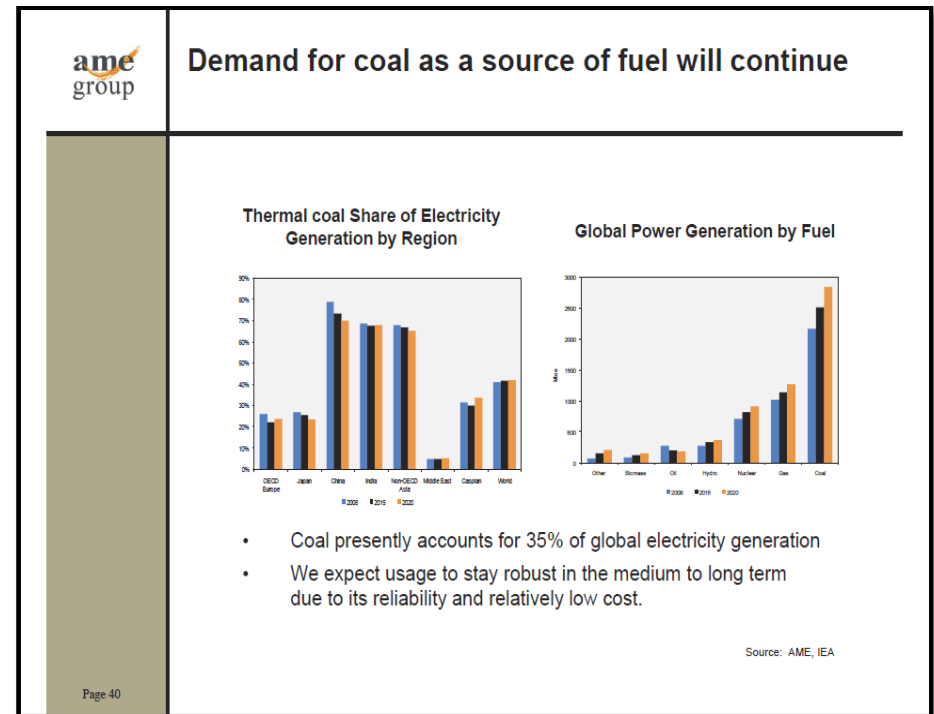


Source: CM Group



# Strong long-term thermal coal fundamentals

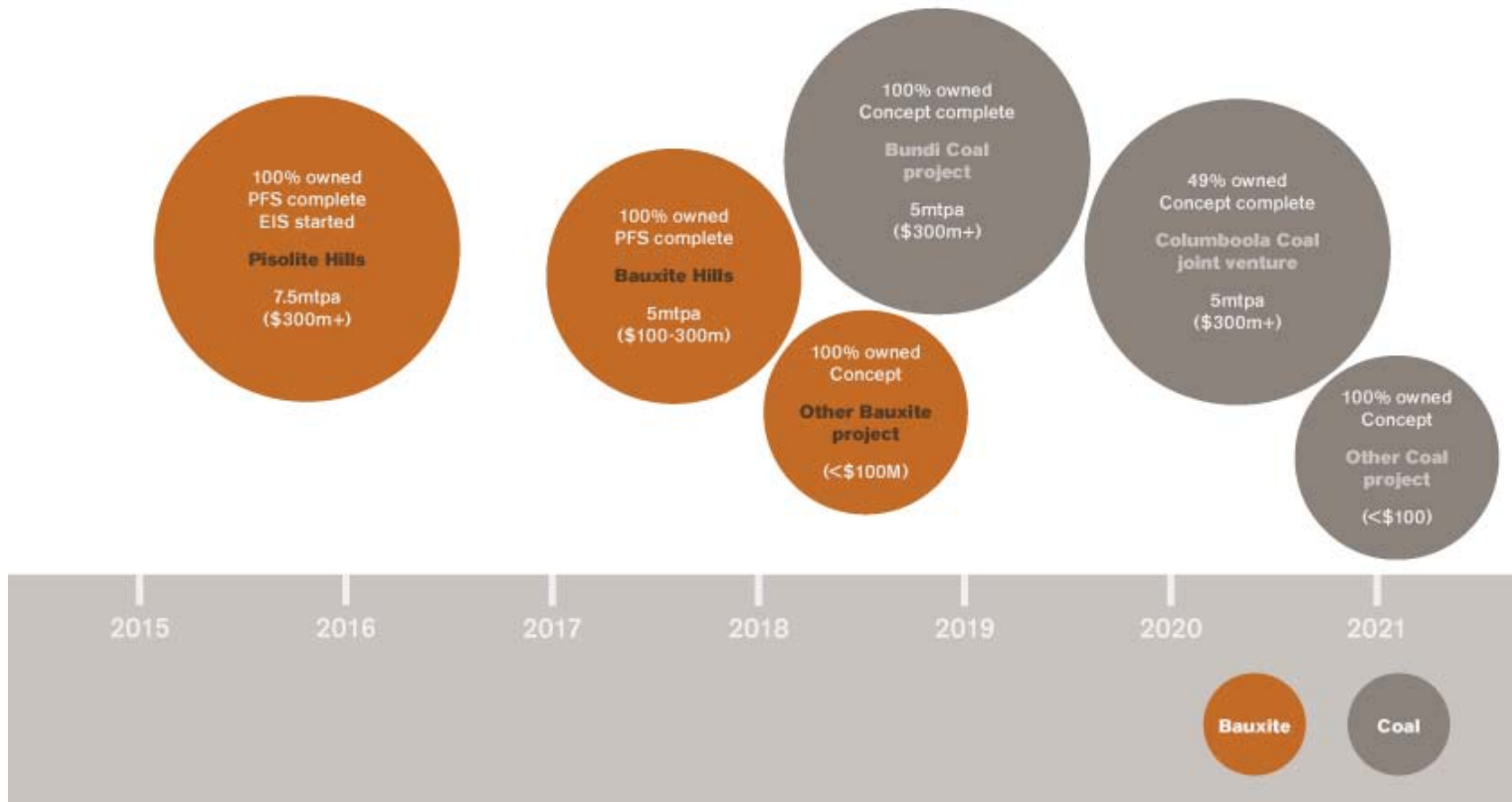
- World demand for energy continues to grow
- Coal market commentators continue to forecast strong growth in coal demand driven in particular by India and China
- Thermal coal demand from China and India expected to increase from 350m tonnes in 2013 to 1 billion tonnes by 2025\*
- The recent downturn in coal prices has adversely impacted the Australian coal industry and caused the deferral of a number of coal projects
- The forecast strong growth in coal demand will lead to price recovery and provide the platform for new coal mine development



\*WoodMackenzie

# Conceptual Project Pipeline

## Pipeline of major bauxite and thermal coal projects

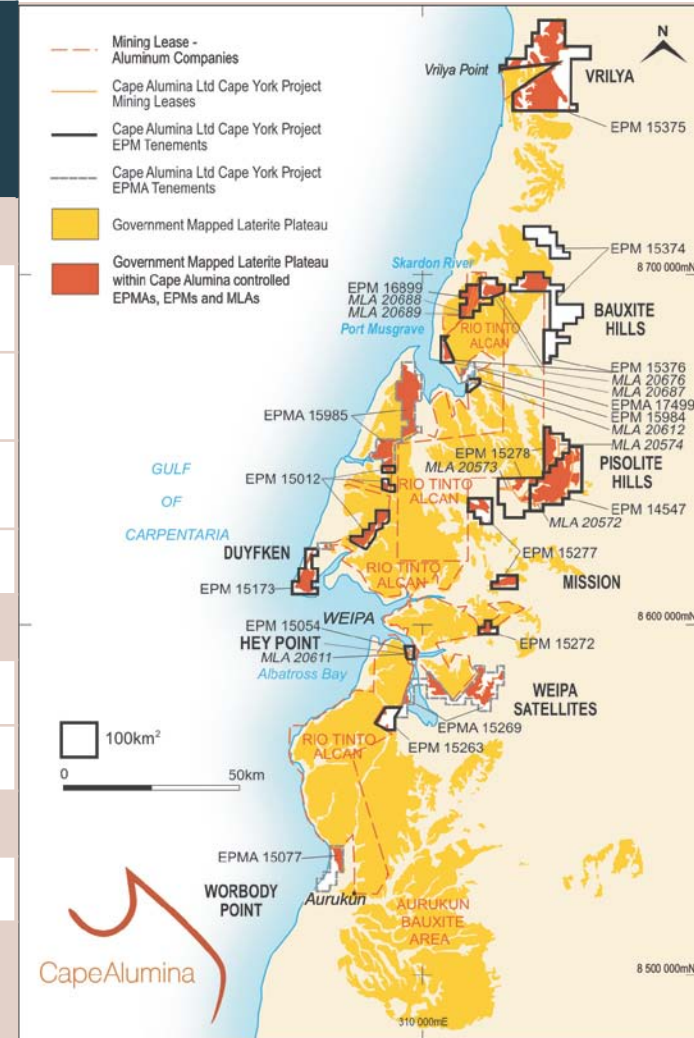


*This diagram is conceptual in nature and intended to illustrate the pipeline for delivery of the merged entity's bauxite and coal projects. The delivery of these projects is subject to relevant regulatory approvals, funding, infrastructure and successful completion of bankable feasibility studies. There is no guarantee that any of these projects will reach commercial production.*



# Cape Alumina resources and projects

Area	Resource category	In-situ dry tonnes (Mt)	Beneficiate d dry tonnes (Mt)	Total Al <sub>2</sub> O <sub>3</sub> (wt %)	Total SiO <sub>2</sub> (wt %)
<b>Pisolite Hills mine and port project</b>					
Pisolite Hills	Measured	27.5	20.1	54.4	10.8
Pisolite Hills	Indicated	56.1	37.9	53.5	12.5
Pisolite Hills	Inferred	48.8	29.3	53.1	13.2
Musgrave	Indicated	2.2	1.6	52.8	11.2
<b>Bauxite Hills mine and port project</b>					
BH1, 2 & 5	Inferred	60.2	41.3	51.6	9.6
BH4 & 5	Inferred	3.8	2.0	49.5	11.0
<b>Other projects</b>					
Hey Point *	Inferred	3.8	2.5	55.3	9.8
<b>Total</b>	<b>All categories</b>	<b>202.4</b>	<b>134.7</b>	<b>52.9</b>	<b>11.4</b>

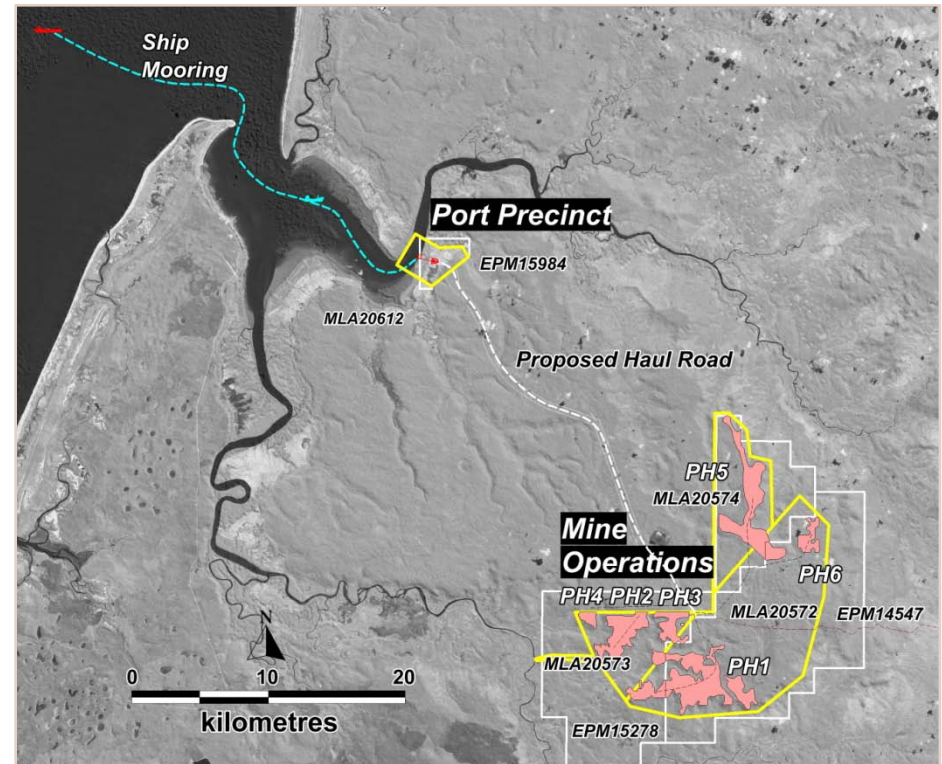


\*The Hey Point tenement has been sold to Racle Resources but has not yet transferred. Cape Alumina retains marketing rights and will receive a 2 to 3% royalty per tonne sold



# Pisolite Hills project

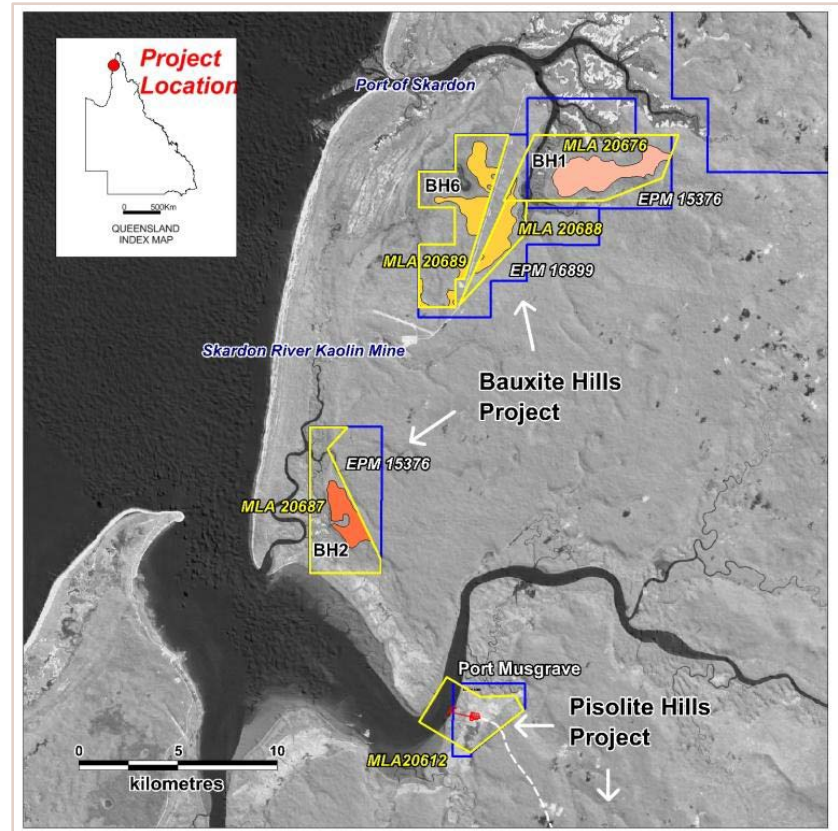
- 134.6Mt\* JORC-Code-compliant resource
- High-quality, export-grade bauxite
- More than 63% of resources in the 'Measured' and 'Indicated' categories
- Potential to yield up to 7.5Mt per annum (Mtpa) of dry-product bauxite over a 14 year period
- Located on elevated, open, dry bauxite plateaux close to coastal waters
- Production is targeted for 2015, subject to successful completion of all environmental studies and granting of all necessary State and Commonwealth Government permits



\*The 134.6 Mt of *in-situ* bauxite at Pisolite Hills is expected to yield 88.9 Mt (20.1 Mt Measured + 39.5 Mt Indicated + 29.3 Mt Inferred) of bauxite on a dry-product basis at average beneficiated grade of 53.1 per cent  $\text{Al}_2\text{O}_3$  and 12.3 per cent  $\text{SiO}_2$  (7.5 per cent reactive silica at 150 degrees Celsius)

# Bauxite Hills project

- 60Mt\* JORC-Code-compliant resource
- High quality, export grade bauxite
- Located approximately 95 km north of Weipa on western Cape York
- Location is only 5 km south-east of the existing port at Skardon River
- Bauxite well suited for use in low and high temperature alumina refineries
- Pre-feasibility study completed in 2012



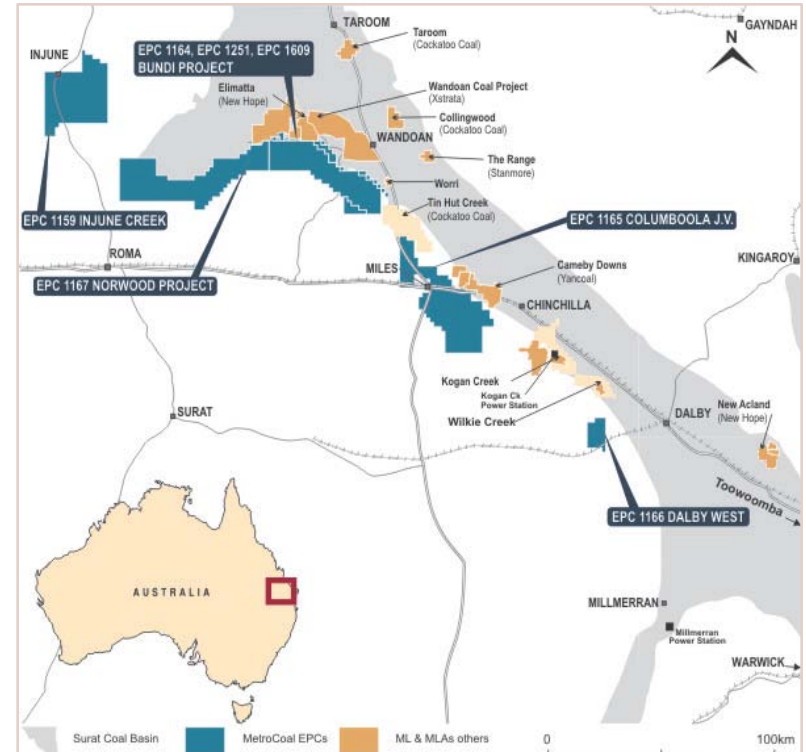
\*Combined Inferred Resources at Bauxite Hills' BH1, BH2 and BH6 deposits total 60.2 Mt of *in-situ* bauxite to yield 41.3 Mt of bauxite on a dry-product basis at average beneficiated grade of 51.6 per cent Alumina ( $Al_2O_3$ ) and 9.6 per cent Silica ( $SiO_2$ ).

# MetroCoal resources and projects

Project	MetroCoal Ownership	Resources (Mt)			Reserves (Mt)
		Indicated	Inferred	Total	
Bundi <sup>1</sup>	100%	246.3	1,315.8	1,562.1	
Columboola <sup>2</sup>	49%	94.7	1,618	1,712.7	
Goombi <sup>3</sup>	49%	4.9	13.8	18.7	
Dalby West <sup>4</sup>	100%		520	520	26.2
Juandah <sup>1</sup>	100%	24.4	224	248.4	
Norwood <sup>1</sup>	100%		156	156	
<b>Total</b>		<b>370.3</b>	<b>3,847.6</b>	<b>4,217.9</b>	<b>26.2</b>

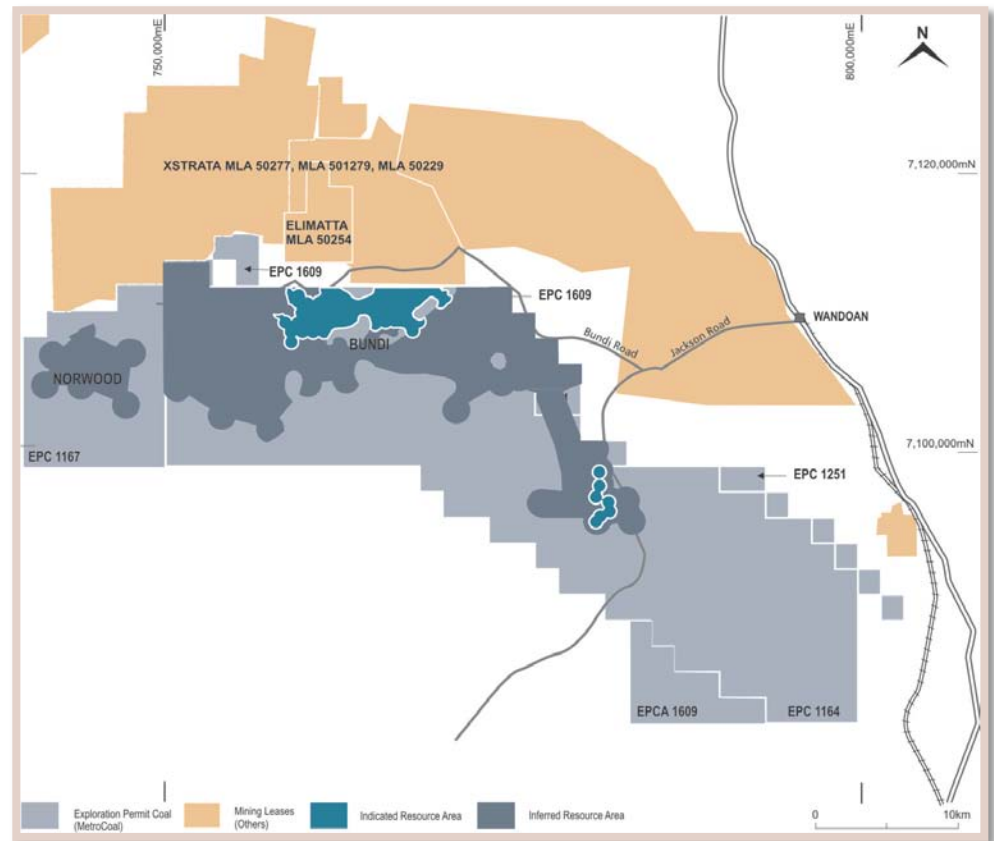
Refer:-

- 1 MTE ASX Announcement 19 July 2012 – Bundi Resource Upgrade and Project Update
- 2 MTE ASX Announcement 6 September 2012 – Maiden Indicated Resource for Columboola JV plus 26% increase in Inferred Resource
- 3 MTE ASX Announcement 19 December 2012 – Goombi Maiden Reserve Announced
- 4 MTE ASX Announcement 9 December 2011 – Dalby West Project – Maiden Inferred Resource of 520Mt



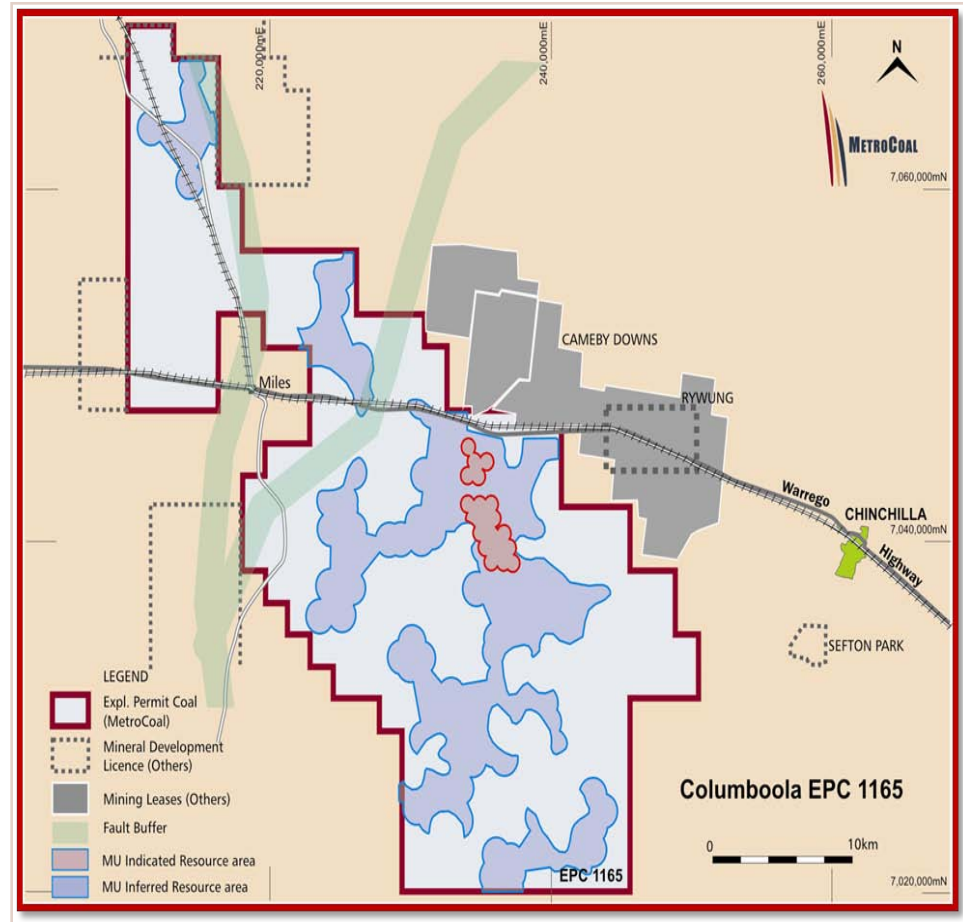
# Bundi Project

- EPC 1164, EPC 1251 & EPC 1609
- Located down dip of New Hope's Elimatta and Xstrata's Wandoan mining projects
- Extensive coal resource – 1.8Bt
- Comprehensive explorations with 176 holes completed
- Underground longwall seam identified
- Environmental Impact Studies (EIS) are underway
- Underground mining has a very small surface footprint



# Columboola Joint Venture

- Sound relationship with China Coal that continues to grow
- Completed wide space drilling and commenced closer spaced drilling in mining target areas
- Underground mining assessment commenced by X'ian Institute
- JV focus remains the establishment of a large scale underground mine
- Goombi open cut resource identified



# Indicative merger timeline

Activity	Date
Cape Alumina lodges draft Scheme booklet with ASIC	16 October 2013
Deed Poll executed by MetroCoal	4 November 2013
First court date	4 November 2013
Scheme booklet registered by ASIC and released on ASX	4 November 2013
Scheme booklet despatched to Cape Alumina shareholders	6 November 2013
Scheme meeting	9 December 2013
Second court date	12 December 2013
Effective date: office copy of Court order approving the Scheme lodged with ASIC	12 December 2013
Record date	19 December 2013
Implementation date	30 December 2013

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