

**MetroCoal Limited
and controlled entities**

ABN 45 117763 443

Interim Financial Report

**for the Half Year Ended
31 December 2013**

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METROCOAL LIMITED
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Interim Financial Report

Directors' Report

Your directors present their interim financial report on the consolidated entity consisting of MetroCoal Limited (the "Company" or "MetroCoal") and the entities it controlled at the end of, or during the half year ended 31 December 2013.

1. DIRECTORS

The names of the directors who held office during or since the end of the half-year:

- Stephen Everett (Independent Chairman)
- Andrew L Gillies (Non-executive Director)
- Michael K Hansel (Non-executive Director)
- Lindsay Ward (Non-executive Director)
- Dongping Wang (Non-executive Director)
- John K Haley (Alternate Director for Andrew Gillies and Company Secretary)
- Robert Finch (Alternate Director for Dongping Wang)

2. OPERATING RESULTS

The loss of the consolidated entity for the period was \$1,964,560 (31 December 2012: profit of \$1,045,717) after impairment losses of \$2,090,630.

3. REVIEW OF OPERATIONS

During the period:

- The company announced a merger with Cape Alumina Limited to create a diversified bauxite and thermal coal business with a staged development pipeline. The merger was terminated following an announcement by the Queensland government which would materially impact the viability of Cape Alumina's flagship Pisolite Hills project on western Cape York;
- The Company advanced \$1,000,000 to Cape Alumina Limited through a convertible note. Following the termination of the proposed merger, Cape Alumina Limited converted the \$1,000,000 convertible note into shares in Cape Alumina Limited, with the company now holding 16,666,667 shares (6.87%) in Cape Alumina Limited;
- The Company's Chief Operating Officer and Company Secretary, Mr Theo Psaros, resigned, with Mr John Haley, alternate director for Andrew Gillies, appointed as Company Secretary;
- The company completed its 2013 drilling program for its Bundi underground thermal coal project, announcing an increase in total resources to 1,753.2 Mt; and
- Invested \$2,079,579 in continuing its extensive drilling activities which resulted in significant increases in the consolidated entity's resources as outlined below:

Resource	Norwood	Bundi	Juandah	Columboola (49% JV)	Dalby West	Goombi(49% JV)	Total Resources
Inferred	156.0 Mt	1,481.6 Mt	224.0 Mt	1,618.0 Mt	520.0 Mt	13.8 Mt	4,013.4 Mt
Indicated	-	271.6 Mt	24.4 Mt	94.7 Mt	-	4.9 Mt	395.6 Mt
Total Resource	156.0 Mt	1,753.2 Mt	248.4 Mt	1,712.7 Mt	520.0 Mt	18.7 Mt	4,409.0 Mt
Reserves	-	-	-	-	-	26.2 Mt	26.2 Mt
Total Reserves	-	-	-	-	-	26.2 Mt	26.2 Mt

4. EVENTS SUBSEQUENT TO BALANCE DATE

No matter or circumstance has arisen since 31 December 2013 that has significantly affected, or may significantly affect:

- a) the entity's operations in the future financial years; or
- b) the results of those operations in future financial years; or
- c) the entity's state of affairs in future financial years,

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Directors' Report

5. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under Section 307C of the *Corporations Act 2001* is set out on page 3 for the half year ended 31 December 2013.

This report is signed in accordance with a resolution of the Board of Directors.

Signed:

A handwritten signature in black ink on a light yellow background. The signature is cursive and appears to read 'S. Everett'.

**Stephen Everett
Chairman**

Date: 18 February 2014

DECLARATION OF INDEPENDENCE BY ANTHONY WHYTE TO THE DIRECTORS OF METROCOAL LIMITED

As lead auditor for the review of MetroCoal Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

A J Whyte

Director



BDO Audit Pty Ltd

Brisbane: 18 February 2014

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Consolidated Statement of Comprehensive Income
for the half-year ended 31 December 2013

	Note	31 December 2013 \$	31 December 2012 \$
Other income		185,297	270,689
Employee benefits expense		(468,013)	(524,864)
Depreciation		(26,085)	(35,699)
Occupancy expenses		(54,570)	(56,240)
Impairment of investments		(550,000)	-
Impairment of exploration and evaluation assets		(1,540,630)	-
Other expenses		(310,457)	(489,009)
Results from operating activities		<u>(2,764,458)</u>	<u>(835,123)</u>
Finance income		165,999	304,480
Loss before income tax		<u>(2,598,459)</u>	<u>(530,643)</u>
Income tax benefit/(expense)		633,899	1,576,360
Net profit/(loss) for the period after income tax		<u>(1,964,560)</u>	<u>1,045,717</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>(1,964,560)</u>	<u>1,045,717</u>
		Cents	Cents
Basic earnings per share		(0.94)	0.50
Diluted earnings per share		(0.94)	0.50

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the notes to the financial statements.

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Consolidated Statement of Financial Position
as at 31 December 2013

	Note	31 December 2013 \$	30 June 2013 \$
Current assets			
Cash and cash equivalents		7,478,266	11,127,970
Trade and other receivables		105,541	264,855
Financial assets	2	376,441	375,493
Other assets		78,296	78,777
Total current assets		<u>8,038,544</u>	<u>11,847,095</u>
Non-current assets			
Available-for-sale financial assets	3	450,000	-
Plant and equipment		95,039	112,124
Exploration and evaluation assets		23,903,030	23,359,081
Total non-current assets		<u>24,448,069</u>	<u>23,471,205</u>
TOTAL ASSETS		<u><u>32,486,613</u></u>	<u><u>35,318,300</u></u>
Current liabilities			
Trade and other payables	4	196,559	984,706
Employee benefits		56,848	135,828
Total current liabilities		<u>253,407</u>	<u>1,120,534</u>
TOTAL LIABILITIES		<u><u>253,407</u></u>	<u><u>1,120,534</u></u>
NET ASSETS		<u><u>32,233,206</u></u>	<u><u>34,197,766</u></u>
Equity			
Contributed equity	5	45,149,187	45,149,187
Reserves		5,586,507	5,586,507
Accumulated losses		<u>(18,502,488)</u>	<u>(16,537,928)</u>
TOTAL EQUITY		<u><u>32,233,206</u></u>	<u><u>34,197,766</u></u>

The above Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

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Consolidated Statement of Changes in Equity
for the half year ended 31 December 2013

	Contributed equity \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2013	45,149,187	5,586,507	(16,537,928)	34,197,766
Loss after income tax expense for the half-year	-	-	(1,964,560)	(1,964,560)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,964,560)	(1,964,560)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	-	-	-	-
Share-based payments	-	-	-	-
Balance at 31 December 2013	45,149,187	5,586,507	(18,502,488)	32,233,206
Balance at 1 July 2012	45,149,187	5,497,915	(15,802,842)	34,844,260
Profit after income tax expense for the half-year	-	-	1,045,717	1,045,717
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	1,045,717	1,045,717
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	-	-	-	-
Share-based payments	-	88,592	-	88,592
Balance at 31 December 2012	45,149,187	5,586,507	(14,757,125)	35,978,569

The above Consolidated Statement of Changes of Equity should be read in conjunction with the notes to the financial statements.

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Consolidated Statement of Cash Flows
for the half-year ended 31 December 2013

	31 December 2013	31 December 2012
	\$	\$
Cash Flows From Operating Activities		
Receipts in the course of operations (inclusive of GST)	277,667	484,051
Payments to suppliers and employees (inclusive of GST)	(1,664,802)	(2,260,948)
R&D tax refund received	633,899	410,302
Interest received	192,111	292,729
Net cash used in operating activities	<u>(561,125)</u>	<u>(1,073,866)</u>
Cash Flows From Investing Activities		
Payments for investments	(1,000,000)	-
Proceeds from sale of property, plant and equipment	-	61,036
Payments for property, plant and equipment	(9,000)	(2,940)
Payments for exploration and evaluation assets	(2,079,579)	(3,062,536)
Net cash from/(used in) investing activities	<u>(3,088,579)</u>	<u>(3,004,440)</u>
Cash Flows From Financing Activities		
Proceeds from issue of shares	-	-
Share issue transaction costs	-	-
Net cash from financing activities	<u>-</u>	<u>-</u>
Net Increase (Decrease) in cash and cash equivalents	(3,649,704)	(4,078,306)
Cash and cash equivalents at the beginning of the half-year	<u>11,127,970</u>	<u>14,015,040</u>
Cash and cash equivalents at the end of the half-year	<u><u>7,478,266</u></u>	<u><u>9,936,734</u></u>

The above Consolidated Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

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Notes to the Financial Statements
for the half-year ended 31 December 2013

NOTE 1: BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2013 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards AASB 134: Interim Financial Reporting, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of MetroCoal Limited. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year for the consolidated entity. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the consolidated entity for the year ended 30 June 2013, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

New and revised standards have been issued by the AASB and are effective for the half year, however there are no material changes to the policies that affect measurement of the results or financial position of the entity.

NOTE 2: FINANCIAL ASSETS

Financial assets represent a term deposit \$376,441 (30 June 2013: \$375,493) with Macquarie Bank who hold security over this cash pursuant to the Bank Guarantee detailed in Note 6.

NOTE 3: AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2013	30 June 2013
	\$	\$
Listed equity securities	450,000	-
	<u>450,000</u>	<u>-</u>

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

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

At 31 December 2013, the company impaired its investment in Cape Alumina Limited by \$550,000. The Company's investment in Cape Alumina Limited at 31 December 2013 is measured as the Australian Securities Exchange quoted price for Cape Alumina Limited shares at that date.

NOTE 4: TRADE AND OTHER PAYABLES

	31 December 2013	30 June 2013
	\$	\$
Trade creditors and accruals	179,083	514,396
Other payables	17,476	470,310
	<u>196,559</u>	<u>984,706</u>

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for the half-year ended 31 December 2013

NOTE 5: CONTRIBUTED EQUITY

	31 December 2013	31 December 2012
	\$	\$
208,883,663 (30 June 2013: 208,883,663) fully paid ordinary shares	47,652,550	47,652,550
Transaction costs relating to share issues (net of tax)	(2,503,363)	(2,503,363)
	<u>45,149,187</u>	<u>45,149,187</u>

There were no shares issued during the current or comparative period.

Dividends

No dividends were declared or paid during the interim period.

NOTE 6: CONTINGENT LIABILITY

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

MetroCoal Limited has entered into a Feasibility Funding Deed with Wiggins Island Coal Export Terminal Pty Ltd (WICET) to fund a proportion of feasibility costs in return for securing terminal capacity for the planned port expansion at Wiggins Island, Gladstone. Under the requirements of this deed, on 3 December 2010 MetroCoal Limited provided WICET a bank guarantee for \$375,000 (30 June 2013: \$375,000) to cover their costs. Whilst the bank guarantee has not been called upon by WICET to balance date, WICET does have the capacity to call upon this bank guarantee issued in their favour.

In order to provide the bank guarantee, MetroCoal Limited has entered into an agreement with Macquarie Bank to allow the bank to take security over a term deposit of \$376,441 (30 June 2013: \$375,493). MetroCoal Limited has not provided any financial guarantees to Macquarie Bank in lieu of obtaining the bank guarantee necessary to meet the requirements of the WICET deed.

NOTE 7: SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2013 that has significantly affected or may significantly affect the operations, results or state of affairs of the consolidated entity in the following or future years.

NOTE 8: SEGMENT REPORTING

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

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

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Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 4 to 9 are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations*; and
 - b) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'Stephen Everett', is written over a light yellow rectangular background.

Stephen Everett
Chairman

Date: 18 February 2014

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of MetroCoal Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of MetroCoal Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MetroCoal Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MetroCoal Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO Audit Pty Ltd

BDO



A J Whyte

Director

Brisbane, 18 February 2014