



ACN 117 763 443

ASX ANNOUNCEMENT

10 October 2014

METROCOAL DECLARES BID FOR CAPE ALUMINA FREE OF ALL DEFEATING CONDITIONS

MetroCoal Limited (ASX: MTE) has today declared the takeover bid for Cape Alumina Limited (**Offer**) free from all Defeating Conditions (which are set out in section 11.2 of MetroCoal's Bidder's Statement dated 15 September 2014). This declaration guarantees that MetroCoal will proceed with the bid and all accepting Cape Alumina shareholders will be issued MetroCoal shares.

As at the date of this announcement MetroCoal has a relevant interest in 64.52% of the issued capital of Cape Alumina.

Stephen Everett, MetroCoal's Chairman, stated "Cape Alumina shareholders are encouraged to accept the bid which will provide benefits and avoid the risks that were outlined in the Bidder's Statement."

This view was supported by Cape Alumina as indicated in the attached letter signed by George Lloyd (non-executive director and takeover response committee chairman), which was provided to all Cape Alumina shareholders on 6 October 2014.

Further, in Cape Alumina's Target's Statement dated 15 September 2015, the non-associated directors of Cape Alumina recommended that shareholders accept the Offer in the absence of a superior proposal, and have said that they intend to accept the Offer in respect of the Cape Shares held or controlled by them, for the reasons below (provided on pages 4-5 of the Target's Statement):

1. The MetroCoal Offer is fair and reasonable.
2. The combined company will have a mix of short to medium term (bauxite resources from Cape Alumina) and medium to longer term (coal resources from MetroCoal) value creation projects, which will provide shareholders with shares in a diversified bulk commodities company and asset and risk diversification.
3. The combined company will have better access to funding and better prospects for development of the Bauxite Hills project than Cape Alumina on its own.

Cape Alumina has insufficient cash resources to effectively progress the development of the Bauxite Hills project, at a rate and in a timeframe to allow it to benefit from the strengthening bauxite market, without raising significant additional cash in the short term, probably on unfavourable terms.

4. Improved share liquidity.

At 4 August 2014 the top four shareholders of Cape Alumina accounted for 82.2% of the issued capital of the Company. If the Offer is successful, the top four shareholders will account for approximately 52% of the issued capital of MetroCoal which should lead to improved liquidity for the Cape Alumina Shareholders who accept the Offer (where the offer becomes unconditional).

5. Shareholders will avoid being a minority shareholder in Cape Alumina which will be controlled by MetroCoal.

6. No superior offer or proposal from a third party has emerged to date.

In the letter to shareholders in the Target's Statement, George Lloyd stated that:

"Your Non-Associated Directors' recommendation is based not only on the assessment of the Independent Expert but also on the view that successful development of the Bauxite Hills Project will require significant additional funds in the short term and that the MetroCoal Offer provides short term funding certainty which will enable the company to progress the development of the Bauxite Hills project in a timely manner. Furthermore, the acceptance of the MetroCoal Offer will lead to significantly improved liquidity for Cape Shareholders meaning that your shares will be easier to trade and the share price may better reflect the actual market value of the combined group's projects."

The closing date of the Offer is 17 October 2014, unless the Offer is extended. Cape Alumina shareholders must accept the Offer before the closing date (if they have not already done) so or they will lose the opportunity to participate in the Offer.

If the shareholders have any questions on the offer or require a new offer acceptance form, they are encouraged to contact the MetroCoal Offer Information Line on 1300 138 914.

For further information please contact:

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Chief Executive Officer

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Further information on MetroCoal can be found on our website www.metrocoal.com.au

ASX release

6 October 2014

Independent Directors Recommend Acceptance of MetroCoal Bid

The Directors of Cape Alumina Limited who are independent of MetroCoal Limited (Non-Associated Directors) strongly recommend that Cape Alumina shareholders accept the takeover offer which was announced by MetroCoal Limited on 4 August 2014 (the MetroCoal Bid).

The offer, which is 1 MetroCoal share for every 1.3 Cape Alumina shares not already held by MetroCoal, is currently scheduled to close on 17 October 2014.

In Cape Alumina's Target's Statement, which was issued on 15 September 2014, the Non-Associated Directors recommended that, in the absence of a superior offer, shareholders accept the MetroCoal Bid. At the time of writing no superior offer has emerged and MetroCoal is now entitled to 63.37% of the issued capital of Cape Alumina.

The reasons for the recommendation, which are set out more fully in the Target's Statement, include:

- The independent expert which was appointed to assess the MetroCoal Bid has determined that it is fair and reasonable to the shareholders of Cape Alumina,
- The combined company will have a mix of short and medium to longer term value creation projects,
- The combined company will have better access to funding and better prospects for development of the Bauxite Hills project than Cape Alumina on its own, and
- Acceptance of MetroCoal Bid will provide Cape Alumina shareholders with improved share liquidity which should mean that shares are easier to buy and sell and the share price should better reflect the value of the combined company's assets.

At the date of this letter neither of Cape Alumina's two major shareholders have indicated whether they intend to accept the MetroCoal Bid.

Notwithstanding this, the Non-Associated Directors urge Cape Alumina shareholders to accept the MetroCoal Bid and avoid being minority shareholders in Cape Alumina in the event that the MetroCoal Bid is declared unconditional but MetroCoal does not proceed to compulsory acquisition of the outstanding Cape Alumina shares.

Cape Alumina shareholders are encouraged to read the Target's Statement in full and, if in any doubt as to how to deal with the document, to consult their legal, financial or other professional adviser as soon as possible.

If you have misplaced your acceptance form or wish to receive another copy of Cape Alumina's Target's Statement please contact +61 7 3009 8009.



George Lloyd
Chairman
Takeover Response Committee
Cape Alumina Limited